
CY4
GATE
ELETTRONICA GROUP

The CY4Gate Group

Corporate data of the parent company

Cy4gate S.p.A.

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

Taxpayer Identification no.: 13129151000

Economic Repertoire no.: RM 1426295

VAT no.: 13129151000

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

Legal status: JOINT-STOCK COMPANY

Main sector of activities (ATECO): 620100

www.cy4gate.com

BOARD OF DIRECTORS:

Chairman	Domitilla Benigni
Chief Executive Officer	Emanuele Galtieri
Director	Eugenio Santagata
Director	Alberto Luigi Sangiovanni Vincentelli

Director	Vincenzo Pompa
Director	Cinzia Parolini
Director	Enrico Peruzzi
Director	Sandro Etalle
Director	Roberto Ferraresi

BOARD OF STATUTORY AUDITORS:

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

AUDITING FIRM
KPMG S.p.A. *in office until the shareholders' meeting to approve the financial statements for the year closed 31st December 2024*

Contents

GROUP FINANCIAL RESULTS AND KEY PERFORMANCE INDICATORS

The results for the first six months of 2022 confirm the well-established growth path by continuing the intense business development activity in the domestic and international market, both government and corporate, improving revenues compared to the previous year in line with the Group's strategic development plan.

The six-month period ended with a good performance in terms of operating revenues underscoring the goodness, soundness and scalability of the company's business model, which hinges on technology solutions capable of meeting the increasingly challenging needs of *cyber intelligence* and *cyber security*, despite the usual seasonality of revenues historically concentrated in the second half of the year.

Importantly, on the other hand, margins were affected by the effect of the investment in personnel made already since last year in the technical-engineering areas necessary for the development of the Group's sales activity as well as by the costs (approximately 2.4MEuro million) related to the extraordinary acquisition of 100% Aurora Group, which under IAS- IFRS are reported in the income statement.

The aforementioned acquisition of 100 percent of the Aurora Group, completed during the year, a market leader in the Forensic Intelligence segment, enabled the start of a path to establish a hub of national 360-degree expertise and technologies in cyber intelligence and cyber security, through a portfolio of proprietary products suitable for providing an integrated response to major *digital transformation* and *cyber security* projects, enabling significant synergies in development for the consolidation and strengthening of the entire technology and product portfolio in cyber intelligence and cyber security.

MAIN INDICATORS OF THE GROUP'S PERFORMANCE

CY4Gate's management assesses the Group's performance based on certain non-IFRS indicators. In particular, EBIDTA is used as the main indicator of profitability, as it allows analysis of the Group's margins, eliminating the effects arising from volatility originated by economic elements of a nonrecurring, exceptional or unrelated to ordinary operations.

Alternative Performance Indicators and the components of each of these indicators are provided below:

- **EBITDA** is calculated by adjusting the result for the period to exclude the effect of taxation, of net financial expenses and depreciation, amortization, and impairment losses as well as nonrecurring and extraordinary expenses (mainly related to transaction costs of the Aurora group acquisition);
- **EBIT** is calculated by adjusting the result for the period to exclude the effect of taxation and of net financial charges;
- **EBITDA** *margin* is calculated by relating EBITDA, as previously described, to total revenue;
- **EBIT** *margin* is calculated by relating EBIT, as previously described, to total revenue;
- the **net financial position** is calculated by subtracting from current and non-current financial liabilities cash and cash equivalents, and current financial assets. If the Group identifies events that are uncharacteristic and/or related to extraordinary transactions that impact the net financial position, this is submitted as adjusted in order to exclude the effect of such operations;

It was deemed appropriate to present these performance figures at the consolidated level in order to represent the Group's financial performance net of nonrecurring events, non-characteristic events, and events related to extraordinary transactions, as identified.

These indicators reflect the main economic and financial magnitudes adjusted for nonrecurring income and expenses that are not closely related to core business and operations and, therefore, allow an analysis of performance that is more consistent with previous periods.

The main changes in the Group's performance from the previous year are shown below. In this regard, it should be noted that the 2021 comparison is represented by the *stand-alone* financial statement balances of CY4Gate SpA because the *transformational* acquisition of the Aurora Group was finalized on 29 March 2022. For this reason, the balance as at 30 June 2022 includes the values of the Aurora Group's sub-consolidated for the relevant period, i.e. from the date of the transaction assumed to have taken place on 31 March 2022.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in Euro)	Period ended 30 June	
Category	**30/06/2022**	**30/06/2021**
Revenue	**16,701,202**	**5,128,373**
Costs for purchases and personnel	14,157,359	3,070,789
Other operating costs	216,441	77,231
EBITDA	**2,327,402**	**1,980,354**
EBITDA Margin	**14%**	**39%**
Transaction costs (one off)	2,432,248	-
Depreciation, write off and value adjustments of financial assets	3,615,152	1,401,709
Earnings before interest and taxes	**(3,719,997)**	**578,645**
Financial income (charges)	(308,717)	(18,879)
Pre-Tax Result (EBT)	**(4,028,714)**	**559,766**
Tax	424,649	4,476
Profit (Loss) for the period	**(3,604,065)**	**564,242**
Group Profit (Loss)	**(3,699,531)**	
Profit (Loss) of non-controlling interests	**95,466**	
Earnings (loss) per share	***(0.15)***	***0.04***

