



# CY4GATE S.P.A. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as at 30 June 2024

Approved by the Board of Directors on 12 September 2024

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



## THE CY4GATE GROUP

### Corporate Data of the Parent

**CY4Gate S.p.A.**

**Registered office: Via Coponia 8 -  
00131 Rome (Italy)**

**Share capital Euro 1,441,499.94 fully  
paid up**

**Company Register Number:  
13129151000**

**Economic and Administrative Index:  
RM - 1426295**

**VAT no. 13129151000**

**[www.cy4gate.com](http://www.cy4gate.com)**

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## **CORPORATE BODIES AND INDEPENDENT AUDITORS**

### **BOARD OF DIRECTORS**

Chair	Domitilla Benigni
Chief Executive Officer	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

\* Independent Director pursuant to Article 147-ter, paragraph 4, and Article 148, paragraph 3, of the Italian Consolidated Law on Finance and Article 2 of the Italian Corporate Governance Code

### **BOARD OF STATUTORY AUDITORS**

Chair	Stefano Fiorini
Standing Auditor	Paolo Grecco
Standing Auditor	Daniela Delfrate
Alternate Auditor	Allegra Piccini
Alternate Auditor	Alberto Trabucchi

### **INDEPENDENT AUDITORS**

KPMG S.p.A., in office until the shareholders' meeting to approve the financial statements as at 31 December 2031

# MANAGEMENT REPORT AS AT 30 JUNE 2024

## Group financial performance and key performance indicators

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The results for the first half of 2024 confirm the strength of the CY4Gate Group in both the government and corporate sectors. The Group has structured itself to ensure a progressive, yet solid, course of business development, demonstrating sustainable growth, albeit partly conditioned by the usual turnover seasonality, historically concentrated in the second half of the year, particularly in the last three months of the year, especially in the defence segment and export.

The results for the first six months of 2024 show a growing performance trend for cyber security, supported by important projects in the institutional sphere, with the Cyber Range in particular being the driving force; the cyber security segment also benefited from the consolidation of XTN Cognitive Security Srl ("XTN"), a subsidiary acquired at the beginning of the year in partnership with Alfa Group S.p.A., operating in the cyber security sector and a leader in the fight against digital fraud, with a significant footprint in banking and also developing in other markets. Recently included in Gartner's peer insight, RTA reports a renewed interest in the corporate market, with good prospects for the end of the year, also in the OT/IoT security sector.

The acquisition of XTN, which follows the previous M&A transactions of the Aurora Group in 2022 (now RCS Group), market leader in the Forensic Intelligence segment, and of 55.33% of Diateam S.a.S. in 2023, a French company specialising in the design and development of technologies applied to cyber security, confirms the CY4Gate management goal to ensure the implementation of the path undertaken to establish an all-round national expertise and technologies hub in the cyber intelligence and cyber security sector, through a portfolio of proprietary products capable of providing an integrated response to important digital transformation and cyber security projects, enabling significant technical synergies, a rapid go-to-market and access to new important market segments.

For both cyber security and cyber intelligence, projects are underway that have led to the signing of new contracts with the Armed Forces, and which will enable further orders to be acquired presumably in the second half of the year. The forensic market in Italy is growing, and the Group's activities aimed at increasing market share for the acquisition of probative evidence using proprietary electronic devices led to an increase in turnover of about Euro 1 million in the half-year under examination compared to the first half of last year with the same ministerial budget. While institutional sales in the country are in line with expectations, foreign sales are more affected by seasonal factors. The Group is seriously focussing on this stream in terms of enabling technologies.

### GROUP'S KEY PERFORMANCE INDICATORS

CY4Gate's management assesses the Group's performance on the basis of the following indicators. In particular, EBITDA is used as the main profitability indicator, as it allows the Group's margins to be analysed by disregarding the effects of volatility caused by non-recurring, exceptional economic elements or factors not pertaining to ordinary operations. In addition to the financial indicators required by the International Financial Reporting Standards (IFRS), some indicators derived from them are outlined below, although not required by the IFRS (Alternative Performance Measures) and the components of each of these indicators:

- **EBITDA:** is calculated by adjusting the profit or loss for the period to exclude the effect of taxes, net financial income (expense), depreciation, amortisation, impairments of financial assets, as well as expenses deemed by the Group to be non-recurring and exceptional, mainly related to M&A transactions;
- **EBIT:** is calculated by adjusting the profit or loss for the period to exclude the effect of taxes and net financial income (expense);

- **Adjusted EBIT:** this is calculated by adjusting the profit or loss for the period to exclude the effect of taxes, net financial income (expense), expenses considered by the Group to be non-recurring and exceptional, as well as the amortisation arising from the purchase price allocation (PPA) resulting from the allocation of part of the acquisition price of RCS ETM Sicurezza S.p.A. (RCS) and 55.33% of the share capital of Diateam S.a.S. (Diateam) in intangible assets;
- **EBITDA Margin:** is calculated as the ratio of EBITDA, as described above, to total revenue;
- **Net Financial Position (NFP):** is calculated by subtracting cash and cash equivalents and financial assets from current and non-current financial liabilities;
- **Adjusted Net Financial Position (Adjusted NFP):** is calculated by excluding from the Net Financial Position events deemed by the Group to be non-characteristic and/or related to non-recurring transactions as well as the amount of treasury shares. In particular, the financial liabilities recognised in connection with the Diateam and XTN business combinations, in order to reflect the present value of the liabilities arising from the put liabilities under the acquisition agreements, respectively on: (i) for the investee Diateam, the remaining 44.67% of the share capital; (ii) for the investee XTN, 2.20% of the share capital held by some of the non-controlling interests.

These indicators reflect the main economic and financial indicators adjusted for non-recurring income and expense that are not strictly related to core business and operations, and thus allow an analysis of performance that is more consistent with previous periods.

The main changes in the Group's performance compared to the previous period are set out below.

It should be noted that the figures for the first half of 2024, compared to the comparative data, include the balances of XTN acquired in January 2024.

## CONSOLIDATED RECLASSIFIED STATEMENT OF PROFIT AND LOSS

Reclassified Statement of Profit and Loss		
(in euro)	H1 2024	H1 2023
Revenue	29,847,984	33,096,965
Other Revenue and income	1,290,966	989,417
<b>Total revenue</b>	<b>31,138,950</b>	<b>34,086,382</b>
Purchases, services and other operating costs	12,810,806	13,165,510
Personnel expense	15,948,975	15,400,002
<b>Costs</b>	<b>28,759,780</b>	<b>28,565,513</b>
<b>EBITDA</b>	<b>2,379,170</b>	<b>5,520,869</b>
<b>EBITDA Margin</b>	<b>7.6%</b>	<b>16.2%</b>
Amortisation, depreciation, impairment losses on financial assets	(7,568,755)	(6,399,316)
<b>Adjusted EBIT</b>	<b>(5,189,585)</b>	<b>(878,447)</b>
Amortisation/depreciation (PPA-related)	(2,259,709)	(2,045,428)
<b>EBIT</b>	<b>(7,449,294)</b>	<b>(2,923,875)</b>
Financial Income (Expense)	(1,467,836)	(917,067)
Extraordinary costs (one off)	(225,412)	(2,440,767)
Taxes	(59,043)	3,278,125
<b>Loss for the Period</b>	<b>(9,201,585)</b>	<b>(3,003,585)</b>
<i>of which attributable to non-controlling interests</i>	<i>807,411</i>	<i>392,709</i>
<b>Basic loss per share</b>	<b>(0.39)</b>	<b>(0.13)</b>

\* The comparative figures for the first half of 2023 have been restated to include the effect of the Purchase Price Allocation of Diateam SaS (fully consolidated as of 1 January 2023); this transaction was completed in the second half of 2023.

With reference to the investee Diateam S.a.S., as required by IFRS 3, the CY4Gate Group has incorporated the values retrospectively to the date of acquisition (1 January 2023) in this consolidated interim financial report as at and for the six months ended 30 June 2024, resulting in a restatement of the comparative values, with particular reference to the amortisation of intangible assets identified following the completion of the Purchase Price Allocation (PPA) at the end of the 2023 financial year. The restatement of comparative values is detailed in the following table:

Restatement of comparative values (in euro)	Reported values		Effects of PPA	Restated Values 30/06/2023
	30/06/2023			
<b>Consolidated Statement of Profit and Loss</b>				
Amortisation, depreciation, impairment losses on financial assets *	-8,230,463	-214,281		-8,444,744
Taxes	3,224,556	53,570		3,278,126
<b>Loss for the period</b>	<b>-5,005,907</b>	<b>-160,711</b>		<b>-5,166,618</b>

\* Including amortisation/depreciation related to the PPA

## CONSOLIDATED RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Reclassified Statement of financial position (in euro)	As of	
	30/06/2024	31/12/2023
<b>Non-current assets</b>	<b>97,506,183</b>	<b>87,936,990</b>
Inventories	961,812	759,066
Contract assets, net	3,521,814	3,109,905
Trade receivables	50,800,222	53,651,186
Trade payables	(13,407,149)	(14,377,973)
<b>Operating Working Capital</b>	<b>41,876,699</b>	<b>43,142,184</b>
Other liabilities, net	(13,634,619)	(6,307,719)
<b>Net Working Capital</b>	<b>28,242,080</b>	<b>36,834,465</b>
<b>Net Invested Capital</b>	<b>125,748,263</b>	<b>124,771,455</b>
Cash and cash equivalents	22,622,938	17,561,190
Financial assets	1,394,389	1,369,509
Financial liabilities	(45,329,395)	(28,798,386)
Lease liabilities	(4,094,510)	(3,778,467)
<b>Net Financial Position</b>	<b>(25,406,578)</b>	<b>(13,646,154)</b>
Liabilities for put options	(6,299,440)	(5,740,397)
Treasury shares in portfolio	(3,214,883)	(1,600,410)
<b>Adjusted Net Financial Position</b>	<b>(15,892,254)</b>	<b>(6,305,347)</b>
<b>Equity</b>	<b>(100,341,686)</b>	<b>(111,125,300)</b>
<b>Total sources</b>	<b>(125,748,264)</b>	<b>(124,771,455)</b>

Revenue as at 30 June 2024 amounted to Euro 31.1 million, a decrease of 8.6 % compared to 30 June 2023 (Euro 34.1 million). This decrease is mainly attributable to the lack of revenue from foreign orders in the first half of 2024, unlike in the first half of 2023.

Costs amounted to Euro 28.8 million, in line with the first half of 2023, despite the inclusion of XTN in the Group's scope. Net of the acquired company, costs decreased by 4.5% compared to the comparative period.

Amortisation, depreciation and impairment losses increased by Euro 1.2 million, mainly due to the amortisation of development costs also capitalised by the subsidiary RCS as of 2023.

**EBITDA** was positive for Euro 2.4 million, while **EBIT** was negative for Euro 7.4 million. In particular, the operating loss was affected by higher depreciation and amortisation as a result of cumulative investments made to support growth. As a result of the above, the loss for the period amounted to Euro 9.2 million (Euro 3.0 million as at 30 June 2023).

**Equity** amounted to Euro 100.3 million (Euro 111.1 million as at 31 December 2023).

The **Net Financial Position** amounted to Euro 25.4 million (Euro 13.6 million as at 31 December 2023), with financial liabilities exceeding financial assets. This trend is mostly related to the cash absorption in the first months of the financial year due to the significant business seasonality; the capital absorption to finance the acquisition of 77.8% of XTN in January 2024 for Euro 4.3 million; as well as capex for the period.

Financial liabilities and lease liabilities amounted to Euro 49.4 million. The increase of about Euro 16.8 million compared to 31 December 2023 (Euro 32.6 million) was mainly due to the effect of the drawing of available credit lines during the half-year net of redemptions, for Euro 15 million. Drawings were made in part for the acquisition of XTN and in part to finance capex for the period.

The **Adjusted Net Financial Position** of Euro 15.9 million (Euro 6.3 million as at 31 December 2023) of financial liabilities in excess of financial assets, excludes the amount of treasury shares held by the company for Euro 3.2 million, as well as the financial liability (totalling Euro 6.3 million) recognised as a balancing entry to goodwill to reflect, in the context of the anticipated acquisition method adopted by the Group, the present value of the liabilities arising from the put options envisaged by the acquisition agreement of Diateam on the remaining non-controlling interests (put exercisable by the non-controlling interest purchasers in the 2024-2026 three-year period) and of XTN on an additional 2.2% of the share capital. The change in put option liabilities compared to 31 December 2023 attributable to this present value update amounted to Euro 256 thousand of increased Diateam put option liabilities, and Euro 274 thousand of XTN put option liabilities in the half-year.

## NET FINANCIAL POSITION

The following table provides details of the composition of the Group's Net Financial Position as at 30 June 2024, as required by Consob Communication No. DEM/6064293 of 28 July 2006 and in accordance with Consob Notice No. 5/21 of 29 April 2021 with reference to Guideline ESMA32-382-1138 of 4 March 2021.

<i>(in Euro)</i>	For the period/year closed at	
	30/06/2024	31/12/2023
A. Cash and cash equivalents	(22,622,938)	(17,561,190)
B. Cash equivalents	-	-
C. Other current financial assets	(986,746)	(985,189)
<b>D. Liquidity (A+B+C)</b>	<b>(23,609,684)</b>	<b>(18,546,379)</b>
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1,263,404	1,297,081
F. Current portion of non-current financial debt	13,437,570	8,030,891
<b>G. Current financial debt (E+F)</b>	<b>14,700,974</b>	<b>9,327,972</b>
<b>H Net current financial debt (G+D)</b>	<b>(8,908,710)</b>	<b>(9,218,407)</b>
I. Non-current financial debt (excluding current portion and debt instruments)	34,381,645	22,932,633
J. Debt instruments	-	-
K. Trade payables and other non-current liabilities	-	-
<b>L. Non-current net financial debt (I+J+K)</b>	<b>34,381,645</b>	<b>22,932,633</b>
<b>M. Total financial debt (H+L)</b>	<b>25,472,935</b>	<b>13,714,226</b>
N. Non-current financial assets	(66,359)	(68,066)
<b>Net Financial Position (M-N)</b>	<b>25,406,576</b>	<b>13,646,160</b>



The item “C. Other current financial assets” includes the item of the condensed interim consolidated financial statements as at 30 June 2024 related to Current financial assets (Euro 1,217,856) with the exclusion of derivatives classified under this item.

Item “E. Current Financial Debt” includes the current portion of bank loans and borrowings as at 30 June 2024. As at that date, there were no other loans and borrowings or other bank facilities due entirely within 12 months.

The item “F. Current portion of non-current financial debt” includes the current portion of the condensed interim consolidated financial statements item related to bank loans and borrowings (Euro 10,201,727), other loans and borrowings mainly includes payables to financial institutions (Euro 82,906), other bank facilities are composed of payables for advances on invoices and credit card balances (Euro 421,150), the liability related to put options on business combinations (Euro 1,719,889), lease liabilities (Euro 1,243,008), and the current portion of derivative financial instruments assets (Euro 231,110).

Item “I. Non-current financial debt” includes the items of the condensed interim consolidated financial statements as at 30 June 2024 relating to Non-current Financial Liabilities related to bank loans and borrowings (Euro 26,992,046), other loans and borrowings (Euro 5,000), other bank facilities (Euro 233,873), the liability related to the put options on business combinations (Euro 4,572,334), lease liabilities (Euro 2,851,501) and the non-current portion of derivative financial instruments assets (Euro 110,174).

The item “N. Non-current financial assets” corresponds to the item of the condensed interim consolidated financial statements as at 30 June 2024 related to Non-current financial assets (Euro 176,533) with the exclusion of derivative financial instruments assets classified under this item.

## HUMAN RESOURCES

With reference to the human resources employed during the six-month period, the Group carries out its activities in full compliance with environmental and workplace health and safety regulations, as well as in accordance with applicable foreign local regulations. Below is a breakdown of the CY4Gate Group’s workforce as at 30 June 2024, showing changes in the last six months period.