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in Euro)	Period closed at	
Category	**30/06/2022**	**31/12/2021**
Fixed assets	**83,199,647**	**10,266,695**
Inventories	3,378,709	1,543,737
Receivables from customers	55,244,320	23,585,605
Payables due to suppliers	(5,864,149)	(4,330,658)
CCO	**52,758,880**	**20,798,685**
Other assets (liabilities)	(5,029,754)	898,075
NWC	**47,729,126**	**21,696,760**
Net Invested Capital	**130,928,773**	**31,963,455**
Cash and cash equivalents	20,014,895	2,297,858
Financial assets	544,747	6,000
Financial liabilities	(16,659,909)	(2,005,878)
Lease liabilities	(3,759,323)	(2,006,595)
NFP adj.	**140,409**	**(1,708,615)**
Contingent liability for earn out	**(15,000,000)**	**-**
Shareholders' Equity	**(116,069,183)**	**(30,254,839)**
Total Sources	**(130,928,773)**	**(31,963,455)**

Operating revenue as at 30 June 2022 amounted to Euro 16 million, an increase of 219% compared to 30 June 2021 (Euro 5.0 million). Net organic growth in operating revenues, considering Cy4Gate as stand-alone, stands at +35% over the previous half year, albeit affected by the strong seasonality effect, with significant growth expected in the last 3 months of the year, as per industry standards. The recent acquisition strengthened the *"forensic intelligence"* segment dedicated to B2G, which now weighs in at about 60 percent of the business. It also shows a contribution at the domestic market level of 81% and 19% in the International market, thus consolidating the Group's presence in the Italian market with expectations of a better balance on exports in the second half of the year.

Total costs amounted to approximately EUR 14.4 million (EUR 3.1 million as at 30 June 2021). The increase over the first half of 2021 stems mainly from the increase:

- of costs for raw materials and services mainly as a result of the acquisition of Aurora Group, which resulted in higher business volumes, higher structure, transaction and integration costs.
- of personnel costs, which is entirely attributable to the strengthening of the post-acquisition structure-with particular reference to the engineering areas-that will enable the Group to expand into new markets and support the expected overall growth in revenues.

EBITDA amounted to Euro 2.3 million (Euro 2.0 million as at 30 June 2021) with an EBITDA Margin of 14%. The temporary decrease in EBITDA is mainly related to the seasonality of the business, as well as to the dynamics of costs that follow a linear trend over the months, with minimal growth in the second half of the year in contrast to revenues that, as shown, expect a significant acceleration in the last quarter.

EBIT was negative EUR 3.7 million (positive EUR 0.6 million as at 30 June 2021). The operating result was affected by increased depreciation, amortisation and provisions as a result of the investments made to support growth and, as previously mentioned, reflects the seasonality that characterises the business of both Cy4Gate and Aurora, and the accounting effects related to the transition from OIC to IFRS related to the recognition of acquisition-related transaction costs in the income statement.

As a result of the above, the loss for the period amounted to Euro 3.6 million compared to a profit of Euro 0.6 million as of 30 June 2021.

Shareholders' equity amounted to EUR 114.8 million (EUR 30.3 million as at 30 June 2021) due to the full subscription of the capital increase for a total amount of EUR 90 million.

The net financial position excluding the contingent liability recognised under financial liabilities for the possible payment of the earn-out is cash positive in the amount of Euro 0.1 million, an improvement compared to 31 December 2021 (negative in the amount of Euro 1.7 million), benefiting from the higher net inflow of financial resources (about Euro 10 million).

HUMAN RESOURCES

With regard to the human resources employed during the six-month period, the Group conducts its business in full compliance with environmental and occupational hygiene regulations, as well as in accordance with applicable foreign local regulations. Below is the composition of the CY4Gate Group's workforce as of 30 June 2022 with evidence of changes in the last six months.

COMPOSITION AND MOVEMENT OF THE WORKFORCE

	Executives	Middle managers	Office employees	Apprentices	Others	Total
31/12/2021	8	13	68	4		**93**
Aurora Acquisition	13	30	243	15	1	**302**
income (+)	1	1	46	11		**59**
change	1		(1)			**0**
outputs (-)	(2)	(1)	(34)	(6)		**(43)**
30.06.2022	**21**	**43**	**322**	**24**	**1**	**411**

SIGNIFICANT EVENTS OF THE SEMESTER

RUSSIA-UKRAINE CONFLICT

In connection with recent geopolitical events related to the Russian-Ukrainian conflict and the subsequent restrictive measures decided by the European Union against Russia, the Group has verified that there are no potential impacts arising from this context on its financial position and economic prospects. It should be noted that the Group does not have any sales contracts, procurement or other business relationships with entities residing in Russia, Belarus or Ukraine, nor does it hold any assets, cash, equity or debt securities in those countries. For these reasons, significant impacts on business activities and supply chains are not expected. The listing of shares issued by CY4Gate S.p.A., is exposed to the volatility and uncertainty that international financial markets have experienced in recent months with a general decline in major market indices.

ACQUISITION OF AURORA GROUP

On 14th March following up the communication of 16th December 2021 and the resolution of the Ordinary and Extraordinary Shareholders' Meeting of 7 February 2022, following the fulfilment of the conditions precedent already known to the market, Cy4Gate started the placement activities of the shares from the share capital increase to pay in tranches for a total maximum amount of Euro 90 million, including any share premium with the exclusion of the option right pursuant to article 2441, paragraph 5, of the Civil Code. The capital increase was successfully concluded with the subscription of EUR 90 million and the issue to service the Capital Increase of 8,571,428, shares with a price per share of 10.5 following which the shareholding structure is as follows:

- Electronics 38.50%
- Tec Cyber 16,00%
- Market (floating) 45.50%

On 29th March 2022, the closing of the transaction related to the acquisition of the Aurora Group was carried out in accordance with the previously stipulated agreements.

DIFFUSION OF CORONAVIRUS (Covid-19)

The CY4Gate Group continues to maintain all the necessary safeguards to ensure constant monitoring of the evolving effects of the pandemic and for the management of health risk, putting in place all useful actions to inform employees, suppliers, subcontractors and others, who in any capacity have dealings with the Group, about the necessary and/or useful safeguards to limit the risks of contagion as much as possible, and for the management of any situations of risk or occurrence of infection.

As of the date of this document, no Group activities are suspended or slowed down due to issues related to the pandemic, either in Italy or abroad.

SIGNIFICANT EVENTS AFTER THE END OF THE SIX-MONTH PERIOD

No significant events were reported after 30 June.

OUTLOOK

The company intends to continue its organic and inorganic growth path by focusing its strategy on the constant updating and development of its proprietary solutions, thus confirming its product-centric vocation. In particular, the strategy will rest on the following pillars:

- Products: evolution of Cyber Intelligence and Cyber Security products with the addition of increasingly advanced functions and higher automation rate through the use of *Composite Artificial Intelligence*, creating integration and synergies with all proprietary solutions in the group's portfolio that are 100% developed in Italy. The goal is the realization of an increasingly integrated *offering* capable of ensuring the delivery not just of products, but of turnkey cyber *capabilities* and design solutions to customers;
- Market development: continuing to strengthen in the domestic market and give further impetus to the internationalization of the company on all solutions offered;
- Customers: ensuring a strong diversification and expansion of the customer base, particularly in the corporate market, through commercial partnerships with suppliers, distributors and other players at national and international level;

- Extraordinary operations: ensuring the company's structured growth in the area of *cyber security* by confirming the *vision* of creating a European centre of excellence in the specific domain;
- Marketing and Communication: continuing to pursue stronger *brand awareness* for *Cybersecurity* and *Decision Intelligence* solutions in the Italian and international markets.

The next few years are still expected to be marked by strong development of the Cy4Gate Group's target markets, supported also by the push from European funds, the NRRP, which on the issue of cybersecurity will begin to make their effects more tangible.

The assumptions underlying the growth in Revenues, over the three-year period, are derived from:

- consolidation and further increase of contracts with corporate and government customers with current proprietary products;
- development of additional proprietary cyber products;
- expansion into foreign markets.

The Company continues to monitor very closely the evolution of the Ukrainian geopolitical crisis also with specific regard to issues related to *cyber defence* aspects, as well as the evolution of the NRRP, also in light of the emergencies and priorities that will emerge from the Government agenda.

MAIN RISKS AND UNCERTAINTIES

Risk management

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

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

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

Currency risk

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

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

Liquidity risk

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

It should be noted that financial liabilities, other than lease liabilities recognized in application of IFRS 16, as of 30 June 2022 totalled Euro 31,659,908, consisting of noncurrent financial liabilities of Euro 12,051,342 and current financial liabilities of Euro 19,608,566, including the provision of Euro 15 million for contingent liability prudently made by management for the maximum amount provided for in the Aurora Group acquisition agreement. The amount of cash and cash equivalents at 30 June 2022 totalled Euro 20,014,895.