### COMPOSITION AND CHANGES IN THE WORKFORCE

	Executives	Middle Managers	White-collar Employees	Apprentices	Total
<b>31/12/2023</b>	23	73	360	48	<b>504</b>
<b>XTN acquisition</b>	-	2	23	-	<b>25</b>
<b>new hires (+)</b>	2	7	26	5	<b>40</b>
<b>promotions</b>	-	1	-	(1)	<b>-</b>
<b>departures (-)</b>	-	(4)	23	(2)	<b>(29)</b>
<b>30/06/2024</b>	<b>25</b>	<b>79</b>	<b>386</b>	<b>50</b>	<b>540</b>

	Executives	Middle Managers	White-collar Employees	Total
<b>Average number of employees as at 30/06/2024</b>	25	81	440	<b>546</b>
<b>Average number of employees as at 31/12/2023</b>	23	74	398	<b>495</b>

## SIGNIFICANT EVENTS OF THE PERIOD

### ACQUISITION OF XTN COGNITIVE SECURITY LTD

On 16 January 2024, following the signing of the previous Preliminary Agreement on 14 November 2023 and upon the occurrence of certain conditions precedent, in partnership with the Alfa Group, Cy4Gate signed the agreement for the overall purchase of 97.8% of XTN Cognitive Security S.r.l., according to the following proportions:

- CY4Gate acquired 77.8% of the share capital;
- Alfa Group acquired 20% of the share capital;
- The remaining 2.2% is held by Management.

The total consideration for the transaction amounts to Euro 12.7 million. At the time this report has been drafted, 80% of the total consideration has been paid; 69.7% by CY4Gate and 10.3% by Alfa Group. The remaining 20% will be paid by 30 June 2027 and this amount may be reduced by up to 20% based on the results of the newly acquired company as at 31 December 2026.

### REPURCHASE OF TREASURY SHARES

On 27 February 2024, the share buyback programme initiated on 8 August 2023 and implemented in accordance with the authorisation of the Shareholders' Meeting of 27 April 2023 came to an end. As part of the aforementioned programme, CY4Gate S.p.A. carried out transactions on the Euronext Milan Market - STAR Segment in the period between 8 August 2023 and 27 February 2024 inclusive, for a total of 450,000 ordinary CY4Gate S.p.A. shares equal to the maximum number of shares that may be purchased and amounting to 1.91% of the share capital, for a total value of Euro 3,198,423.

### NEW CONTRACTS ACQUIRED

- On 11 March 2024, the CY4Gate Group signed contracts for advanced research and development activities in the field of cyber security for a total value of more than Euro 600 thousand and a duration of 12 months, in partnership with a leading Italian high-tech company operating in the domestic and foreign markets;
- On 13 March, the Group was awarded a contract on decision intelligence with a foreign institutional client for a total value of about Euro 850 thousand over 12 months;
- On 3 April, the Group signed a contract worth Euro 6.5 million with ELT Group for advanced research and development activities in the field of decision intelligence and cyber security for the defence sector, to be performed within the year;
- On 23 April, contracts were signed by the Group with prestigious national banking sector companies for the acquisition and extension of the anti-fraud XTN Cognitive SecurityPlatform®. The contracts have a total value of more than Euro 1 million and a duration of 12 months;
- On 13 March CY4Gate was awarded a two-year contract worth a total of around Euro 1 million for cyber security solutions for a leading Italian high-tech company operating in the domestic and foreign markets;
- On 21 May, CY4Gate was awarded three projects, part of three international research tenders in the context of the European Defence Fund (EDF) and of the Digital Europe Programme (DEP). The projects have a total value of approximately Euro 1.7 million over three years starting in 2025;
- On 17 June, the Group signed contracts with a duration of about one year, with a value of about Euro 1.7 million for decision intelligence solutions in foreign markets.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

### PURCHASE OF AN ADDITIONAL INTEREST IN DIATEAM S.A.S.

On 26 July 2024, following the exercise of the “Put & Call” option agreements exercisable in the 2024-2026 three-year period and signed at the time of the purchase of the first 55.33% of Diateam S.a.S., CY4Gate S.p.A. signed the closing for the purchase of a further 15.33% interest in the French investee at a price of Euro 1.6 million, thus reaching a holding of 70.66% of its share capital.

### PURCHASE OF AN ADDITIONAL INTEREST IN STIL

In July 2024, RCS acquired a further 30% interest in the company Servizi Tattici Informativi Legali S.r.l. (“STIL” in short), thereby holding its entire share capital. In the same month, the companies’ Boards of Directors approved the merger of STIL into RCS.

### PRONTOCYBER PLUS S.R.L.

On 23 July 2024, together with CDP Venture Capital SGR, Italy’s leading venture capital manager held by CDP Equity (70%) and Invitalia (30%), through the Boost Innovation Fund, a corporate venture building instrument, CY4Gate S.p.A. signed binding agreements to enter into a strategic partnership through the establishment of ProntoCyber Plus S.r.l., a joint venture with headquarters in Rome, dedicated to the cyber security of SMEs. The company will be endowed with a total of Euro 3 million in assets and capital, which can be increased up to Euro 9.5 million by the shareholders to finance its further growth.

## BUSINESS OUTLOOK

The Group will continue along the growth path it has embarked upon, aiming at a robust consolidation, streamlining and creation of synergies with acquired companies, always promoting the maintenance of technological excellence and enhancing the broad product portfolio that today can rely on leading-edge cyber solutions capable of supporting the most challenging customer needs.

The Group’s strategy aims at:

- intercepting the growing needs of the Defence market, characterised by significant investments at global level, and by multi-year contracts of significant size, accelerating the creation of backlogs and thus, contributing - together with the Corporate market - to the reduction of seasonality risks;
- further consolidating Italy’s leadership position in the Security & Law Enforcement market (with initiatives aimed at mitigating the potential effects of the reforms initiated in the sector by the Ministry of Justice) and strengthening growth in EU countries by making it structural;
- ensuring a greater and more significant presence in the cyber security Corporate Italy market, with a gradual expansion in Europe over the subsequent two years; a greater presence in the Corporate market will represent an important tool for mitigating the seasonality of the Group’s business, supporting the generation of a recurring revenue stream during the year.

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

### DEFENCE

- strengthening industrial partnerships with Italian and European major players in the Aerospace & Defence segment;
- opening up new markets abroad, exploiting the potential offered by the Cyber Academy and Cyber Labs training

- activities as “entry point capabilities” to then launch upselling initiatives;
- increasing market share in the domestic and international market both through direct sales to the end customer and through the support of the ELT Group, founder and major shareholder of CY4Gate, which can rely on a consolidated presence of more than 70 years in the Defence market;
- direct and/or partnership participation in EU (EDA, ESA) or NATO tenders funding cyber research and development;
- membership in international consortia or JVs for multi-year defence programmes abroad, where local presence is required as an enabling requirement to meet offset obligations.

#### SECURITY & LAW ENFORCEMENT;

- consolidation in the Italian market, with a focus on the most relevant (in terms of business) Public Prosecutors’ Offices;
- implementation of targeted technology partnerships with “boutique” companies with a view to sharing investments to reduce the need for (human and financial) resources required to manage the rapid obsolescence of typical technologies;
- increased market share both in Italy and abroad on newly developed tactical devices produced by the Group;
- gradual improvement of its presence in the European area, which offers guarantees of greater business predictability and stability, starting with the Spanish market where the Group can already count on a long-term presence.

#### CORPORATE ITALY and EU MARKET

- in line with new market trends and with the strength of a relevant cyber products baskets, a distinctive “customer value proposition” will be implemented, focusing on “capabilities” rather than “products”. In this new model, products and technologies will be the enabling factors to provide the all-round capabilities that customers need to meet their cyber protection needs;
- integration of sales force efforts with new and effective channel partnerships (Attiva is a recent example);
- expansion of the domestic market with a focus on large and medium-sized companies, thanks to a renewed sales team, expert in the sector and geographically located in the areas of greatest business interest;
- by exploiting the network of customers derived from the acquisition of XTN, action will be taken to pursue up-selling and cross-selling opportunities in new market segments (banking, automotive, luxury, etc.);
- gradual expansion of sales over the three-year period into new EU geographical areas, forging partnerships with channels operating abroad and promoting the development of an international sales team;
- continued scouting of potential targets to support organic growth with ad hoc M&A initiatives in the second part of the three-year period.

Based on the events of the first half of 2024 and the growing Defence needs that have already been addressed by the Group through synergies with the parent ELT S.p.A., the year will be characterised by the development of major projects in the area of cyber security.

## MAIN RISKS AND UNCERTAINTIES

### Risk Management

The Group is exposed to financial risks related to its operations, in particular related to the following:

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

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

#### Interest rate risk

In its choice of financing and investment transactions, the Group has adopted criteria of prudence and limited risk and has not entered into speculative transactions. It should be noted that the Group intended to hedge its financial risk, and in particular the risk of rising interest rates, by entering into interest rate swap contracts, financial instruments to hedge the risk of interest rate fluctuations applied to variable rates loan agreements. The above-mentioned "Interest Rate Swaps" are to be understood as hedging transactions and their impact on the result for the period is solely due to the recognition of positive and negative differentials on interest rates accrued as at 30 June 2024. The main data of these contracts are summarised below:

Bank	Date of agreement	Expiry date	Notional principal (euro)	Outstanding principal (euro)	Fair Value as at 30/06/24 (euro)
INTESA	18/01/2024	30/11/2026	2,750,000	2,750,000	(1,804)
INTESA	25/06/2021	25/06/2025	2,813,751	754,019	17,942
ICCREA	24/05/2022	29/03/2028	5,000,000	4,000,000	127,704
CREDIT AGRICOLE	24/05/2022	29/03/2028	7,500,000	6,000,000	197,442

#### Currency risk

The Group believes that it is not significantly exposed to exchange rate fluctuations; therefore, it does not engage in derivative financial instruments transactions to hedge against currency risk. In particular, although the Group also conducts its business abroad, its exposure to foreign countries is limited and there are no financial liabilities in currencies other than the euro.

#### Price risk

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

#### Credit risk

Credit risk arises mainly from receivables from customers. To mitigate credit risk related to commercial counterparties,

the Group has put in place procedures to limit the concentration of exposures on individual counterparties or groups, through a creditworthiness analysis. Constant monitoring of receivables status allows the Group to promptly verify any defaults or deterioration in the creditworthiness of counterparties and to take appropriate mitigating actions. Finally, it should be noted that credit risk is further limited in view of the characteristics of the customers, which are largely public sector entities.

### **Liquidity risk**

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

### **Equity risk**

The Group's objective in managing equity risk is primarily to safeguard business continuity so as to ensure returns to shareholders and benefits to all stakeholders. The Group also aims to maintain an optimal capital structure in order to reduce the cost of debt.

### **Authorisation risk**

The Group operates in a sector characterised by multiple specific legal and regulatory disciplines. In particular, the Group's business is affected by these regulations insofar as they may influence the obtaining of authorisations necessary for the sale of new products and services in particularly regulated markets. The procedures that must be followed to obtain such authorisations can be lengthy, costly and the result is not guaranteed. This risk is particularly significant in connection with the seasonality of the Group's business, characterised by a marked concentration in the last quarter of the year.

### **Reputational risk**

The Group maintains, also through leading market players, business relations with foreign governments, also outside the European Union. In this regard, it should be noted that some of the non-EU countries in which the Group operates present characteristics of political instability, which translates into a more frequent change in governments than the natural expiry of their respective electoral mandate. The occurrence of such changes at governmental level entails the risk that the newly appointed governmental referents may prefer to purchase the Group's services from third-party operators, thus negatively affecting the Group's business initiatives. In light of the above, in connection with the authorisation risk discussed above, the occurrence of geopolitical contingencies could lead to a change in the orientation of governmental units that could slow down or deny sales authorisations.

### **Human resources risk**

The Group operates in a sector characterised by the need for companies to avail themselves of highly specialised personnel with high technical and professional skills and, therefore, the Group's success also depends on its ability to attract, train and retain personnel with the required level of specialisation and technical and professional skills.

### **Technological risk**

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

reference market.

## **RELATED PARTY TRANSACTIONS**

The transactions concluded by the Group with related parties in the half-year under review were of a commercial and financial nature and were carried out at arm's length. Please refer to Note 25 of the Condensed Interim Consolidated Financial Statements for a detailed description of the transactions in the first half of 2024.

It should be noted that in 2020 CY4Gate adopted a specific "Procedure for Related Party Transactions" (hereinafter the "Procedure") - effective from 24 June 2020 - pursuant to the "Regulation containing provisions relating to transactions with related parties" issued by Consob with resolution no. 17221 of 12 March 2010, as amended and supplemented (hereinafter the "Regulation"), as well as in implementation of Article 2391-bis of the Italian Civil Code. Please note that the Procedure was updated on 27 June 2023 to incorporate the amendments required by Borsa Italiana with notice no. 22008 of 25 June 2021.

The aforementioned Procedure is available on the Parent's website ([www.cy4gate.com](http://www.cy4gate.com), Governance section, Corporate Documents area). Pursuant to Article 5, paragraph 8, of the Regulation, it should be noted that in 2023 no transactions of greater importance (as defined by Article 4, paragraph 1, letter a) and identified by the aforementioned Procedure pursuant to Appendix 3 to the Regulation), nor other transactions with related parties that materially affected the consolidated statement of financial position in the reporting period, were concluded. For details, see Note 25 to the Condensed Interim Consolidated Financial Statements.

## **OTHER INFORMATION**

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### **Shares in parent companies**

CY4Gate S.p.A. does not own shares or quotas of parent companies, and no Group company made any acquisitions or disposals of shares or quotas of parent companies during the period, either directly or through trust companies or intermediaries.

### **Treasury shares of the parent held by the same company or its subsidiaries**

It is hereby certified that CY4Gate S.p.A. held 450,000 treasury shares as at 30 June 2024, with a total value of Euro 3.2 million.

### **Management and Coordination**

CY4Gate S.p.A. is not subject to management and coordination by any of its shareholders pursuant to Article 2497 et seq. of the Italian Civil Code, having verified that the presumption set forth in Article 2497-sexies of the Italian Civil Code does not apply.



KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Curtatone, 3  
00185 ROMA RM  
Telefono +39 06 80961.1  
Email [it-fmauditaly@kpmg.it](mailto:it-fmauditaly@kpmg.it)  
PEC [kpmgspa@pec.kpmg.it](mailto:kpmgspa@pec.kpmg.it)

**(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 2024, 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 2024 have not been prepared, in all material respects, in accordance with the International





**CY4Gate Group**

*Report on review of condensed interim consolidated financial statements*

*30 June 2024*

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

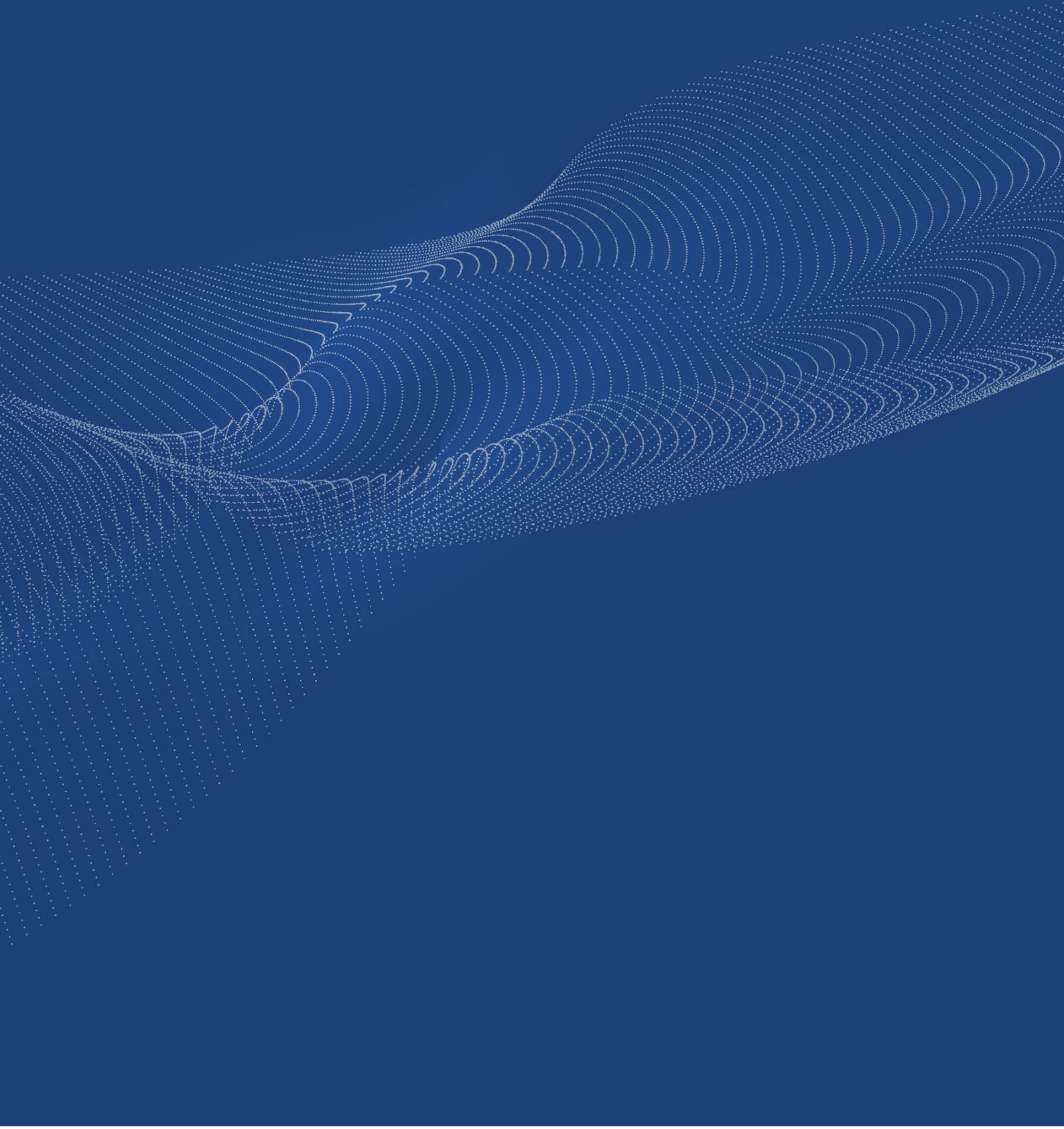
Rome, 13 September 2024

KPMG S.p.A.

(signed on the original)

Matteo Ferrucci  
Director of Audit

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT  
30 JUNE 2024**



*INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2024*



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(in Euro)	Note	For the six months ended 30 June			
		2024	of which to related parties:	2023	of which to related parties:
Revenue	1	29,847,984	3,830,965	33,096,965	1,560,034
Other revenue and income	2	1,290,966	-	989,417	-
<b>Total revenue</b>		<b>31,138,950</b>	<b>3,830,965</b>	<b>34,086,382</b>	<b>1,560,034</b>
Purchases, services and personnel expenses	3	(28,563,049)	(229,678)	(30,697,274)	(187,264)
Amortisation, depreciation, net impairment losses on financial assets	4	(9,828,463)	-	(8,444,744)	-
Other operating costs	5	(422,143)	-	(309,007)	-
<b>Costs</b>		<b>(38,813,655)</b>	<b>(229,678)</b>	<b>(39,451,025)</b>	<b>(187,264)</b>
<b>Operating loss</b>		<b>(7,674,705)</b>	<b>3,601,287</b>	<b>(5,364,643)</b>	<b>1,372,770</b>
Net financial expense	6	(1,467,837)	-	(917,067)	-
Financial income		177,282	-	199,128	-
Financial expense		(1,645,119)	-	(1,116,195)	-
<b>Loss before tax</b>		<b>(9,142,542)</b>	<b>3,601,287</b>	<b>(6,281,710)</b>	<b>1,372,770</b>
Income taxes	7	(59,043)	-	3,278,125	-
<b>Loss for the period</b>		<b>(9,201,585)</b>	<b>3,601,287</b>	<b>(3,003,585)</b>	<b>1,372,770</b>
<i>of which:</i>					
<i>Profit attributable to non-controlling interests</i>		807,411		392,709	
<i>Loss attributable to the Group</i>		(10,008,996)		(3,396,294)	

\* The comparative figures for the first half of 2023 have been restated to include the effect of the Purchase Price Allocation of Diateam SaS (fully consolidated as of 1 January 2023); this transaction was completed in the second half of 2023.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in Euro)</i>	For the six months ended 30 June	
	2024	2023
<b>Loss for the period</b>	<b>(9,201,584)</b>	<b>(3,003,585)</b>
Actuarial gains/(losses) on defined benefit plans	(9,331)	36,814
Related tax	2,239	(20,255)
Net actuarial gains/(losses) on defined benefit plans	(7,091)	16,559
<b>Other items that will not be subsequently reclassified to profit or loss</b>	<b>(7,091)</b>	<b>16,559</b>
Translation of functional currency other than the Euro		
Fair value gains (losses) on cash flow hedges	19,023	(31,817)
<i>Fair value gains (losses) on cash flow hedges</i>	25,030	(41,865)
<i>Related tax</i>	(6,007)	10,048
<b>Other items that may be subsequently reclassified to profit or loss</b>	<b>19,023</b>	<b>(31,817)</b>
<b>Other comprehensive income, net of tax effect</b>	<b>11,932</b>	<b>(15,258)</b>
<b>Comprehensive loss for the period</b>	<b>(9,189,652)</b>	<b>(3,018,843)</b>
<i>of which:</i>		
<i>Comprehensive income attributable to non-controlling interests</i>	807,411	392,709
<i>Comprehensive loss attributable to the Group</i>	(9,997,063)	(3,411,552)

\* The comparative figures for the first half of 2023 have been restated to include the effect of the Purchase Price Allocation of Diateam SaS (fully consolidated as of 1 January 2023); this transaction was completed in the second half of 2023.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Euro)	Note	As at 30 June	as at 31 December	2023	of which to related parties:
		2024	of which to related parties:		
Intangible Assets and Goodwill	9/10	83,993,739	-	76,429,227	-
<i>Goodwill</i>	9	50,234,579	-	42,080,435	-
<i>Intangible Assets</i>	10	33,759,161	-	34,348,792	-
Property, Plant and Equipment	11	8,979,794	-	7,295,123	-
Right-of-use assets	12	3,966,198	818,595	3,646,191	958,502
Non-current financial assets	13	176,533	19,000	153,210	19,000
Equity-accounted investees		566,451	-	566,451	-
Non-current tax assets	14	8,650	-	-	-
Deferred Tax Assets	18	3,670,027	-	3,518,420	-
Other non-current assets	18	1,492,223	-	1,461,872	-
<b>Non-current Assets</b>		<b>102,853,615</b>	<b>837,595</b>	<b>93,070,494</b>	<b>977,502</b>
Inventories	15	961,812	-	759,066	-
Contract assets	16	4,357,587	1,578,250	3,609,079	1,748,572
Trade receivables	17	50,800,222	4,538,924	53,651,186	5,727,691
Current tax assets	14	168,888	-	394,446	-
Other current assets	18	5,942,811	-	8,586,008	-
Current financial assets	13	1,217,856	-	1,216,299	-
Cash and cash equivalents	19	22,622,938	-	17,561,190	-
<b>Current Assets</b>		<b>86,072,115</b>	<b>6,117,174</b>	<b>85,777,274</b>	<b>7,476,263</b>
<b>Total assets</b>		<b>188,925,730</b>	<b>6,954,769</b>	<b>178,847,768</b>	<b>8,453,765</b>
Share Capital	20	1,441,500	-	1,441,500	-
Share premium reserve	20	108,539,944	-	108,539,944	-
Reserves	20	(3,220,873)	-	9,272,847	-
Loss for the period/year	20	(10,008,996)	-	(10,704,682)	-
<b>Equity attributable to the Group</b>		<b>96,751,575</b>	-	<b>108,549,609</b>	-
Equity attributable to non-controlling interests		2,799,613	-	2,575,691	-
Profit (loss) for the period attributable to non-controlling interests		807,411	-	-	-
<b>Total equity</b>		<b>100,358,598</b>	-	<b>111,125,300</b>	-
Employee benefits - non-current	21	4,123,522	-	3,581,384	-
Non-current provisions		-	-	-	-
Other non-current liabilities	24	2,112,526	-	447,636	-
Non-current financial liabilities	22	31,640,318	-	20,446,325	-
Non-current lease liabilities	22	2,851,501	602,764	2,571,452	729,795
Deferred tax liabilities	7	1,660,335	-	2,284,071	-
<b>Total non-current liabilities</b>		<b>42,551,137</b>	<b>602,764</b>	<b>29,330,868</b>	<b>729,795</b>
Provisions for risks and charges		-	-	78,660	-
Trade payables	23	13,407,149	375,871	14,377,973	485,727
Current financial liabilities	22	13,689,076	-	8,352,067	-
Current lease liabilities	22	1,243,008	253,149	1,207,015	244,994
Contract liabilities	16	835,773	239,247	499,174	182,823
Tax liabilities	14	1,200,878	-	1,030,777	-
Other current liabilities	24	15,803,044	-	12,845,934	-
<b>Total current liabilities</b>		<b>46,015,995</b>	<b>868,267</b>	<b>38,391,600</b>	<b>913,544</b>
<b>Total liabilities</b>		<b>88,567,132</b>	<b>1,471,031</b>	<b>67,722,468</b>	<b>1,643,339</b>
<b>Total equity and liabilities</b>		<b>188,925,730</b>	<b>1,471,031</b>	<b>178,847,768</b>	<b>1,643,339</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in Euro)</i>	Note	Share Capital	Share premium reserve	Reserves	Profit (loss) for the year/period	Total equity attributable to the Group	Total equity attributable to non-controlling interests	Total equity
<b>As at 1 January 2023</b>		<b>1,441,500</b>	<b>108,539,944</b>	<b>8,926,237</b>	<b>2,209,462</b>	<b>121,117,143</b>	<b>1,422,648</b>	<b>122,539,791</b>
Profit/(loss) for the year		-	-	-	(10,704,682)	(10,704,682)	1,806,514	(8,898,168)
Actuarial losses on defined benefit plans		-	-	(76,476)	-	(76,476)	-	(76,476)
Fair value losses on cash flow hedges		-	-	(317,689)	-	(317,689)	-	(317,689)
<b>Comprehensive profit/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>(394,165)</b>	<b>(10,704,682)</b>	<b>(11,098,847)</b>	<b>1,806,514</b>	<b>(9,292,333)</b>
Repurchase of treasury shares		-	-	(1,600,410)	-	(1,600,410)	-	(1,600,410)
Other changes:		-	-	(79,572)	-	(79,572)	-	(79,572)
Share-based payments		-	-	211,295	-	211,295	-	211,295
<b>As at 31 December 2023</b>		<b>1,441,500</b>	<b>108,539,944</b>	<b>9,272,847</b>	<b>(10,704,682)</b>	<b>108,549</b>	<b>2,575,691</b>	<b>111,125,300</b>
Profit/(loss) for the year		-	-	-	(10,008,996)	(10,008,996)	807,411	(9,201,585)
Actuarial losses on defined benefit plans		-	-	(7,091)	-	(7,091)	-	(7,091)
Fair value gains on cash flow hedges		-	-	19,023	-	19,023	-	19,023
<b>Comprehensive profit/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>11,932</b>	<b>(10,008,996)</b>	<b>(9,997,064)</b>	<b>807,411</b>	<b>(9,189,653)</b>
Allocation of the net profit for the previous year		-	-	(10,704,682)	(10,704,682)	-	-	-
Repurchase of treasury shares		-	-	(1,606,438)	-	(1,606,438)	-	(1,606,438)
Other changes:		-	-	(283)	-	(283)	-	(283)
Distribution of dividends to non-controlling interests		-	-	(194,250)	-	(194,250)	(189,863)	(384,113)
Equity attributable to non-controlling interests		-	-	-	-	-	413,785	413,785
<b>As at 30 June 2024</b>		<b>1,441,500</b>	<b>108,539,944</b>	<b>(3220,873)</b>	<b>(10,008,996)</b>	<b>96,751,575</b>	<b>3,607,024</b>	<b>100,358,598</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in Euro)</i>	<i>Cash flows Period ended 30 June 2024</i>	<i>Cash flows Period ended 30 June 2023</i>
Pre-tax loss	(9,142,541)	(6,067,429)
<b>Adjustments for:</b>	-	-
Depreciation and Amortization	9,388,850	8,124,332
Impairment losses	439,613	106,131
Service cost for post-employment benefits and defined benefit plans	-	667,819
Net interest income and expense	1,467,837	917,067
Other non-monetary items	434,793	-
<b>Cash flow from operating activities before changes in net working capital</b>	<b>2,588,552</b>	<b>3,747,920</b>
Changes in inventories	(202,746)	326,335
Change in trade receivables	4,258,027	1,414,694
Change in trade payables	(2,319,141)	2,896,402
Taxes paid	(2,504,558)	(126,483)
Interest paid	-	(492,088)
Payment of post-employment benefits and defined benefit plans	(220,851)	(98,509)
<b>Net cash flows generated by operating activities</b>	<b>7,921,315</b>	<b>1,417,933</b>
Payments for subsidiary acquisitions net of cash and cash equivalents	(4,258,953)	(4,226,105)
Investments in plant, property and equipment and RoU assets	(2,987,615)	(1,840,777)
Investments in intangible assets	(7,022,938)	(8,076,798)
Divestments of property, plant and equipment and intangible assets	253,057	-
<b>Net cash flows used in investing activities</b>	<b>(14,016,448)</b>	<b>(14,143,681)</b>
(Decrease)/increase in non-current financial liabilities	10,120,521	-
(Decrease)/increase in current financial liabilities	5,122,764	3,651,631
Repayment of lease liabilities	(1,065,516)	-
Equity attributable to non-controlling interests	193,507	-
Financial Assets	26,923	-
Other financial liabilities	-	165,382
Contribution to capital reserves	(78,910)	-
Repurchase of treasury shares	(1,614,473)	-
Dividends distributed	(384,148)	-
Other changes	-	(1,482,937)
<b>Net cash flows generated by financial activities</b>	<b>11,156,881</b>	<b>2,334,077</b>
<b>Total change in cash and cash equivalents</b>	<b>5,061,748</b>	<b>(10,391,671)</b>
Cash and cash equivalents at the beginning of the year	17,561,190	21,214,451
<b>Cash and cash equivalents at the end of the year</b>	<b>22,622,938</b>	<b>10,822,780</b>

\* The comparative figures for the first half of 2023 have been restated to include the effect of the Purchase Price Allocation of Diateam SaS (fully consolidated as of 1 January 2023); this transaction was completed in the second half of 2023.



# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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## GENERAL INFORMATION

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CY4Gate S.p.A. (hereinafter referred to as the “Parent”) is a company incorporated and domiciled in Italy, with its registered office in Rome (Italy), via Coponia 8, and organised according to the legal system of the Italian Republic. These condensed Interim consolidated financial statements as and for the six months ended 30 June 2024 comprise the interim financial statements of the Parent and its subsidiaries (together, the “CY4Gate Group” or the “Group” or “CY4”). The Group is mainly active in the design, development and production of technologies, products, systems and services for the Armed Forces, Law Enforcement Agencies and Italian and foreign companies. As of 26 June 2023, the shares of CY4Gate S.p.A. are traded in the Euronext STAR Milan market segment of Borsa Italiana (from 2020 and until the aforementioned date they were traded in the Euronext Growth Milan market segment).

The Parent is controlled by Elettronica S.p.A., with registered office in Rome at Via Tiburtina 13.700.

At the date of preparation of the financial statements, the Parent is not subject to the management and coordination of any of its shareholders, as the Parent's Board of Directors takes all appropriate decisions relating to the management of the Parent' activities with complete autonomy and independence.