Credit risk

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

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

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

Interest rate risk

Pursuant to Article 2428 of the Civil Code, item 6-bis), we certify that in the choice of financing and investment transactions, the Group has adopted criteria of prudence and limited risk, and that no speculative transactions have been entered into. In this regard, it should be noted that the Group intended to hedge against financial risk, and in particular against the risk of rising interest rates, by entering into 3 "Interest Rate Swap" contracts. These contracts were entered into to hedge the risk of fluctuations in the interest rate applied on loan contracts entered into at variable rates.

The main figures of these contracts are summarized below:

Bank	Trading date	Maturity	Reference capital	Capital in life	MTM
UNICREDIT	21/12/2020	29/12/2023	1,500,000	750,000	8,186
INTESA	30/04/2019	15/12/2022	1,500,000	250,000	-269
INTESA	14/04/2020	15/12/2023	1,725,000	862,500	8,045
INTESA	25/06/2021	25/06/2025	2,813,751	2,254,009	50,794
ICCREA	24/05/2022	29/03/2028	5,000,000	5,000,000	14,849
CREDIT AGRICOLE	24/05/2022	29/03/2028	7,500,000	7,500,000	21,636

The above-mentioned 'Interest Rate Swap' contracts are to be understood as hedging transactions and their impact on the result for the period is given exclusively by the accounting of the positive and negative differentials on interest rates accrued as at 30/06/2022.

As of 30 June 2022, the company recognised fair value hedging derivatives of Euro 103,510 on the assets side of the balance sheet, fair value hedging derivatives of Euro 269 on the liabilities side of the balance sheet, and a balancing entry of Euro 68,668 in the equity reserve called 'reserve for expected cash flow hedging transactions', net of the deferred tax liability.

TRANSACTIONS WITH RELATED PARTIES

It should be noted that CY4GAte adopted in 2020 a specific "Procedure for Related Party Transactions" (hereinafter the "Procedure") -effective 24 June 2020- pursuant to the "Regulation containing provisions on related party transactions" issued by Consob in Resolution No. 17221 of 12th March 2010, as amended and supplemented. (hereinafter the "Regulation"), as well as in implementation of Article 2391-bis of the Italian Civil Code. It should be noted that the Procedure underwent an update on 27th June 2022 in order to incorporate the amendments required by Borsa Italiana in Notice No. 22008 of 25th June 2021, which will come into effect on 1st July 2022.

The aforementioned Procedure is available on the Company's website (www.cy4gate.com, Governance section, Corporate Documents area). Pursuant to Art. 5(8) of the Regulation, it should be noted that in the first half of 2022 no transactions of major significance (as defined by Art. 4(1)(a) and identified by the aforementioned Procedure pursuant to Ann. 3 to the Regulation), nor other related party transactions that materially affected the consolidated financial position during the reporting period. For details, please refer to Explanatory Note 33. "Related Party Transactions" in the consolidated half-year financial statements to which reference should be made.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF

30/06/2022

CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2022

CONSOLIDATED INCOME STATEMENT

(in Euro) Category	Notes	30/06/2022	30/06/2021
Operating Revenue	*(1)*	16,035,122	5,025,769
of which with related parties		*1,801,854*	*1,824,610*
Other operating revenue	*(2)*	666,079	102,604
Revenue		**16,701,202**	**5,128,373**
Costs for purchases and personnel	*(3)*	16,589,607	3,070,789
of which with related parties		*226,462*	*157,301*
Depreciation, write off and value adjustments of financial assets	*(4)*	3,615,152	1,401,709
Other operating costs	*(5)*	216,441	77,231
Costs		**20,421,199**	**4,549,728**
Earnings before interest and taxes		**(3,719,997)**	**578,645**
Financial income (charges)	*(6)*	(308,717)	(18,879)
Pre-Tax Result (EBT)		**(4,028,714)**	**559,766**
Tax	*(7)*	424,649	4,476
Profit (Loss) for the period		**(3,604,065)**	**564,242**
Group Profit (Loss)		**(3,699,531)**	
Profit (Loss) of non-controlling interests		**95,466**	
Earnings (loss) per share	*(8)*	***(0.15)***	***0.04***

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in Euro) Statement of comprehensive income	Notes	30/06/2022	30/06/2021
Comprehensive profit (loss) for the period		**(3,604,065)**	**564,240**
Actuarial gains/(loss) of defined benefit plans for employees		(590,776)	105,274
Tax effects		141,786	(25,266)
Valuation at FV CFH derivative financial instruments		90,353	
Tax effects		(21,685)	
Components that will not be reclassified subsequently to profit/(loss) for the period		**(380,321)**	**80,008**
Comprehensive profit/(loss) for the period		**(3,984,386)**	**644,248**
Total profit/(loss) for the year of minority interests		**112,146**	
Group comprehensive profit/(loss) for the year		**(4,096,533)**	