### Authorisation for publication

These condensed interim consolidated financial statements were approved and authorised for publication by the Board of Directors of CY4Gate S.p.A. on 12 September 2024, and are subject to limited audit by KPMG S.p.A.

## BASIS OF PREPARATION

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These condensed interim consolidated financial statements as at and for the six-months ended 30 June 2024 have been prepared in accordance with Article 154-ter of Italian Legislative Decree No. 58/98 - Consolidated Law on Finance - and subsequent amendments and additions, has been prepared in accordance with the “EU IFRSs”, meaning all International Financial Reporting Standards (IFRSs), all International Accounting Standards (IASs), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC), which, as at the closing date of the Consolidated Financial Statements, have been endorsed by the European Union in accordance with the procedure set forth in Regulation (EC) no. 1606/2002 by the European Parliament and the European Council of 19 July 2002. IFRS have been applied consistently to all periods presented in this document.

In particular, these condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting and do not include all the information required by the annual financial statements and should be read together with the consolidated financial statements as at and for the year ended 31 December 2023 (the “latest financial statements”), filed at the Parent’s registered office and available on its website at [www.cy4gate.com](http://www.cy4gate.com). Although they do not include all the information required for a complete set of financial statements, specific notes are included to explain events and transactions that are material to understanding the changes in the Group’s financial position and performance since the previous financial statements. These interim financial statements are consistent with those comprising the annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared on a going concern basis, as the Directors have verified that there are no financial, management or other indicators that could signal critical issues regarding the Group’s ability to meet its obligations in the foreseeable future, and in particular in the next 12 months,

with respect to the date of these financial statements. A description of how the Group manages financial risks is provided in the “Risk Management” Note included in the Management Report as at 30 June 2024.

These condensed interim consolidated financial statements have been prepared and presented in Euro, which is the currency of the prevailing economic environment in which the Group operates. Unless otherwise stated, all amounts included in this document are in Euro. The totals in some schedules and tables in the notes to the financial statements may deviate slightly from the sum of the individual components due to rounding.

These condensed interim consolidated financial statements as at 30 June 2024 comprise the statement of profit and loss, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and these notes.

Below are the financial statement formats and related classification criteria adopted by the Group, within the scope of the options provided by IAS 1 *Presentation of Financial Statements*:

- the *Statement of Financial Position* has been prepared by classifying assets and liabilities on a “current/non-current” basis;
- the *Statement of Profit and Loss* was prepared by classifying operating expenses by their nature;
- the *Statement of Comprehensive Income*, in addition to the profit or loss for the period in the statement of profit and loss, includes income and expense that are not recognised in the statement of profit and loss for the period as required by the IFRS;
- the *Statement of Changes in Equity*, prepared in accordance with IAS 1;
- the *Statement of Cash Flows* has been prepared by presenting cash flows from operating activities according to the “indirect method”.

These condensed interim consolidated financial statements have been prepared on the basis of the conventional historical cost criterion except for the valuation of financial assets and liabilities, where the application of the fair value criterion is mandatory.

For each item in the consolidated financial statements, the corresponding value for the previous year or period is shown for comparative purposes.

Pursuant to Consob Resolution No. 15519 of 28 July 2006, income and expense arising from non-recurring transactions, if any, are separately identified within the Statement of Profit and Loss; similarly, balances of transactions with related parties, which are further described in Note 25, are shown separately in the financial statements.

## SCOPE OF CONSOLIDATION AND BASIS OF CONSOLIDATION

The following table provides details of the companies included in the scope of consolidation:

Company name	Registered office	Share/quota Capital €	% direct equity investment	% of contribution to the Group	Consolidation method	As at 30 June 2024	As at 30 June 2023
CY4Gate S.p.A. (Parent)	Rome (Italy) - via Coponia 8	1,441,500	-	-	-	x	x
<b>Subsidiaries</b>							
RCS ETM Sicurezza S.p.A. (RCS in short)	Milan (Italy) - Via Caldera 21	7,000,000	100%	100%	Line-by-line	x	x
Servizi Tattici Informativi Legali S.r.l. (STIL in short)	Cuneo (Italy) - Via XX Settembre 2	33,333	70%	70%	Line-by-line	x	x
Tykelab S.r.l.	Rome (Italy) - Via Benedetto Croce 10	10,000	90%	90%	Line-by-line	x	x
XTN Cognitive Security S.r.l. (XTN in short) *	Arco (Italy) - via S. Caterina 95	10,000	77.80%	80.00%	Line-by-line	x	-
Dars Telecom SL	Madrid (Spain) - Paseo P. Rosales 44	4,808	65%	65%	Line-by-line	x	x
Diateam S.a.S. **	Brest (France) - 31 rue Yves Collet	300,000	55.33%	100.00%	Line-by-line	x	x
<b>Associates</b>							
SAS Foretec	Andrézieux-Bouthéon (France) - Bvd P. Desgrange 5	500,000	25%	25%	Equity	x	x

\* It should be noted that the contribution to the Group is 80% and takes into account the contribution to the Group' equity made by XTN following the recognition of additional investment as a result of the recognition of the put options granted to certain non-controlling interests on the shares they hold, amounting to 2.20% of the investee's share capital.

\*\* It should be noted that the contribution to the Group is 100% and takes into account the contribution to the Group's equity made by Diateam following the recognition of additional investment as a result of the put options granted to non-controlling interests on the shares held by them.

It should be noted that the Parent has excluded the following subsidiaries from the scope of consolidation, as they are immaterial to the condensed interim consolidated financial statements due to their limited operations.

Company name	Registered office	Share Capital	% direct equity investment
Aurora France S.A.S.	Paris (France) - 9 Rue Parrot	Euro 10,000	100%
RCS LAB GMBH	Lebach (Germany) - Scheuernstraße 24	Euro 25,000	70%
XTN Inc.	New York - 509 Madison Ave	USD 30,500	100%

The financial positions of the consolidated companies, prepared for consolidation purposes by their respective bodies, have been appropriately homogenised and reclassified to make them compliant with the Group's accounting standards and measurement criteria, as described below. The reference date of the interim financial statements of the consolidated companies coincides with that of the Parent.

Subsidiaries are consolidated on a line-by-line basis from the date control is effectively acquired and cease to be consolidated on the date control is transferred to a third party.

## Consolidation Criteria and Methodologies

The Group's condensed interim consolidated financial statements as at 30 June 2024 have been prepared by consolidating on a line-by-line basis the interim financial positions as at 30 June 2024 of the Parent and the Italian and foreign companies in which CY4Gate S.p.A. holds a controlling interest, both directly and indirectly.

Subsidiaries are companies over which the Group exercises control. The Group controls a company when the latter is exposed to, or when it has rights over, the variability of the same subsidiary's results based on its involvement with the same subsidiary and has the ability to influence those results through the exercise of its power. Control may be exercised either by direct or indirect ownership of a majority of the voting shares or by contractual or legal agreements, even without share-related relationships. The existence of potential exercisable voting rights at the reporting date is taken into account in determining control. In general, control is presumed to exist when the Group holds, directly or indirectly, more than half of the voting rights.

The criteria adopted for full consolidation are as follows:

- the assets and liabilities, expense and income of the fully consolidated entities are recognised on a line-by-line basis, in their total amount, regardless of the percentage of ownership, attributing to the non-controlling interests, where applicable, their share of equity and of the profit or loss for the period; these shares are shown separately in equity and in the consolidated statement of profit and loss;
- in accordance with the provisions of IFRS 3, business combinations are recognised using the acquisition method. According to this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and liabilities assumed by the Group at the acquisition date and the equity instruments issued in exchange for control of the acquired entity. Transaction costs are generally recognised in profit or loss when they are incurred. At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at fair value at the acquisition date; the following items are an exception, in that they are instead measured in accordance with their reference principle: (i) deferred tax assets and liabilities, (ii) assets and liabilities for employee benefits, and (iii) assets held for sale. Where the fair values of assets, liabilities and contingent liabilities can only be determined provisionally, the business combination is recognised using these provisional values. Any adjustments resulting from the completion of the measurement process are recognised within 12 months from the date of acquisition;
- if a price component is linked to the realisation of future events, that component is considered in estimating the fair value at the time of the business combination;
- significant gains and losses, with the related tax effects, arising from transactions between companies that are consolidated on a line-by-line basis and not yet realised vis-à-vis third parties, are eliminated, except for losses that are not eliminated if the transaction provides evidence of an impairment of the transferred asset. Mutual debit and credit relationships, costs and revenue, and financial income and expense are also eliminated if significant;
- the purchase of additional shares in subsidiaries and the sale of shares that do not imply the loss of control are considered owner transactions; as such, the accounting effects of these transactions are recognised directly in Group equity.

## BUSINESS COMBINATIONS

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Business combinations are accounted for in accordance with the provisions of IFRS 3 Business Combinations, using the Acquisition method.

### Acquisition of XTN Cognitive Security S.r.l.

On 16 January 2024, CY4Gate, following the signing of the previous Preliminary Agreement on 14 November 2023 and upon the occurrence of certain conditions precedent, in partnership with the Alfa Group, signed the agreement for the

overall purchase of 97.8% of XTN Cognitive Security S.r.l., according to the following proportions:

- CY4Gate acquired 77.8% of the share capital;
- Alfa Group acquired 20% of the share capital;
- The remaining 2.2% is held by Management.

The total consideration for the transaction was Euro 12.2 million. At the date of preparation of this document, 80% of the total consideration has been paid; the remaining 20% will be paid by 30 June 2027 and this amount may be reduced by up to 20% based on the results of the newly acquired company as at 31 December 2026.

The acquisition was financed through the use of the Acquisition Capex line signed during the year 2022 with a pool of banks. The acquisition agreement also provides for (i) a 20% share of the consideration to be paid by CY4Gate and the Alfa Group on a deferred basis, and (ii) a put and call option allowing CY4Gate to obtain an additional 2.2% of XTN's share capital, to be exercised during the period between 1 June 2027 and 30 June 2027.

The fair value of the consideration transferred by CY4Gate at the acquisition date consists of:

- (i) a fixed amount of Euro 8.7 million upfront payment upon acquisition;
- (ii) a deferred price to be paid by 30 June 2027, whose present value was estimated at Euro 805 thousand on 1 January 2024 (date of acquisition of control). As mentioned above, the amount of the deferred payment may be reduced, up to a maximum of 20% of the payment, based on the results of the newly acquired company as at 31 December 2026; and
- (iii) put options on an additional 2.20% with an estimated present value of Euro 274 thousand as at 1 January 2024.

In this regard, it should be noted that the Group has adopted the anticipated acquisition method for accounting for the put options under the acquisition agreement, as permitted by the relevant accounting standards. This method entailed taking into account, within the scope of determining the consideration transferred for the acquisition of control, also the present value of the liability arising from the put option provided in favour of certain non-controlling interests (sellers) on a 2.2% portion as provided for in the acquisition agreement. Consequently, the recognition of the XTN business combination resulted in the recognition of NCI (non-controlling interests) in these condensed interim consolidated financial statements for a 20% share of the share capital, corresponding to Alfa's share, not affected by the Group's option rights.

It should be noted that, also with reference to the investee Diateam, acquired in the previous year, the Group adopted the anticipated acquisition method for the accounting of the put options on the remaining 44.67% interest. Consequently, the recognition of the Diateam business combination has not resulted in the recognition of NCI (non-controlling interests) in these condensed interim consolidated financial statements.

The total of XTN's net assets attributable to the Group as at the date of acquisition of control assumed on 1 January 2024 as reflected in XTN's statement of financial position is Euro 1,655,138, as shown in the table below:

<i>(in Euro)</i>	<b>Carrying amount at date of acquisition</b>
<b>Non-current Assets</b>	<b>492,935</b>
Intangible Assets and Goodwill	412,406
Property, Plant and Equipment	21,765
Deferred Tax Assets	58,764
<b>Current Assets</b>	<b>6,357,287</b>
Trade receivables	1,846,679
Other current assets	39,871
Cash and cash equivalents acquired	4,470,737
<b>Total Assets</b>	<b>6,850,222</b>

<b>Non-current liabilities</b>	<b>(882,808)</b>
Employee benefits - non-current	(182,808)
Non-current financial liabilities	(700,000)
<b>Current liabilities</b>	<b>(3,898,491)</b>
Trade payables	(1,348,318)
Other current liabilities	(2,550,173)
<b>Total liabilities</b>	<b>(4,781,299)</b>
<b>Total identifiable net assets</b>	<b>2,068,923</b>
Consolidation percentage *	80.00%
<b>Total identifiable net assets attributable to the Group</b>	<b>1,655,138</b>
<b>Goodwill</b>	<b>8,154,144</b>
<b>Total net assets purchased (consideration)</b>	<b>9,809,282</b>

\* It should be noted that the contribution to the Group is 80% and takes into account the contribution to the Group' equity made by XTN following the recognition of additional investment shares as a result of the recognition of the put options granted to certain non-controlling interests on the shares they hold, amounting to 2.20% of the investee's share capital.

<i>(in Euro)</i>	
Consideration paid	8,729,700
Liquid funds acquired	4,470,737
<b>Net cash flow used in investing activities</b>	<b>4,258,963</b>

## ACCOUNTING POLICIES

The most significant accounting policies and measurement criteria used in the preparation of these condensed interim consolidated financial statements are briefly described below.

### INTANGIBLE ASSETS

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

#### (a) Goodwill

Goodwill is classified as an intangible asset with an indefinite useful life and is initially recognised at cost, as described above, and is subsequently subject to an impairment test, at least annually, to identify any impairment. It is not permitted to reverse a previously recognised impairment.

#### (b) Other intangible assets with a finite useful life

Intangible assets with a finite useful life are recognised at cost, as described above, net of accumulated amortisation and of any impairments.

Amortisation begins when the asset is available for use and is allocated on a straight-line basis over its remaining useful life.

The useful life estimated by the Group for the various categories of intangible assets is shown below:

<b>Intangible asset class</b>	<b>Useful life in years</b>
Industrial patent and intellectual property rights	3-5
Concessions, licences, trademarks and similar rights	3-5
Other intangible assets	3-9
Development Costs	3

## **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are recorded at purchase or production cost, net of accumulated depreciation and of any impairments. The purchase or production cost includes charges incurred directly in the preparation of the assets for use, as well as any dismantling and removal charges that will be incurred as a result of contractual obligations requiring the asset to be returned to its original condition. Financial expense directly attributable to the acquisition, construction or production of qualified assets are capitalised and depreciated over the useful life of the asset to which they relate.

Costs incurred for maintenance and repairs of an ordinary and/or cyclical nature are charged to profit or loss when incurred. Capitalisation of costs relating to the expansion, modernisation or improvement of structural elements owned or provided for use by third parties is made to the extent that they meet the requirements to be separately classified as an asset or part of an asset. Assets recognised in connection with leasehold improvements are depreciated over the lease term, or over the specific useful life of the asset, whichever is shorter.

Depreciation is calculated on a straight-line basis using rates that allow assets to be depreciated over their useful lives. When the asset being depreciated is composed of separately identifiable elements, whose useful life differ significantly from that of other parts making up the asset, each part is depreciated separately, applying the component approach.

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

<b>Property, plant and equipment Class</b>	<b>Useful life in years</b>
Plant and machinery	3-7
Industrial and commercial equipment	5-7
Other Assets	5-9

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

### **Leased Assets**

The Group has entered into lease agreements relating to property, vehicles and industrial equipment. Leases are generally stipulated for fixed periods of six months to six years with extension options as described below.

Contracts may contain both lease and non-lease components.

The Group allocates consideration in contracts to non-lease components on the basis of the stand-alone selling prices (SSP) for each obligation. When there is none, the Group estimates the SSP using an adjusted market approach.

Lease agreements are recognised as right-of-use assets and corresponding lease liabilities on the date the asset becomes available for use by the Group.

Assets and liabilities arising from a lease are initially measured at present value.

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

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

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, which is generally the case for the Group's leases, the lessee's marginal borrowing rate is used, this being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, guarantees and conditions.

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

In the statement of financial position, the Group includes right-of-use assets under non-current assets and lease liabilities under current and non-current financial liabilities.

In the statement of profit and loss, interest expense on lease liabilities is a component of financial expenses and are shown separately from the depreciation of the right-of-use assets.

The Group avails itself of the exemptions provided for in IFRS 16 - Leases with regard to lease contracts with a term of less than 12 months and contracts relating to "low value assets", which are not significant overall.

The Group recognises deferred taxation on right-of-use assets and lease liabilities. Finally, it should be noted that the Group has no lease contracts in place as lessor.

## **IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

### *(a) Goodwill*

Goodwill is not subject to amortisation but is tested for impairment annually or more frequently if there are indicators that it may be impaired. The impairment test is performed with reference to the cash-generating unit ("CGU") to which the goodwill has been allocated. Any impairment of goodwill is recognised if its recoverable amount is less than its carrying amount. Recoverable amount is defined as the higher of the fair value of the CGU, net of disposal costs, and its value in use, this being the present value of estimated future cash flows for that asset. In determining the value in use, expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the cost of money, related to the period of the investment and the specific asset risks. If the impairment resulting from the impairment test is greater than the carrying amount of goodwill allocated to the CGU, the remaining excess is allocated to the assets included in the CGU in proportion to their carrying amount.

The original carrying amount of goodwill may not be reinstated if the reasons for the impairment no longer apply.

### *(b) Assets (intangible assets and property, plant and equipment) with a finite useful life*

At least annually, a test is carried out to determine whether there are any indicators that property, plant and equipment and intangible assets may be impaired. Both internal and external sources of information are considered for this purpose. With regard to internal sources, factors such as obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the economic performance of the asset relative to expectations are considered. With regard to external sources, factors such as trends in market prices of assets, possible technological, market or regulatory gaps, trends in market interest rates or the cost of capital used to value investments are considered.

If such indicators are identified, the recoverable amount of these assets is estimated, and any impairment loss from the relevant carrying amount is charged to profit or loss. The recoverable amount of an asset is the higher of its fair value net of selling costs and its value in use, the latter being the current value of estimated future cash flows for that asset. In determining the value in use, expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the cost of money, related to the period of the investment and the specific asset risks.



For assets that do not generate largely independent cash flows, the recoverable amount is determined in relation to the CGU to which that asset is allocated.

An impairment loss is recognised in profit or loss if the carrying amount of the asset, or of the CGU to which it is allocated, is greater than its recoverable amount. Impairment losses on CGUs are first recognised as a reduction in the carrying amount of any goodwill allocated to them, and then as a reduction in other assets, in proportion to their carrying amount and within the limits of their recoverable amount. If the conditions for a previously recognised impairment loss no longer apply, the carrying amount of the asset is reinstated and the difference is charged to profit or loss, to the extent that restores the net carrying amount of the asset in question to the value it would have had if the impairment loss had not been recognised net of the relevant amortisation/depreciation.

## **TRANSLATION OF ITEMS IN FOREIGN CURRENCY**

Transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the euro are subsequently adjusted at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in currencies other than the euro are recorded at historical cost using the exchange rate prevailing on the date of initial recognition of the transaction. Any arising exchange differences are reflected in profit or loss.

## **INVENTORIES**

Inventories are recognised at the lower of purchase or production cost and net realisable value, represented by the amount the Group expects to obtain from their sale in the ordinary course of business, net of selling costs.

The cost of finished and semi-finished goods includes raw materials, direct labour costs and other production costs (determined on the basis of normal operating capacity). Financial expense, which is charged to profit or loss when incurred, is not included in the measurement of inventories as they do not meet the time requirements for capitalisation. Inventories of raw materials and semi-finished goods that can no longer be used in the production cycle and inventories of finished goods that cannot be sold are written down by recognising a special provision to adjust the carrying amount of inventories. The write-down is reversed in subsequent years if the reasons for the write-down no longer apply.

## **CASH AND CASH EQUIVALENTS**

These include cash, bank deposits or deposits with other credit institutions available for current transactions, postal current accounts and other cash equivalent, as well as investments maturing within three months of their purchase date. Cash and cash equivalents are initially measured at fair value and then at amortised cost.

## **TRADE RECEIVABLES AND CURRENT FINANCIAL ASSETS**

Trade receivables, other current assets and current financial assets are generated in the ordinary course of business and held with the objective of collecting contractual cash flows consisting of “solely payments of principal and interest ” in accordance with the provisions of IFRS 9. Accordingly, they are initially recognised at fair value adjusted for directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method (i.e. the rate that equals, at initial recognition, the present value of expected cash flows and the carrying amount), appropriately adjusted for any impairment through the recognition of a specific loss allowance. Trade receivables, other current assets and financial assets are included in current assets, except for those with a contractual maturity of more than 12 months after the reporting date, which are classified as non-current assets.

Assets with maturities of more than 12 months and without significant financial components are shown at present value.

## **FAIR VALUE MEASUREMENT**

Fair value is defined by IFRS 13 as a market-based measurement, not an entity-specific measurement that represents the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction at the measurement date.

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

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

The three most widely used valuation techniques are:

- **Market approach:** this uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets and liabilities, or a group of assets and liabilities;
- **Cost approach:** this reflects the amount that would be needed at the time to replace the service capacity of an asset; and
- **Income approach:** this converts future amounts (e.g. cash flows or revenues and expenses) into a single current amount at present value.

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

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

The classification of the entire fair value of an asset or liability is made on the basis of the hierarchy level corresponding to the lowest significant input used for measurement.

## FINANCIAL ASSETS AND LIABILITIES BY CLASS

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

Financial liabilities and assets are settled or measured at market rates and there are no transaction costs. It should be noted that no reclassifications of financial assets or liabilities were made from the fair value category to amortised cost or vice versa.

With regard to the disclosure of the fair value of financial assets/liabilities measured at amortised cost, it should be noted that management considered that the relevant carrying amount could reasonably represent the corresponding fair value<sup>1</sup>.

## IMPAIRMENT OF ASSETS

At least annually, with the exception of those measured at fair value through profit or loss, financial assets are analysed for impairment indicators. According to IFRS 9, a forecasting model for expected credit losses must be applied when assessing an impairment. In making this assessment, the Group applies the simplified approach required by IFRS 9 to estimate the recoverability of assets over the entire life of the company and takes into account its historical experience with credit losses, adjusted for forward-looking factors specific to the nature of the Group's assets and the economic

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<sup>1</sup> IFRS 7 par. 29

environment. If there is evidence of impairment, the loss is recognised in profit or loss under “Net impairment losses on financial assets and contract assets”.

Trade receivables and financial assets are written down when there is no rational expectation that they will be recovered. Indicators that signal the absence of rational expectations of recovery include, among others, the inability of a creditor to commit to a recovery plan with the Group, and the inability to make contractual payments for a significant period of time.

For financial assets recognised with the amortised cost method, when an impairment loss has been identified, its amount is measured as the difference between the asset’s carrying amount and the present value of expected future cash flows, discounted at the original effective interest rate. This impairment loss is recognised in profit or loss.

## **DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES**

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

- the contractual right to receive cash flows from the asset has expired;
- the Group has substantially transferred all the risks and benefits associated with the asset, either by assigning its rights to receive cash flows from the asset or by assuming a contractual obligation to remit the cash flows received to one or more potential recipients under a contract that meets the requirements of the standard (the “pass through test”);
- the Group has neither transferred nor retained substantially all the risks and benefits associated with the financial asset, but has relinquished control over it.

Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is fulfilled, cancelled or the statute of limitations has expired. An exchange of debt instruments with substantially different contractual terms must be accounted for as the extinction of the original financial liability and the recognition of a new financial liability. Similarly, a material change in the contractual terms of an existing financial liability, even a partial change, must be recognised as the extinction of the original financial liability and the recognition of a new financial liability.

## **OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

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

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

## **FINANCIAL LIABILITIES AND TRADE PAYABLES**

Financial liabilities and trade payables are recognised when the Group becomes a party to the relevant contractual provisions. They are initially measured at fair value adjusted for directly attributable transaction costs and, with the exception of derivative financial instruments, are measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when and only when they are settled (i.e. when the obligation specified in the contract is fulfilled, cancelled or expired).

## **DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are used as economic hedges only for the purpose of reducing interest rate risk. All derivative financial instruments are measured at fair value.

If financial instruments are not accounted for as hedging instruments under IFRS 9, changes in fair value recognised after initial recognition are treated as components of profit or loss for the period.

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

*Cash flow hedging instruments*

When a derivative financial instrument is designated as an instrument to hedge the exposure to variability in future cash flows of an asset or liability recognised in the financial statements or a highly probable forecast transaction and may affect profit or loss, the effective portion of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income through a specific capital reserve ("*Hedging reserve*"). The cumulative gain or loss is reclassified from the statement of comprehensive income to the statement of profit and loss when the economic effects of the hedged item impact profit or loss. The gain or loss associated with a hedge or part of a hedge that has become ineffective is immediately recognised in profit or loss under net financial income (expense). When a hedging instrument or hedging relationship is terminated (e.g. the derivative instrument is sold, expires or the hedging relationship is no longer effective), but the Group expects the hedged transaction to occur in the future, the cumulative gain or loss realised at the time of extinction remains in other comprehensive income and is recognised in profit or loss when the underlying transaction occurs. If the underlying transaction is no longer probable, the cumulative gain or loss in the statement of comprehensive income is recognised immediately in the statement of profit and loss.

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

If hedge accounting cannot be applied, the fair value gains or losses are recognised immediately under net financial income (expense).

## **EMPLOYEE BENEFITS**

Short-term benefits consist of wages, salaries, related social security charges, allowances in lieu of holidays and incentives paid in the form of bonuses payable within 12 months of the reporting date. These benefits are recognised as a component of personnel expense in the period in which the work is performed.

## **POST-EMPLOYMENT BENEFITS**

In the case of defined benefit plans, which also include the post-employment benefits due to employees pursuant to Article 2120 of the Italian Civil Code ("**TFR**"), the amount of benefit to be paid to the employee is quantifiable only after the termination of employment, and is linked to one or more factors such as age, years of service and salary; therefore, the related expense is charged to profit or loss on an actuarial basis. The liability recognised in the financial statements for defined benefit plans corresponds to the present value of the obligation at the reporting date. The present value of the defined benefit plan is determined by discounting future cash flows at an interest rate equal to that of high-quality corporate bonds issued in Euro and taking into account the duration of the relevant pension plan. Actuarial gains and losses arising from the above adjustments and changes in actuarial assumptions are recognised in comprehensive income.

As from 1 January 2007, the 2007 Budget Law and its implementing decrees introduced significant changes to the rules governing post-employment benefits, including the employee's choice as to the destination of their accruing TFR. In particular, the new TFR flows can be directed by the employee to chosen forms of pension schemes or kept within the company. In the case of allocation to external pension schemes, the Group is only subject to the payment of a defined contribution to the chosen fund, and from that date the newly accrued quotas have the nature of defined contribution plans not subject to actuarial measurement.

## **PROVISIONS**

Provisions are recognised for losses and charges of a definite nature, whose existence is certain or probable, but whose amount and/or date of occurrence cannot be determined. Recognition occurs only when a current, legal or implicit obligation exists for a future outflow of economic resources as a result of past events and it is probable that such an outflow will be required to settle the obligation. This amount represents the best estimate of the liability to settle the obligation. The rate used in determining the current value of the liability reflects current market values and takes into account the specific risk associated with each liability.

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

Risks, for which the occurrence of a liability is only possible, are disclosed in the disclosure section on contingent liabilities and no provision is made for them.

## **REVENUE FROM CONTRACTS WITH CUSTOMERS**

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

Revenue from sales of products is recognised at the time control of the goods, i.e. the risks and benefits, are transferred, which is normally identified with the delivery or shipment of the goods, or at the time the service is transferred to the customer, taking into account the value of any trade discounts, rebates and expected returns. Revenue of a financial nature and revenue from services are recognised on an accrual basis. Revenue and income, costs and expense related to foreign currency transactions are determined at the exchange rate prevailing on the date on which the transaction is executed.

Contracts that meet the requirements for revenue recognition "over time" are classified as either "contract assets" or "contract liabilities" depending on the relationship between the Group's performance status and the payments received from the customer. In particular:

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

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

Contract assets and liabilities are recognised using the percentage of completion as the method for measuring progress; under this method, costs, revenue and margins are recognised based on the progress of the activity, determined by reference to the ratio of costs incurred at the measurement date to the total expected costs included in the relevant contract budgets. The Group systematically updates the assumptions underlying contract budgets in order to reflect in the financial statements the most reasonable estimate of the contractual fees accrued and the economic result of the contract.

Conversely, where the requirements for recognition over time are not met, revenue is recognised at a point in time, i.e. when the customer acquires control of the promised goods or services.

Contract assets are shown net of any impairment losses. Estimates are periodically updated and any economic effects are recognised in the year in which the updates are made.

The Group enters into contracts that are generally capable of being differentiated and accounted for as separate performance obligations. The revenue recognised is limited to the amount of consideration the Group expects to receive. The Group allocates the transaction price to the performance obligation on the basis of stand-alone selling prices (SSP) for each obligation. When there is none, the Group estimates the SSP using an adjusted market approach.

## **GRANTS**

Government grants are recognised in the financial statements at fair value when there is reasonable certainty that they will be received and all the conditions pertaining to them have been met. When grants relate to cost components, they are recognised as revenue, but are systematically allocated over the relevant financial years so as to be commensurate with the costs they are intended to offset. Where the grant relates to an asset, the fair value is deducted from the asset in question. It is also suspended under liabilities if the asset to which it relates has not yet come into operation, or is under construction and the relative amount is not reflected in the value of the asset.

## **DIVIDENDS**

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

## **TAXES**

Current taxes are determined on the basis of estimated taxable income, in accordance with the tax regulations applicable to the Group.

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

The amount of deferred tax assets is reviewed at each reporting date and, if necessary, reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of the related receivable to be utilised. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become probable that taxable profit will be sufficient to allow these deferred tax assets to be recovered.

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

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

## **EARNINGS (LOSSES) PER SHARE**

Basic earnings (losses) per share are calculated by dividing the profit or loss attributable to holders of the Parent's ordinary shares by the weighted average number of ordinary shares outstanding during the year adjusted for treasury shares held. Diluted earnings (losses) per share are calculated by adjusting the profit or loss attributable to holders of ordinary shares and the weighted average number of shares outstanding, as defined above, to take into account the effects of all potentially dilutive ordinary shares.

## **SEGMENT INFORMATION**

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IFRS 8 defines an operating segment as one (i) that involves business activities generating revenue and costs, (ii) whose operating results are periodically reviewed at the highest decision-making level, and (iii) for which separate financial and economic data are available. For the purposes of IFRS 8, the Group's activities can be identified in a single operating segment, that of developing and marketing cyber intelligence and cyber security products.

## **USE OF ESTIMATES**

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The preparation of the financial statements requires the Directors to apply accounting standards and methodologies that, in certain circumstances, are based on judgements and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic under the relevant circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, the statements of financial position, profit or loss, comprehensive income, cash flows, and changes in equity, as well as of the disclosures provided.

Estimates are based on the most recent information available to the Directors at the time of preparing these financial statements.

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

A brief description of the areas that require greater subjectivity on the part of the directors in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data is provided below.

(a) Impairment of assets

In accordance with the accounting standards applied by the Group, property, plant and equipment and intangible assets and goodwill are subject to an impairment test to determine whether there has been an impairment, which must be recognised through an impairment loss, when there are indicators that it will be difficult to recover the related net carrying amount, represented by the higher of fair value net of selling costs and value in use. Checking the presence of these indicators requires the Directors to make subjective judgements based on information available within the Group and in the market, as well as historical experience. Furthermore, if it is determined that a potential impairment loss may have occurred, the Group proceeds to determine it using the valuation techniques deemed appropriate. The correct identification of elements indicating the existence of a potential impairment of property, plant and equipment and intangible assets, as well as the estimates used to determine them, depend on factors that may change over time, affecting the judgements and estimates made by the Directors.