CONSOLIDATED BALANCE SHEET

(in Euro) Category	Notes	30/06/2022	31/12/2021
Goodwill	*(9)*	60,391,484	-
Intangible Assets	*(10)*	14,307,842	7,524,937
Property, plant and equipment	*(11)*	3,915,720	709,242
Rights of Use	*(12)*	3,785,580	2,032,516
Non-current financial assets	*(13)*	62,014	6,000
of which with related parties		*6,000*	*6,000*
Shareholdings	*(14)*	799,021	-
Other non-current assets	*(15)*	1,130,346	621,199
Deferred tax assets	*(7)*	964,387	716,696
Noncurrent assets		**85,356,393**	**11,610,589**
Inventories	*(16)*	327,886	66,500
Contract assets	*(17)*	3,103,411	1,542,489
of which with related parties		*691,832*	*599,102*
Trade Receivables	*(18)*	55,244,320	23,585,605
of which with related parties		*4,644,934*	*4,464,820*
Tax assets	*(19)*	4,487,461	929,351
Other current assets	*(20)*	3,035,815	1,243,057
Current financial assets	*(13)*	482,733	-
Cash and cash equivalents	*(21)*	20,014,895	2,297,858
Current assets		**86,696,521**	**29,664,860**
Total assets		**172,052,914**	**41,275,450**

(in Euro) Category	Notes	30/06/2022	31/12/2021
Share capital		1,441,500	481,500
Share premium reserve		108,539,944	19,499,944
Other Reserves		8,520,141	5,087,568
Profit (loss) for the period		(3,699,531)	5,185,828
Group Shareholders' equity		**114,802,053**	**30,254,839**
Share capital and reserves attributable to non-controlling interests		1,171,663	-
Profit (loss) for the period of non-controlling interests		95,466	-
Shareholders' Equity	*(22)*	**116,069,182**	**30,254,839**
Provisions for employee benefits - noncurrent	*(23)*	2,715,301	326,481
Noncurrent provision	*(24)*	4,264	32,952
Other noncurrent liabilities		112,064	-
Noncurrent financial liabilities	*(25)*	12,051,342	-
Noncurrent financial liabilities from lease	*(26)*	2,743,687	1,563,517
of which with related parties		*1,076,072*	*1,509,436*
Deferred tax liabilities	*(7)*	143,877	-
Noncurrent Liabilities		**17,770,535**	**1,922,950**
Provisions for employee benefits - current	*(23)*	136,875	271,875
Current provision	*(24)*	276,372	267,793
Trade Payables	*(27)*	5,864,149	4,330,658
of which with related parties		342,904	262,428
Current financial liabilities	*(28)*	19,608,566	2,005,878
Current financial liabilities from lease	*(29)*	1,015,636	443,078
of which with related parties		*208,618*	*296,614*
Contract liabilities	*(17)*	52,588	65,252
of which with related parties		*32,045*	*10,000*
Tax liabilities	*(30)*	2,082,053	580,261
Other current liabilities	*(31)*	9,176,956	1,132,867
Current liabilities		**38,213,195**	**9,097,661**
Total liabilities		**172,052,914**	**41,275,450**

CONSOLIDATED CASH FLOW STATEMENT

CASH FLOW STATEMENT OF OPERATING ACTIVITIES	30.06.2022	30.06.2021
Profit / (loss) for the period	**(3,604,065)**	**564,242**
Tax	(424,649)	(4,476)
Earnings before taxes	**(4,028,714)**	**559,766**
• Non-monetary elements		
Amortisation/depreciation of intangible assets and property, plant and equipment	3,468,652	1,393,200
Write-off	146,500	8,509
Costs for post-employment benefits and defined plan benefits	349,141	(36,224)
Interest income and interest expense	308,717	18,879
Subtotal	**4,273,009**	**1,384,364**
Cash flows from operations before changes in working capital	**244,295**	**1,944,130**
Change in share capital for year		
Trade receivables	(3,066,792)	234,244
of which with related parties		
Inventories	(10,285)	33,750
Derivative assets from contracts	(1,142,816)	400,885
of which with related parties		
Trade payables	2,736,832	85,752
of which with related parties		
Provisions for risks and charges	(20,108)	(40,859)
Derivative liabilities from contracts	(12,664)	(1,594,111)
of which with related parties		
Other operating assets	(227,498)	(1,408,864)
Other operating liabilities	1,052,451	596,980
Payments to post-employment benefits and defined plan benefits	(288,839)	(175,859)
Subtotal	**(979,720)**	**(1,868,082)**
Interest paid		(13,599)
Tax paid	**(188,137)**	
A) Cash flow net generated (absorbed) from operations	**(923,563)**	**62,449**
Net investments in intangible assets	(5,155,049)	(3,918,314)
Investments in property, plant and machinery	(603,130)	(133,239)
Acquisition/disposal of subsidiaries net of cash and cash equivalents	(70,971,144)	
B) Cash flows generated (absorbed) from investing activities	**(76,729,323)**	**(4,051,553)**
STATEMENT OF CASH FLOWS OF FINANCING ACTIVITIES		
Share capital increase for consideration	88,612,500	
(Repayment) / Net uses of lines of credit	7,304,966	(157,753)
Change in Other Financial Liabilities	(547,543)	(146,870)