With particular reference to the estimation of value in use through a method based on the discounting of expected cash flows, it should be noted that this method is characterised by a high degree of complexity and the use of estimates, which are by their very nature uncertain and subjective, with regard to:

- the expected flows, determined by taking into account the general economic trend and that of the sector concerned, the cash flows generated in recent years and the forecast growth rates;
- the financial parameters to be used for discounting the above flows.

(b) Purchase Price Allocation

In the context of business combinations, for the consideration transferred for the acquisition of control of a business, the identifiable assets acquired and liabilities assumed are recognised in the consolidated financial statements at fair value at the acquisition date, through a purchase price allocation process. The Group generally determines the fair value of assets acquired and liabilities assumed through methodologies based on discounting expected cash flows. This method is characterised by a high degree of complexity and the use of estimates, which are by their nature uncertain and subjective, with regard to:

- the expected cash flows, determined by taking into account the economic performance of the acquired companies and that of their sectors, the cash flows recorded in recent years and the forecast growth rates;
- the financial parameters used to determine the discount rate.

(c) Amortisation and depreciation

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

(d) Fair Value Measurement

In measuring the fair value of an asset or liability, the Group uses observable market data to the extent possible. Fair values are differentiated in various hierarchical levels based on the inputs used in the valuation techniques, as described in more detail in the section "Fair Value Measurement" above.

(e) Provisions for risks and charges

The Group allocates to provisions for risks and charges the probable liabilities attributable to expense in personnel, suppliers, third parties and, in general, other expense deriving from the obligations undertaken; the provisions recognised represent the risk of a negative outcome associated with the cases listed. The amount of the provisions recorded in the financial statements relating to these risks represents the best estimate made by the Directors at the relevant date. This estimate involves the adoption of assumptions that depend on factors that may change over time and could, therefore, have significant effects with respect to the current estimates made by the Directors in preparing the Group's financial statements.

(f) Loss allowance

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

(g) Contract assets and liabilities

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

(h) Employee benefits

Measurement of defined benefit plans: actuarial valuation requires the development of various assumptions that may differ from actual future developments. The results depend on the technical bases adopted such as, among others, the discount rate, the inflation rate, the rate of salary increase and the expected turnover. All assumptions are reviewed annually.

(i) Deferred tax assets

Measurement of deferred tax assets: deferred tax assets must be recognised for all deductible temporary differences or tax losses if it is probable that taxable income will be realised against which the deductible temporary difference or tax losses can be utilised. The Group assesses the recognition of deferred tax assets based on future economic projections. The estimates and assumptions underlying these future economic projections are reviewed periodically.

(l) Lease liabilities

Measurement of lease liabilities: the measurement of lease liabilities is affected by the lease term defined as the non-cancellable period of the lease, to which both of the following periods are added: (a) periods covered by an option to extend the lease, if the lessee has reasonable certainty of exercising the option; and (b) periods covered by an option to terminate the lease, if the lessee has reasonable certainty of not exercising the option. The assessment of the lease term involves making estimates that depend on factors that may change over time with potentially significant effects on the assessments made by the Directors.

## NEWLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting standards and interpretations approved by the IASB, endorsed by the European Union and effective as from 1 January 2024, are set out below:

	Effective date
Amendment to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)	Financial years beginning on or after 1 January 2024



Amendment to IAS 1 Presentation of Financial Statements:

- Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020);	Financial years beginning on or after 1 January 2024
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020);	
- Non-current Liabilities with Covenants (issued on 31 October 2022)	
Amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	Financial years beginning on or after 1 January 2024

At the date of approval of these Condensed Interim Consolidated Financial Statements, the following accounting standards, interpretations and amendments had been issued by the IASB, but not yet endorsed by the European Union:

	Effective date
IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024)	Financial years beginning on or after 1 January 2027
IFRS 18 - Presentation and Disclosure in Financial Statements (issued on 9 April 2024)	Financial years beginning on or after 1 January 2027
Amendments to the Classification and Measurement of Financial Instruments (Amendment to IFRS 9 and IFRS 7) (issued on 30 May 2024)	Financial years beginning on or after 1 January 2026
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)	Financial years beginning on or after 1 January 2025

For all newly issued standards, as well as for revisions and amendments to existing standards, the possible effects on the Group's financial statements resulting from their application are currently being assessed.

## SEASONALITY OF THE BUSINESS

The business sector in which the Group operates is characterised by a marked concentration of deliveries and collections from customers in the last months of the financial year.

This aspect of collections has an effect on both the interim cash flows and the variability of the Group's debt situation in the various periods of the year, characterised by substantial improvements in the last months of the calendar year.

## COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

### 1. REVENUE

(in Euro)	Six months ended 30 June	
	2024	2023
Revenue from sales and services	29,088,409	33,629,909
Change in contract work in progress	759,575	(532,944)
<b>Total</b>	<b>29,847,984</b>	<b>33,096,965</b>

In the first half of 2024 revenue amounted to Euro 29,847,984, a slight decrease from the previous half-year period (Euro 33,096,965), mainly due to the lack of revenue from foreign orders in the first half of 2024, unlike in the first half of 2023.

The item "Change in contract work in progress" amounts to Euro 759,575 and is attributable to the sum of revenue related to contract work in progress recognised over time.

Below is a breakdown of revenue recognised at a point in time (i.e. upon delivery of the good/service) or over time.

(in Euro)	Six months ended 30 June	
	2024	2023

Recognised at a point in time	5,474,054	15,302,877
Recognised over time	23,614,355	18,327,032
<b>Total</b>	<b>29,088,409</b>	<b>33,629,909</b>

## 2. OTHER REVENUE AND INCOME

<i>(in Euro)</i>	Six months ended 30 June	
	2024	2023
Tax Credits	282,735	495,975
Grants	784,242	213,692
Other	223,989	279,749
<b>Total</b>	<b>1,290,966</b>	<b>989,416</b>

Other revenue and income are mainly attributable, in the amount of Euro 784,242, to operating grants accrued with reference to certain ongoing projects partly financed by the European Commission, and for Euro 282,735 to the recognition of tax credits for Research and Development.

## 3. PURCHASES, SERVICES AND PERSONNEL EXPENSES

Below is a breakdown of purchases, services and personnel expenses:

<i>(in Euro)</i>	Six months ended 30 June	
	2024	2023
Costs for raw materials and goods	1,381,372	1,910,456
Changes in inventories	(286,614)	318,364
<b>Total raw material costs</b>	<b>1,094,758</b>	<b>2,228,819</b>
Legal and consultancy services	3,919,011	3,176,570
Utilities and telephone	1,453,784	1,274,953
Administrative, technical and commercial services	976,881	1,020,370
Maintenance	1,434,724	644,861
Rental and ancillary costs	1,463,978	878,180
Directors' fees	384,598	240,463
Other costs	3,087,243	5,833,052
<b>Capitalised service costs for development activities</b>	<b>(1,200,902)</b>	<b>(1,252,967)</b>
<b>Total costs for services</b>	<b>11,519,317</b>	<b>11,815,482</b>
Wages and salaries	14,186,053	13,530,443
Social security contributions	4,233,939	3,697,365
Post-employment benefits	697,702	667,819
Pension and similar benefits	82,090	73,413
Other costs	84,810	130,613
<b>Capitalised personnel costs for development activities</b>	<b>(3,335,620)</b>	<b>(1,446,683)</b>
<b>Total personnel expenses</b>	<b>15,948,974</b>	<b>16,652,970</b>
<b>Total</b>	<b>28,563,049</b>	<b>30,697,274</b>

Purchases, services and personnel expenses decreased compared to the first half of 2023 by Euro 2,134,223, mainly attributable to capitalisations in the period.

Finally, it should be noted that the item also includes costs for the use of third party assets in relation to lease contracts

not included in the scope of IFRS 16 as they are of low value, of short duration or characterised by variable payments.

### Number of employees

Below is the breakdown of the Group's workforce as at 30 June 2024, showing changes and the average number of employees in the first half of 2024 compared to the previous year-end.

#### COMPOSITION AND CHANGES IN THE WORKFORCE

	Executives	Middle Managers	White-collar Employees	Apprentices	Total
<b>31/12/2023</b>	23	73	360	48	<b>504</b>
<b>XTN acquisition</b>	-	2	23	-	<b>25</b>
<b>new hires (+)</b>	2	7	26	5	<b>40</b>
<b>promotions</b>	-	1	-	(1)	<b>-</b>
<b>departures (-)</b>	-	(4)	23	(2)	<b>(29)</b>
<b>30/06/2024</b>	<b>25</b>	<b>79</b>	<b>386</b>	<b>50</b>	<b>540</b>

	Executives	Middle Managers	White-collar Employees	Total
<b>Average number of employees as at 30/06/2024</b>	25	81	440	<b>546</b>
<b>Average number of employees as at 31/12/2023</b>	23	74	398	<b>495</b>

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

Amortisation and depreciation can be detailed as follows:

<i>(in Euro)</i>	Six months ended 30 June	
	2024	2023
Amortisation of intangible fixed assets	7,166,823	6,589,398
Depreciation of property, plant and equipment	1,205,961	879,510
Amortisation of right-of-use assets	1,016,066	869,705
<b>Total</b>	<b>9,388,850</b>	<b>8,338,613</b>

The increase in amortisation and depreciation is mainly related to the effect of amortisation and depreciation of development costs and investments for the half-year, as well as, for about Euro 100 thousand to the change in the scope of consolidation following the acquisition of control of XTN, consolidated as of 1 January 2024.

Amortisation of intangible assets refers, for Euro 2.3 million, to software arising from the allocation of the respective prices paid in the business combinations of the RCS Group - already completed in the consolidated financial statements as at 31 December 2022 - and Diateam - completed as at 31 December 2023. In this regard, it should be noted that the amount of amortisation of intangible assets as at 30 June 2023 has been restated for comparative purposes, to take into account the effects of the Diateam's PPA - completed in the second half of 2023 - on the comparative half-year.

This restatement resulted in the recognition, as at 30 June 2023, of higher amortisation of intangible assets related to software arising from the PPA Diateam for Euro 214 thousand.

Depreciation of property, plant and equipment mainly refers to electronic office machines and equipment - mainly of the investee RCS - used in the Group's ordinary operations.

<i>(in Euro)</i>	Six months ended 30 June	
	2024	2023
Specific loss allowance	435,516	186,096
Provision (release) IFRS 9	4,098	(79,965)
<b>Total</b>	<b>439,613</b>	<b>106,131</b>

The balance of impairment losses includes adjustments made as a result of management's assessments of the recoverability of financial assets recognised at the reporting date, consistent with IFRS 9 impairment provisions and the specific impairment losses made by management on positions prudentially deemed to be non-recoverable.

## 5. OTHER OPERATING COSTS

<i>(in Euro)</i>	Year ended as at 30 June	
	2024	2023
Consumables		4,225
Capital losses and contingent liabilities	72,078	-
Contributions and membership fees	67,421	41,240
Taxes and other indirect taxes	5,833	-
Other	276,810	263,543
<b>Total</b>	<b>422,143</b>	<b>309,007</b>

Other operating costs mainly refer to other costs, mainly attributable to the RCS Group for Euro 200 thousand.

## 6. NET FINANCIAL EXPENSE

<i>(in Euro)</i>	Six months ended 30 June	
	2024	2023
Financial income	177,282	199,128
Financial expense	(1,645,118)	(1,116,195)
<b>Net financial expense</b>	<b>(1,467,836)</b>	<b>(917,067)</b>

Financial income mainly refers to credits on CY4Gate derivatives for Euro 127 thousand.

Financial expense mainly includes bank interest (for Euro 1,283 thousand), which increased due to the Group's drawdowns in the first half of 2024 due to both the acquisition of XTN and the expiry of the time window for the drawdown of the Parent's Acquisition/Capex line, and Euro 277 thousand for the recognition of financial expense for the adjustment of the present value of Diateam's put option liability as at 30 June 2024.

## 7. INCOME TAXES

<i>(in Euro)</i>	Six months ended 30 June	
	2024	2023
Current taxes	(668,050)	(438,829)
Taxes for previous periods	(28)	-
Deferred taxes	609,035	3,734,809
<b>Total</b>	<b>(59,043)</b>	<b>3,278,125</b>

Group income taxes as at 30 June 2024 are mainly attributable to current taxes for Euro 668 thousand referring to taxes attributable to the subsidiaries DARS, XTN, STIL, Tykelab and Diateam, as well as net deferred taxes, mainly due to the reversal of deferred taxes related to the PPA of Diateam and RCS.

The decrease in deferred taxes compared to the first half of 2023 is due to the non-recognition of deferred tax assets as at 30 June 2024.

## 8. EARNINGS (LOSSES) PER SHARE

The earnings (losses per share is equal to Euro (0.39), calculated by dividing the net loss (Euro 9,201,584) by the average number of shares in the reporting period (23,571,428).

## 9. GOODWILL

As at 30 June 2024, goodwill amounted to a total of Euro 50,234,579, of which:

- Euro 35,798,633 deriving from the acquisition of the RCS Group completed on 29 March 2022;
- Euro 6,281,802 deriving from the acquisition of Diateam completed on 30 January 2023
- Euro 8,154,144 deriving from the provisional allocation of the consideration transferred for the acquisition of control of XTN completed on 16 January 2024, for which reference is made to the detailed description in the “Business Combinations” section above of these notes.

In view of the analysis of the performance in the first six months of 2024, the business seasonality and the headroom identified in the last impairment test carried out, no impairment indicators were identified as at 30 June 2024. Goodwill was tested for impairment as at 31 December 2023.

It should be noted that at the date of preparation of this document, the purchase price allocation process relating to the acquisition of XTN was still in progress and, in accordance with IFRS 3, the Group must complete this assessment within 12 months from the date of acquisition.

## 10. INTANGIBLE ASSETS

Intangible assets recognised as at 30 June 2024 amounted to Euro 33,759,161 and showed an increase over the previous year mainly due to industrial patent rights (Euro 492,949) for the acquisition of licences and development costs (Euro 4,347,720).

Development costs mainly relate to expenses for employees and external technical consultants employed directly in development activities. Following appropriate analysis, the Directors considered that all the requirements for capitalisation were met. These capitalised costs are amortised over a time frame consistent with the estimated payback period of the investments made.

Changes in intangible assets as at 30 June 2024 are shown below.

<i>(in Euro)</i>	Development Costs	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Other	Total
<b>Balance as at 1 January 2023</b>	<b>5,106,822</b>	<b>6,233,802</b>	<b>10,436,374</b>	<b>1,729,000</b>	<b>2,327,664</b>	<b>25,833,662</b>
Change in scope of consolidation	-	-	3,162,248	-	-	<b>3,162,248</b>
Investments	7,598,426	5,036,480	3,383,077	1,797,573	417,088	<b>18,232,644</b>
Disinvestments	-	-	-	-	-	-
Amortisation	(3,260,739)	(2,998,950)	(5,328,613)	-	(1,291,460)	<b>(12,879,762)</b>
Reclassifications		1,729,000	-	(1,729,000)		
<b>Balance as at 31 December 2023</b>	<b>9,444,509</b>	<b>10,000,332</b>	<b>11,653,086</b>	<b>1,797,573</b>	<b>1,453,292</b>	<b>34,348,792</b>
Of which:						
- <i>historical cost</i>	19,123,419	16,568,695	21,332,964	1,797,573	4,191,335	<b>63,013,986</b>
- <i>accumulated amortisation</i>	(9,678,910)	(6,568,363)	(9,679,878)	-	(2,738,043)	<b>(28,665,194)</b>
Change in scope of consolidation	1,079,444					<b>1,079,444</b>
Investments	4,347,720	492,949	500,462	52,731	103,886	<b>5,497,748</b>
<i>Accumulated amortisation for disinvestment</i>						
Amortisation	(2,103,310)	(4,500,639)	(124,498)		(438,377)	<b>(7,166,823)</b>
Reclassifications		1,044,641		(1,044,641)		-
<b>Balance as at 30 June 2024</b>	<b>12,768,364</b>	<b>7,037,282</b>	<b>12,029,051</b>	<b>805,663</b>	<b>1,118,801</b>	<b>33,759,161</b>
Of which:						
- <i>historical cost</i>	24,548,832	18,106,284	21,883,426	805,663	4,295,221	<b>69,639,427</b>
- <i>accumulated amortisation</i>	(11,782,220)	(11,069,002)	(9,804,376)	-	(3,176,420)	<b>(35,832,017)</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment recognised as at 30 June 2024 amounted to Euro 8,979,794 and showed a net increase over the previous year end of Euro 1,684,671, mainly due to investments in industrial and commercial equipment, net of disinvestments and depreciation (for Euro 714,262).