C) Cash flows generated (absorbed) financing activities	95,369,923	(304,623)
INCREASE (DECREASE NET OF CASH AND CASH EQUIVALENTS (A+B+C)	**17,717,037**	**(4,293,727)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**2,297,858**	**9,982,276**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**20,014,895**	**5,688,550**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Other reserves					Profit (loss) for the year	Total net equity attributable to the group	Minority Shareholders' Equity	Total net equity
			FTA reserve	Legal reserve	Reserve for share capital increase ancillary charges	Other reserves	Retained earnings (losses carried forward				
Balance at 01.01.2022	481,500	19,499,944	(96,039)	92,590	(1,172,651)	(41,664)	950,215	5,281,981	24,995,876	0	0
Allocation of previous year's net profit (loss)	0	0	0	3,710	0	0	5,002,907	(5,006,617)	0	0	0
Employee benefit discounting	0	0	0	0	0	73,136	,	0	73,136	0	0
Other movements	0	0	0	0	0	0	275,362	(275,362)	0	0	0
Profit / (Loss) for the year								5,185,828	5,185,828		
Balance at 31.12.2021	481,500	19,499,944	(96,039)	96,300	(1,172,651)	31,472	6,228,486	5,185,830	30,254,842	0	30,254,839
Allocation of previous year's net profit (loss)	0	0	0	259,292	0	0	4,926,538	(5,185,830)	0	0	0
Employee benefit discounting	0	0	0	0	0	(432,310)	0	0	(432,310)	(16,681)	(448,991)
Recognition of Additional Charges for Capital Increase	0	0	0	0	(1,387,500)	0	0	0	(1,387,500)	0	(1,387,500)
Other movements	960,000	89,040,000	0	0	0	0	0	0	89,997,884	1,188,344	91,186,228
Acquisition	0	0	0	0	0	0	(2,115)	0	0	0	0
Fair Value Measurement of Derivative Financial Instruments (Cash Flow Edge)	0	0	0	0	0	68,668	0	0	68,668	0	68,668
Profit / (Loss) for the year	0	0	0	0	0	0	0	(3,699,530)	(3,699,530)	95,466	(3,604,064)
Balance at 30.06.2022	1,441,500	108,539,944	(96,039)	355,592	(2,560,151)	(332,170)	11,152,908	(3,699,530)	114,802,054	1,267,129	116,069,183

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30th JUNE 2022

REPORTING ENTITY

CY4Gate S.p.A. (hereinafter the "Parent Company" or the "Company") is a joint stock company with its registered office in Rome, Italy, at Via Coponia 8. These condensed interim consolidated financial statements as at 30th June 2022 comprise the interim financial statements of the Parent Company and its subsidiaries (together, the “Cy4gate Group” or the “Group”).

The Group is mainly engaged in the design, development and production of technologies, products, systems and services for the Italian and foreign Armed Forces, Police Forces, Intelligence Agencies and Strategic Companies.

The shares of Cy4gate S.p.A. have been traded since 2020 in the Euronext Growth Milan market segment of Borsa Italiana.

DRAFTING CRITERIA AND COMPLIANCE WITH IFRS

These condensed interim consolidated financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The abbreviation IFRS also includes the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) formerly known as the Standard Interpretations Committee (SIC), and in force as of the date of these financial statements.

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. While not including all the information required for full financial statement disclosure, specific explanatory notes are included to explain events and transactions that are relevant to understanding changes in the Group's financial position and performance since the last financial statements. The financial statements are consistent with those that make up the annual consolidated financial statements. All values are displayed in Euro unless otherwise indicated. These condensed consolidated semi-annual financial statements are subject to limited audit by KPMG S.p.A.

These condensed interim consolidated financial statements for the six months ended 30th June 2022 were approved and authorised for publication by the Board of Directors of Cy4gate S.p.A. at its meeting on 21st September 2022.

PRESENTATION BASIS

The condensed consolidated interim financial statements as of 30th June 2022 consist of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and these notes to the financial statements.

With reference to the consolidated statement of financial position, the Group has chosen from the various options allowed to present balance sheet items according to the distinction into current/non-current and the income statement, using a classification of individual components based on their nature. This conforms to the management reporting method adopted within the Group, and is therefore considered more representative than presentation by destination, providing more reliable and relevant information for the sector of belonging.