Other shows a balance of Euro 3,056,607, mainly referring to furniture and office equipment.

Changes in property, plant and equipment as at 30 June 2024 are shown below:

<i>(in Euro)</i>	Plant and machinery	Industrial and commercial equipment	Other	Land and buildings	Assets under construction and payments on account	Total
<b>Balance as at 1 January 2023</b>	<b>259,501</b>	<b>2,405,307</b>	<b>2,068,027</b>	-	-	<b>4,732,835</b>
Changes in scope of consolidation	-	166,374	-	382,186	-	<b>548,560</b>
Investments	709,893	2,017,911	1,055,198	1,130	81,219	<b>3,865,351</b>
Disinvestments	-	(21,118)	(21,520)	-	-	<b>(42,638)</b>
Depreciation	(547,483)	(605,579)	(601,566)	(54,357)	-	<b>(1,808,985)</b>
Reclassifications						-

<b>Balance as at 31 December 2023</b>	<b>421,911</b>	<b>3,962,895</b>	<b>2,500,139</b>	<b>328,959</b>	<b>81,219</b>	<b>7,295,123</b>
<i>Of which:</i>						
- historical cost	2,107,192	14,984,636	9,365,512	554,208	81,219	27,092,767
- accumulated depreciation	(1,685,281)	(11,021,741)	(6,865,373)	(225,249)	-	(19,797,644)
Changes in scope of consolidation	21,765					21,765
Investments	184,218	1,324,850	1,156,075	0	397,244	3,062,387
Disinvestments		(111,417)	(82,102)	-		(193,519)
<i>Disinvestments historical cost</i>		(156,440)	(101,602)			(258,043)
<i>Accumulated depreciation for disinvestment</i>		45,023	19,500			64,523
Amortisation	(161,955)	(499,170)	(517,504)	(27,332)	-	(1,205,961)
Reclassifications						-
Other changes						-
<b>Balance as at 30 June 2024</b>	<b>465,940</b>	<b>4,677,157</b>	<b>3,056,607</b>	<b>301,627</b>	<b>478,463</b>	<b>8,979,794</b>
<i>Of which:</i>						
- historical cost	2,291,410	16,153,045	10,419,984	554,208	478,463	29,897,111
- accumulated depreciation	(1,847,236)	(11,475,888)	(7,363,377)	(252,581)	-	(20,939,081)

## 12. RIGHT-OF-USE ASSETS

<i>(in Euro)</i>	As at 30 June		As at 31 December	
	2024		2023	
Properties		2,603,056		2,280,838
Hardware		554,357		682,803
Vehicles		808,786		682,550
<b>Total rights of use</b>		<b>3,966,198</b>		<b>3,646,191</b>

As at 30 June 2024, the right-of-use assets amounted to Euro 3,966,198, mainly related to the lease of the Group's offices. Rights-of-use assets are depreciated over 6 years for properties, 5 years for hardware and 4 years for vehicles. It should be noted that the Group has chosen to exclude from the scope of application leases with a duration of less than 12 months and those involving assets of modest value, whose effects are therefore recognised under "purchases, services and personnel expenses".

## 13. CURRENT AND NON-CURRENT FINANCIAL ASSETS

<i>(in Euro)</i>	As at 30 June		As at 31 December	
	2024		2023	
	Current	Non-current	Current	Non-current
Guarantee Deposits	174,040	47,443	158,697	67,954
Derivatives	212,209	129,075	231,110	85,144
Policies on active contracts	26,492	-	26,492	-
Securities	800,000	-	-	-
Others	5,115	15	800,000	112
<b>Total current and non-current financial assets</b>	<b>1,217,856</b>	<b>176,533</b>	<b>1,216,299</b>	<b>153,210</b>

The item "derivatives" refers to interest rate hedging derivatives entered into to hedge interest rate risk on facility agreements entered into by the Parent and its subsidiaries; these instruments will expire in 2028.

The item "securities" relates to cash investments of the subsidiary Diateam.

## 14. CURRENT AND NON-CURRENT TAX ASSETS AND LIABILITIES

The items of tax assets and tax liabilities amounting respectively to Euro 178 thousand and Euro 1,201 thousand as at 30 June 2024 (Euro 394 thousand and Euro 1,031 thousand as at 31 December 2023) refer entirely to amounts due from the Tax Authority for Corporate Income Tax (IRES) and Regional Tax on Productive Activities (IRAP).

## 15. INVENTORIES

This item is attributable to the RCS Group's inventories of finished products and goods (Euro 928 thousand), consisting mainly of external hard drives and other similar products currently used in the RCS Group's business. Inventories of the subsidiary Diateam (Euro 34 thousand) complete the item.

## 16. CONTRACT ASSETS AND LIABILITIES

Contract assets include the net value of activities performed in excess of advances received from customers. Similarly, contract liabilities accommodate the opposite case. The net balance of contract assets is composed as follows:

<i>(in Euro)</i>	As at 30 June	As at 31 December
	2024	2023
Gross contract assets	4,412,437	3,854,628
Contract liabilities	(46,715)	(241,000)
IFRS 9 Loss allowance	(8,135)	(4,549)
<b>Contract assets, net</b>	<b>4,357,587</b>	<b>3,609,079</b>
Gross contract liabilities	(2,749,202)	(552,018)
Contract assets	(221,875)	52,844
<b>Contract liabilities, net</b>	<b>(835,773)</b>	<b>(499,174)</b>
<b>Net contract assets</b>	<b>3,521,814</b>	<b>3,109,905</b>

## 17. TRADE RECEIVABLES

This item can be broken down as follows:

<i>(in Euro)</i>	As at 30 June	As at 31 December
	2024	2023
From customers	48,458,432	49,050,886
From parents	3,906,114	5,727,691
From subsidiaries	-	-
Loss allowance	(1,564,324)	(1,127,391)
<b>Total</b>	<b>50,800,222</b>	<b>53,651,186</b>

The decrease in trade receivables is mainly attributable to the business seasonality, concentrated in the second half of the year, particularly in the last quarter.

The loss allowance includes the estimated accumulated impairment losses in accordance with IFRS 9. With reference to credit risk management, please refer to the relevant section of the Management Report.



## 18. OTHER CURRENT AND NON-CURRENT ASSETS AND DEFERRED TAX ASSETS

<i>(in Euro)</i>	As at 30 June	As at 31 December
	2024	2023
Prepaid expenses	2,550,515	3,491,655
VAT	2,171,115	2,739,683
Tax Credits for capital expenditures	314,542	511,705
Research and Development Tax credits	599,327	1,231,335
Other	307,312	611,630
<b>Total other current assets</b>	<b>5,942,811</b>	<b>8,586,008</b>
Tax Credits for capital expenditures	333,110	445,462
Research and Development Tax Credits	973,144	1,014,479
Others	185,969	1,931
<b>Total other non-current assets</b>	<b>1,492,223</b>	<b>1,461,872</b>
<b>Total other current and non-current assets</b>	<b>7,435,033</b>	<b>10,047,880</b>

Other current assets mainly refer to prepaid expenses and VAT assets, as well as the current portion of tax credits recognised for investments in research and development and capital expenditures. The item “Other” mainly comprises advances to suppliers and tax assets of the investee Diateam.

Other non-current assets mainly comprise the portion of assets due beyond 12 months in connection with research and development activities and capital expenditures.

Deferred tax assets amount to Euro 3,670,027 as at 30 June 2024 (Euro 3,518,420 as at 31 December 2023).

## 19. CASH AND CASH EQUIVALENTS

As at 30 June 2024, cash and cash equivalents amounted to Euro 22,622,938 (Euro 17,561,190 as at 31 December 2023) and consisted mainly of deposits in Euros with leading financial institutions. The increase compared to 31 December 2023 is mainly due to the drawdowns in the half year of the available facilities, amounting to about Euro 15 million net of the related repayments; the cash out related to the acquisition of XTN in January 2024, which amounts to about Euro 4,259 thousand net of the cash of the newly acquired company; and the payment of treasury shares repurchased to complete the programme that was concluded in the first quarter of the current year for about Euro 1,614 thousand; in addition to the investments for the period.

## 20. EQUITY

<i>(in Euro)</i>	As at 30 June	As at 31 December
	2024	2023
Share Capital	(1,441,500)	1,441,500
Share premium reserve	(108,539,944)	108,539,944
Other reserves	(385,775)	(4,089,524)
Retained earnings	3,606,648	13,362,371
Profit/(loss) for the period	10,008,996	(10,704,682)
<b>Total Equity</b>	<b>(96,751,575)</b>	<b>108,549,609</b>
Share capital and reserves attributable to non-controlling interests	(2,799,613)	769,177
Profit/(loss) for the period attributable to non-controlling interests	(807,411)	1,806,514
<b>Total equity</b>	<b>(100,358,598)</b>	<b>111,125,300</b>

As at 30 June 2024, the fully subscribed and paid-up share capital of the Parent amounted to Euro 1,441,500, unchanged from 31 December 2023, consisting of 23,571,428 fully subscribed shares, divided as follows:

- 9,045,912 ordinary shares owned by Società Elettronica S.p.A.;
- 3,809,524 ordinary shares owned by TEC Cyber S.p.A.;
- 10,265,992 ordinary shares listed on Euronext STAR Milan, held by other shareholders on the market;
- 450,000 treasury shares held by CY4Gate S.p.A.

## 21. EMPLOYEE BENEFITS - NON-CURRENT

This item includes the TFR for Group employees, amounting to Euro 4,123,522 as at 30 June 2024 (Euro 3,581,384 as at 31 December 2023).

<i>(in Euro)</i>	2024	2023
<b>Balance as at 1 January</b>	<b>3,581,384</b>	<b>2,894,479</b>
Change in the scope of consolidation	170,864	-
Transfers of Pension Funds/Treasury/Taxation	-	(11,266)
Current cost of services	489,141	802,683
Interest expense	54,547	108,494
Utilisation of TFR	(189,506)	(313,632)
Actuarial gains	17,092	100,626
<b>Balance as at 30 June</b>	<b>4,123,522</b>	<b>3,581,384</b>

The actuarial assumptions used to calculate defined benefit pension plans are detailed in the following table:

Economic assumptions	As at 30 June	As at 31 December
	2024	2023
Inflation rate	2.00%	2.25%
Discount rate	3.49%	3.12%
Salary growth rate	1.00%	2.25%

Demographic assumptions are based on actuarial expectations, in accordance with relevant and published industry statistical data, applied to the average number of employees in the periods.

The following is a sensitivity analysis of defined benefit pension plans performed on the basis of changes in key assumptions as at 30 June 2024:

Sensitivity Analysis	CY4Gate Group As at 30 June 2024
<b>Central Assumption</b>	<b>4,123,522</b>
Turnover rate +1%	4,158,537
Turnover rate -1%	4,127,231
Inflation rate +0.25%	4,186,303
Inflation rate - 0.25%	4,102,008
Discount rate + 0.25%	4,092,065
Discount rate - 0.25%	4,196,932

## 22. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES AND CURRENT AND NON-CURRENT LEASE LIABILITIES

<i>(in Euro)</i>	As at 30 June		As at 31 December	
	2024		2023	
	Current	Not current	Current	Not current
Bank loans and borrowings	11,465,131	26,829,111	6,513,610	16,372,319
Loans and borrowings from other financial backers	82,906	5,000	172,066	
Other bank loans and borrowings	421,150	233,873		
Lease liabilities	1,243,008	2,851,501	1,207,015	2,571,452
Put options on business combinations	1,719,889	4,572,334	1,666,391	4,074,006
<b>Total</b>	<b>14,932,084</b>	<b>34,491,819</b>	<b>9,559,082</b>	<b>23,017,777</b>

**Bank loans and borrowings** mainly refer to the facility agreement entered into by the Parent with Credit Agricole Italia S.p.A., leader of a pool of credit institutions, for a maximum total amount of Euro 45,000,000 (the “Facility Agreement”), utilised as at 30 June 2024 in part for the acquisition of the RCS Group in 2022 (Line A for Euro 12.5 million); of Diateam in the previous year (Acquisition/Capex Line for about Euro 5.5 million) and of XTN in January 2024 (Acquisition/Capex Line for about Euro 8.7 million). The carrying amount takes into account the effect of the application of the amortised cost criterion and the instalments paid during the half-year period based on the amortisation schedule provided for in the contract.

The Facility Agreement provides, for Line A, for the repayment of the principal amount by the relevant expiry date in 11 six-monthly instalments in accordance with the contractually agreed amortisation schedule. In addition, CY4Gate will pay the interest from time to time accrued, for each interest period, on the amounts disbursed and not reimbursed, at an interest rate equal to the EURIBOR 6M/360 rate increased by a spread of 200 b.p. for whose hedging a derivative was entered into for 100% of the amount.

The increase in the liability with respect to 31 December 2023 was due to drawdowns of available lines (mainly the residual capex line with a drawdown window within the first half of 2024), net of related repayments of about Euro 15 million.

It should also be noted that according to the provisions of the Facility Agreement, the margin that will be applied to the reference rate in relation to each line of the facility may vary on a half-yearly basis, up or down, in relation to the change in the “Net Financial Position/EBITDA (NFP/EBITDA)” ratio (“financial covenant”) calculated on the basis of the data in the consolidated financial statements, or the interim consolidated report, starting from a base ratio of 2.5x. Therefore, the Parent committed to comply with the aforementioned NFP/EBITDA financial parameter, accepting that the lending banks and the agent bank will be able to carry out the actions and remedies contractually provided for, among others the reimbursement of the amounts not yet paid and the related interest, in the event that the initial financial position at the consolidated level does not comply with said parameter. Verification of compliance with the aforementioned financial parameter takes place every six months on a “rolling” basis (i.e. with reference to data for the previous 12 months), starting with the financial year ending as at 31 December 2022. This covenant was complied with as at 30 June 2024.

In addition, it should be noted that this Facility Agreement provides for certain limitations on the distributions of profits and/or dividends by the parent; in particular, the parent may not distribute profits and/or dividends, or make payments of any amount for any reason and in any form whatsoever to its shareholders, except for payments pursuant to contracts of a commercial nature and/or employment relationships (including, by way of example, as payment of principal, interest or other benefits on shareholder loans also in the form of bonds, or as consideration for services rendered

and/or management fees) (each transaction, a “Distribution”), except subject to the occurrence of all of the following conditions:

- the first Distribution is made after the approval of the Issuer’s financial statements for the year ending as at 31 December 2022;
- throughout the term of the Facility Agreement, each Distribution must not exceed 50% (fifty per cent) of the profits shown in the Issuer’s separate financial statements for the year immediately preceding the year in which the relevant Distribution is to be made;
- on the date of the Distribution there are no Events of Default and such Distribution does not in itself result in an Events of Default (as defined in the Facility Agreement).

Unutilised to date, the remainder of the facility provides for the option of activating a medium/long-term Revolving credit line, usable on a revolving cash basis, up to a maximum of Euro 7,500,000 (the “Revolving Line”), aimed at financing the cash requirements associated with the Group’s treasury needs.

The item “Bank loans and borrowings” also includes the RCS Group’s financial liabilities (amounting to approximately Euro 4.3 million), relating to loan agreements in place with the banks Intesa San Paolo and Unicredit, as well as XTN’s financial liabilities for minibonds amounting to Euro 612 thousand as at 30 June 2024.

Finally, it should be noted that there are no financial covenants in connection with the RCS Group and XTN facilities.

The table below summarises information on outstanding facilities:

Group Companies	Lending entity	Counterparty	Rate applied	Expiry date	Nominal value	Carrying amount as at 30 June 2024	of which current	of which non-current
CY4Gate	Bank pool Line A facility	Credite AgriCole, ICCREA	Euribor 6m + 200 bp	29/03/2028	12,500,000	9,298,424	1,968,849	7,329,575
CY4Gate	Bank pool Capex line facility	Credite AgriCole, ICCREA	Euribor 6m + 200 bp	29/03/2028	25,000,000	23,437,500	6,250,000	17,187,500
CY4Gate	Unsecured Contract Loan	Bper	Euribor 3m + 90 bp	25/10/2024	1,000,000	506,951	506,951	-
RCS	Intesa San Paolo facility	Intesa San Paolo	Euribor 3m + 90 b.p.	25/06/2025	3,000,000	756,453	756,453	-
RCS	Intesa San Paolo facility	Intesa San Paolo	Euribor 6m + 132 b.p.	30/11/2026	3,000,000	2,500,862	1,000,000	1,500,862
RCS	Unicredit facility	Unicredit	Euribor 3m + 50 b.p.	31/12/2025	1,500,000	1,181,552	807,878	373,674
XTN	Mediocredito Minibond	Mediocredito Trentino Alto Adige SpA	2.90%	31/07/2027	700,000	612,500	175,000	437,500
<b>Total</b>					<b>46,700,000</b>	<b>38,294,242</b>	<b>11,465,131</b>	<b>26,829,111</b>

The item “**Other bank loans and borrowings**” refers for Euro 313 thousand to RCS’s liabilities for bank advances on invoices, as well as a bank loans and borrowings pertaining to Diateam and to credit card liabilities.

It is attested that in the choice of financing and investment transactions, the Group has adopted prudence and limited risk criteria and that it has not engaged in speculative transactions. In this regard, it should be noted that the Group hedges its financial risk, in particular the risk of an increase in interest rates, by means of interest rate swap contracts, four in place as at 30 June 2024. The above-mentioned interest rate swap contracts are to be understood as hedging transactions and their impact on the result for the year is solely due to the accounting of the positive and negative differentials on interest rates accrued as at 30 June 2024.

The item “**Lease liabilities**” refers to lease liabilities, recorded as a balancing entry to the recognition of right-of-use assets, for leasing contracts in place for buildings where the Group companies’ offices are located, for hardware and cars.

The item “**Put options on business combinations**” includes financial liabilities recognised in application of the

anticipated acquisition method adopted by the Group on non-controlling interests in the investees Diateam and XTN. The increase in the item compared to 31 December 2023 relates to the adjustment of the present value, as at 30 June 2024, of the liability for put options on the non-controlling interest of Diateam, and to the recognition in the half-year of liabilities for put options on an additional 2.2% of XTN's share capital.

## NET FINANCIAL DEBT

The following table provides details of the composition of the Group's Net Financial Position as at 30 June 2024, as required by Consob Communication No. DEM/6064293 of 28 July 2006 and in accordance with Consob Notice No. 5/21 of 29 April 2021 with reference to Guideline ESMA32-382-1138 of 4 March 2021.

<i>(in Euro)</i>	For the period ended	
	30/06/2024	31/12/2023
A. Cash and cash equivalents	(22,622,938)	(17,561,190)
B. Cash equivalents	-	-
C. Other current financial assets	(986,746)	(985,189)
<b>D. Liquidity (A+B+C)</b>	<b>(23,609,684)</b>	<b>(18,546,379)</b>
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1,263,404	1,297,081
F. Current portion of non-current financial debt	13,437,571	8,030,891
<b>G. Current financial debt (E+F)</b>	<b>14,700,975</b>	<b>9,327,972</b>
<b>H Net current financial debt (G+D)</b>	<b>(8,908,709)</b>	<b>(9,218,407)</b>
I. Non-current financial debt (excluding current portion and debt instruments)	34,338,429	22,932,633
J. Debt instruments	-	-
K. Trade payables and other non-current liabilities	-	-
<b>L. Non-current net financial debt (I+J+K)</b>	<b>34,338,429</b>	<b>22,932,633</b>
<b>M. Total financial debt (H+L)</b>	<b>25,429,720</b>	<b>13,714,226</b>
N. Non-current financial assets	(23,227)	(68,066)
<b>Net Financial Position (M-N)</b>	<b>25,406,493</b>	<b>13,646,160</b>

The item "C. Other current financial assets" includes the item of the abbreviated consolidated financial statements as at 30 June 2024 related to Current financial assets (Euro 1,217,856) with the exclusion of derivative financial instruments assets classified under this item.

Item "E. Current Financial Debt" includes Payables to Banks as at 30 June 2024 without non-current portion. As at that date, there were no Payables to other lenders or Other payables to banks due entirely within 12 months.

The item "F. Current portion of non-current financial debt" includes the current portion of the abbreviated consolidated balance sheet item related to Payables to Banks (Euro 10,201,727), Payables to other lenders (Euro 82,906), Other payables to banks (Euro 421,150), the liability related to put options on business combinations (Euro 1,719,889), lease liabilities (Euro 1,243,008), and the current portion of derivative financial instruments assets (Euro 231,110).

Item "I. Non-current financial debt" includes the items of the abbreviated consolidated financial statements as at 30 June 2024 relating to Non-current Financial Liabilities related to Payables to Banks (Euro 26,992,046), Payables to Other Lenders (Euro 5,000), Other Payables to Banks (Euro 233,873), the liability related to the put options on business combinations (Euro 4,572,334), lease liabilities (Euro 2,851,501) and the non-current portion of derivative financial instruments assets (Euro 153,306).

The item "N. Non-current financial assets" corresponds to the item of the abbreviated consolidated financial statements as at 30 June 2024 related to Non-current financial assets (Euro 176,533) with the exclusion of derivative financial instruments assets classified under this item.

## 23. TRADE PAYABLES

<i>(in Euro)</i>	As at 30 June	As at 31 December
	2024	2023
Payables to suppliers	13,031,278	13,892,246
Payables to parents	375,871	485,727
Payables to subsidiaries	-	-
<b>Total trade payables</b>	<b>13,407,149</b>	<b>14,377,973</b>

Trade payables are recognised for a total of Euro 13,407,150 (of which Euro 2,311,794 for invoices to be received and Euro 1,538,704 for advances to suppliers).

## 24. OTHER CURRENT AND NON-CURRENT LIABILITIES

<i>(in Euro)</i>	As at 30 June	As at 31 December
	2024	2023
Accrued expenses and deferred income	1,100,089	447,636
Other non-current liabilities	1,012,437	-
<b>Total other non-current liabilities</b>	<b>2,112,526</b>	<b>447,636</b>
Accrued expenses and deferred income	6,697,391	3,768,722
Employees	5,042,717	3,328,463
Social security institutions	1,034,529	1,352,579
Tax authorities for VAT	1,087,060	1,022,855
Tax authorities for IRPEF	190,273	120,117
Grant advances	-	313,176
Other liabilities	1,751,073	2,940,022
<b>Total other current liabilities</b>	<b>15,803,044</b>	<b>12,845,934</b>
<b>Total</b>	<b>17,915,571</b>	<b>13,293,570</b>

The item “Other non-current liabilities” includes the deferred price due for the purchase of XTN, amounting to Euro 812 thousand (Euro 972 thousand contractually envisaged, discounted as at 30 June 2024) in addition to Euro 200 thousand deferred price due to Diateam’s non-controlling interests.

The item “Other liabilities” included in other current liabilities mainly refers to amounts due from Diateam and XTN to their non-controlling interests for dividends resolved by 30 June 2024 and other amounts due to the tax authorities.

Amounts due to personnel mainly consist of payables for accrued and unused holiday time, PTO and social security contributions.

## 25. RELATED PARTY TRANSACTIONS

In the first half of 2024, the Group entered into transactions with related parties, specifically with the company Elettronica S.p.A., a shareholder of the Parent with a 38.3% interest in the share capital. These transactions, which do not constitute atypical and/or unusual transactions, are governed by normal market conditions and follow a physiological development with respect to contractual commitments and payment terms.

The totals of the transactions are detailed in the tables below.

<i>(in Euro)</i>	Parent	Total related parties	Financial statements item	Impact on financial statements item
<b>Impact of transactions on profit or loss</b>				
<b>Revenue and other income</b>				
Period ended 30 June 2024	3,830,965	<b>3,830,965</b>	31,138,950	<b>12%</b>
Period ended 30 June 2023	1,560,034	<b>1,560,034</b>	34,086,382	<b>5%</b>
<b>Services</b>				
Period ended 30 June 2024	229,678	<b>229,678</b>	11,519,318	<b>2%</b>
Period ended 30 June 2023	187,264	<b>187,264</b>	13,068,451	<b>1%</b>
<b>Impact of transactions on the financial position</b>				
<b>Other non-current assets</b>				
As at 30 June 2024	19,000	<b>19,000</b>	1,492,223	<b>1%</b>
As at 31 December 2023	19,000	<b>19,000</b>	1,461,872	<b>1%</b>
<b>Trade receivables</b>				
As at 30 June 2024	4,538,924	<b>4,538,924</b>	50,800,222	<b>9%</b>
As at 31 December 2023	5,727,691	<b>5,727,691</b>	53,651,186	<b>11%</b>
<b>Right-of-use assets</b>				
As at 30 June 2024	818,595	<b>818,595</b>	3,966,198	<b>21%</b>
As at 31 December 2023	958,502	<b>958,502</b>	3,646,191	<b>0</b>
<b>Contract assets</b>				
As at 30 June 2024	1,578,250	<b>1,578,250</b>	4,356,907	<b>36%</b>
As at 31 December 2023	1,748,572	<b>1,748,572</b>	3,609,079	<b>48%</b>
<b>Lease liabilities</b>				
As at 30 June 2024	855,913	<b>855,913</b>	4,094,509	<b>21%</b>
As at 31 December 2023	974,789	<b>974,789</b>	3,778,467	<b>26%</b>
<b>Trade payables</b>				
As at 30 June 2024	375,871	<b>375,871</b>	13,407,150	<b>3%</b>
As at 31 December 2023	485,727	<b>485,727</b>	14,377,973	<b>3%</b>
<b>Contract liabilities</b>				
As at 30 June 2024	239,247	<b>239,247</b>	835,773	<b>29%</b>
As at 31 December 2023	182,823	<b>182,823</b>	499,174	<b>37%</b>

## 26. OTHER INFORMATION

### Guarantees

As at 30 June 2024, the following are highlighted:

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

Pledges on equity interests established (or to be established) pursuant to the Facility Agreement entered into on 29 March 2022 between Cy4gate S.p.A. and RCS ETM Sicurezza S.p.A., following the relevant adherence, and a pool of lending banks led by Crédit Agricole Italia S.p.A. are described below.

- **RCS Group (formerly Aurora):** on 29 March 2022, in its capacity as grantor, Cy4gate S.p.A. pledged its shares to Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano - Soc. Coop. (the “Lending Banks”), 100% of the share capital of Aurora S.p.A. to guarantee the correct, complete and punctual fulfilment of all present and/or future financial obligations of Cy4gate S.p.A. and RCS ETM Sicurezza S.p.A. to the Lending Banks, arising for any reason under the facility agreement signed on 29 March 2022 between Cy4gate S.p.A. and RCS ETM Sicurezza S.p.A. and the Lending Banks. It should be noted that this pledge was transferred to RCS following the reverse merger completed on 15 November 2022
- **RCS ETM Sicurezza Pledge:** on 29 March 2022, in its capacity as grantor, Aurora S.p.A. pledged to Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano - Soc. Coop. (the “Lending Banks”), 100% of the share capital of RCS ETM Sicurezza S.p.A., as guarantee for the correct, complete and punctual fulfilment of the monetary obligations (within the limits expressly set out in the relevant pledge deed) of CY4Gate S.p.A. and RCS ETM Sicurezza S.p.A. to the Lending Banks, arising for any reason under the facility agreement signed on 29 March 2022 between CY4Gate S.p.A. and RCS ETM Sicurezza S.p.A. and the Lending Banks.

## JUDICIAL AND ARBITRATION PROCEEDINGS

At the date of preparation of these financial statements, the Group was not a party to any significant administrative, judicial or arbitration proceedings that may have or have had in the recent past a material impact on the financial position or profitability of the Parent and/or the Group.

For the sake of completeness, it should be noted that during the first half of 2021, the Public Prosecutors’ Offices of Naples and Florence opened investigations against, respectively, the members of RCS’s Board of Directors at the time of the disputed events and the engineer in charge of the subsidiary’s technical department at the time. These investigations, which were pending at the reporting date, refer to active wiretapping activities carried out on behalf of the Perugia Public Prosecutor’s Office by the subsidiary RCS and, in particular, relate to the storage of the data captured on a transit server located in Naples and owned by the subsidiary RCS, before their definitive transfer to another server used by the competent Public Prosecutor’s Office located in Rome.

At the date of preparation of these condensed interim consolidated financial statements, investigations are still ongoing and none of the CY4 Group companies have been served with a notice of indictment pursuant to Article 57 of Italian Legislative Decree No. 231.

During the first half of the year, the Naples Public Prosecutor’s Office reinstated the service provided for the installation and management of computer sensors, a service temporarily suspended following the opening of criminal proceedings in 2021.

The directors of the Parent and of the subsidiary RCS, also on the basis of the assessments received from the external lawyers following the litigation, have assessed as remote the risk that potential liabilities could arise from these proceedings for the subsidiary and the Group.



## **27. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

### **PURCHASE OF AN ADDITIONAL INTEREST IN DIATEAM S.A.S.**

On 26 July 2024, following the exercise of the “Put & Call” option agreements exercisable in the 2024-2026 three-year period and signed at the time of the purchase of the first 55.33% of Diateam S.a.S., CY4Gate S.p.A. signed the closing for the purchase of a further 15.33% interest in the French investee at a price of Euro 1.6 million, thus reaching a holding of 70.66% of its share capital.

### **PURCHASE OF AN ADDITIONAL INTEREST IN STIL**

In July 2024, RCS acquired a further 30% interest in the company Servizi Tattici Informativi Legali S.r.l. (“STIL” in short), thereby holding its entire share capital. In the same month, the companies’ Boards of Directors approved the merger of STIL into RCS.

### **PRONTOCYBER PLUS S.R.L.**

On 23 July 2024, together with CDP Venture Capital SGR, Italy’s leading venture capital manager held by CDP Equity (70%) and Invitalia (30%), through the Boost Innovation Fund, a corporate venture building instrument, CY4Gate S.p.A. signed binding agreements to enter into a strategic partnership through the establishment of Prontocyber Plus S.r.l., a joint venture with headquarters in Rome, dedicated to SME cyber security. The company will be endowed with a total of Euro 3 million in assets and capital, which can be increased up to Euro 9.5 million by the shareholders to finance its further growth.

ON BEHALF OF THE BOARD OF DIRECTORS

(Domitilla Benigni)

(Emanuele Galtieri)

Certification of the condensed interim consolidated financial statements pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned Emanuele Galtieri and Marco Latini, Chief Executive Officer and Financial Reporting Officer of Cy4gate S.p.A., respectively, certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company (also taking into account any changes during the six-month period), and
- the effective application of the administrative and accounting procedures for the preparation of these condensed interim consolidated financial statements for the six months ended as at 30 June 2024.

2. Significant aspects were identified by the application of administrative and accounting procedures for the preparation of these condensed interim consolidated financial statements as at 30 June 2024.

3. It is further attested that:

3.1 these condensed interim consolidated financial statements:

- a) are prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) correspond to the entries in the books and records;
- c) are capable of providing a true and fair view of the assets and liabilities, profit and loss, and financial position of the issuer and of the group of companies included in the consolidation.

3.2 The Interim Management Report includes a reliable analysis of references to important events that occurred in the first six months of the financial year and their impact on these condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The Interim Management Report also includes a reliable analysis of information on significant transactions with related parties.

Rome, 12 September 2024

The Chief Executive Officer

The Financial Reporting Officer

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