The consolidated income statement and the consolidated comprehensive income statement are presented in two separate statements, which therefore consist of a statement showing the components of profit (loss) for the period (called the consolidated income statement), and another statement that, starting from the profit (loss) for the period algebraically adds up the other components of the statement of comprehensive income (called the consolidated comprehensive income statement). The latter presents changes in shareholders' equity resulting from transactions other than capital transactions with the company's shareholders.

The consolidated cash flow statement, prepared using the indirect method, presents cash flows for the six-month period classified into operating, investing and financing activities.

The consolidated statement of changes in shareholders' equity has been defined in accordance with IAS 1.

Detailed information on financial and economic relations with related parties is provided in Note 33.

The Group's presentation currency is the euro, which corresponds to the Parent Company's functional currency. Assets and liabilities are shown separately and without offsetting. The financial statements and notes are expressed in units of Euro, except where otherwise indicated, and, as a result, due to rounding, totals in some statements and tables in the notes to the financial statements may deviate slightly from the sum of individual components.

EVALUATION CRITERIA

The general principle adopted in the preparation of these condensed interim consolidated financial statements as of 30 June 2022 is historical cost, with the exception of those items that, according to IFRS, are mandatorily recognized at fair value; the most significant accounting principles and valuation criteria adopted are indicated below.

The condensed interim consolidated financial statements as of 30 June 2022 are based on the going concern basis and have been drawn up with clarity to give a true and fair view of the Group's financial position and results of operations for the period. This disclosure required the use of estimates by the Company's management, as outlined in more detail below.

SCOPE OF CONSOLIDATION AND CONSOLIDATION CRITERIA

CY4Gate S.p.A. has prepared these condensed interim consolidated financial statements, which are the first interim consolidated financial statements prepared by the Company, following the acquisition of 100% of the share capital of Aurora S.p.A. on 29th March 2022. At the date of the acquisition, Aurora S.p.A. held control of RCS ETM Sicurezza S.p.A., Azienda Informatica Italiana S.r.l., Servizi Tattici Informativi Legali S.r.l. (abbreviated as STIL), Dars Telecom SL, Tykelab S.r.l., Aurora France S.A.S., RCS LAB GMBH, as well as a connecting interest in SAS Foretec (together with Aurora S.p.A., hereinafter also referred to as the "Aurora Group").

The Aurora Group companies have been represented in these condensed interim consolidated financial statements according to the consolidation principles described below.

On the other hand, with reference to the effects of the acquisition in application of IFRS 3 "Business Combinations," please refer to what is described in more detail in the following explanatory note "Business Combinations" of these explanatory notes.

The Group's condensed interim consolidated financial statements as at 30th June 2022 have been prepared by consolidating on a line-by-line basis the interim financial statements as at 30th June 2022 of the Parent

Company and of the Italian and foreign companies in which CY4Gate S.p.A. holds a controlling interest, both directly and indirectly.

Control occurs when the Group is exposed to variable returns arising from its relationship with the entity, or has rights to those returns, while having the ability to influence them by exercising its power to directly or indirectly determine the entity's operational-management and administrative choices. In general, control is presumed to exist when the Group directly or indirectly holds more than half of the voting rights.

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

The interim financial statements of the consolidated companies, prepared for the purpose of consolidation by the respective competent bodies, have been appropriately homogenized and reclassified in order to make them uniform with the Group's accounting principles and valuation criteria, as described below.

The reporting date of the interim financial statements of consolidated companies coincides with that of the Parent Company.

Listed below are the companies included in the scope of consolidation with their percentages of direct or indirect ownership by the Parent Company.

Name	Address or foreign country of the registered office	Share Capital	Share of ownership		Consolidation method
Subsidiares			**Direct**	**Indirect**	
CY4Gate S.p.A.	Roma - Via Coponia 8	1,441,500			line-by-line consolidation
Aurora S.p.A.	Milano - Via Caldera 21	5,334,060	100%		line-by-line consolidation
RCS ETM Sicurezza S.p.A.	Milano - Via Caldera 21	7,000,000		100%	line-by-line consolidation
Azienda Informatica Italiana S.r.l.	Torino - Corso Vittorio Emanuele II 74	10,000		85.75%	line-by-line consolidation
Servizi Tattici Informativi Legali S.r.l.	Cuneo - Via XX settembre 2	33,333		70%	line-by-line consolidation
Dars Telecom SL	Madrid - PASEO PINTOR ROSALES 44 - Spain	4,808		65%	line-by-line consolidation
Tykelab S.r.l.	Roma - Via Benedetto Croce 10	10,000		90%	line-by-line consolidation
Affiliates					
SAS Foretec	Andrézieux-Bouthéon - France	500,000		25%	Equity method

It should be noted that the Company has exercised the option to exclude Aurora France S.A.S. and RCS Lab Gmbh from the scope of consolidation despite the presence of a controlling interest, since they are insignificant in view of their limited operations.

Name	Address or foreign country of the registered office	Share Capital	Share of ownership	
Subsidiares			**Direct**	**Indirect**
Aurora France S.A.S.	Paris - 9 Rue Parrot - France	10,000		100%
RCS LAB GMBH	Lebach - Germany	25,000		70%

There are no cases of proportionally consolidated companies.

The consolidation methods used in the preparation of these condensed interim consolidated financial statements as of 30th June 2022 can be summarized as follows:

- Subsidiaries are consolidated on a line-by-line basis under which:

- the assets and liabilities, costs and revenues resulting from the accounting statements of the subsidiaries are assumed in their total amount, regardless of the share held;
- the book value of equity investments is eliminated against the relevant portions of shareholders' equity;
- equity and economic relations between fully consolidated companies, including dividends distributed within the Group, are eliminated;
- minority shareholders' interests are shown in the appropriate equity item, and similarly the minority share of profit or loss for the period is shown separately in the income statement.

Investments in affiliates are valued using the equity method under which the book value of investments is adjusted to take into account the following:

- homogenization, where necessary, to Group accounting standards;
- the investor's share of the investee's economic results realized after the date of acquisition;
- changes resulting from changes in the equity of the investee that have not been recognized in the income statement in accordance with the relevant standards;
- dividends distributed by the investee company;
- any differences that arose at the time of purchase (evaluated according to the same criteria outlined in the Business Combinations section) and managed in application of the relevant accounting standards;
- portions of results from the application of the equity method are recognized in the income statement.

Dividends, revaluations, write-off and losses on equity investments in companies included in the scope of consolidation, as well as capital gains, losses from intercompany disposals of equity investments and their tax effects in companies included in the scope of consolidation are subject to elimination. Profits and losses arising from transactions between companies included in the scope of consolidation, which are not realized directly or indirectly through transactions with third parties, are eliminated. Unrealized intercompany losses are considered if the transaction provides evidence of impairment of the transferred asset.

BUSINESS COMBINATIONS

the Group accounts for business combinations by applying the acquisition method on the date it actually obtains control of the acquiree.

Under this method, the consideration transferred in a business combination is measured at fair value, determined as the sum of the fair values of the assets transferred and liabilities assumed by the Group at the date of acquisition.

Conditional consideration (or contingent consideration), considered as part of the transfer price, is measured at fair value as of the acquisition date. The liability for contingent consideration still due is classified in other current or non-current liabilities.

Any subsequent changes in the fair value of contingent consideration are recognized in the income statement in financial income (expense). At the date of acquisition, the identifiable net assets acquired are usually recognized at fair value. The carrying value of any goodwill, determined as the difference between the sum of the consideration transferred versus the fair value of the net assets acquired, is tested for impairment annually to identify any impairment losses. Any gain from a bargain purchase is recognized immediately in net income/(loss) for the period, while costs related to the combination, other than those related to the issuance of debt or equity instruments, are recognized as expenses in net income/(loss) for the period when incurred.

Amounts related to the termination of a pre-existing relationship are excluded from the transferred consideration.

Normally these amounts are recognized in the profit/(loss) for the period.

Where the fair values of assets, liabilities, and contingent liabilities can only be determined provisionally, the business combination is recognized using these provisional values. Any adjustments, resulting from the completion of the valuation process, are recognized within 12 months from the date of acquisition.

Acquisition of the Aurora Group

On 16th December 2021, Cy4gate signed a preliminary sale and purchase agreement concerning the full and exclusive ownership of 100% of the Aurora Group. The closing of the acquisition transaction subsequently took place on 29th March 2022.

This acquisition constituted a strategic transaction for Cy4gate S.p.A. as it enables the CY4gate Group to acquire a leading position in the Italian Forensic Intelligence & Data Analysis market.

Through this acquisition, in fact, the Group will also be able to benefit from the well-established cooperation relationships that the parent company and the acquired companies have with a significant number of Public Prosecutors' Offices and, also thanks to the presence of a comprehensive commercial offer, further expand its customer portfolio.

The established consideration of the acquisition consists of:

(i) a fixed amount of 75.5 Million Euro that may be subject to a price adjustment in order to reflect the actual value of the actual net financial position and actual trade working capital as of the calculation date as shared by the parties to the purchase and sale agreement;

(ii) a variable amount determined on the basis of the actual 2022 enterprise value, also taking into account the 2021 enterprise value of a maximum of Euro 15 million, the actual determination and payment of which remain subject to the occurrence of certain conditions and to be paid by 30 June 2023.

In this regard, it should be noted that as of the date of these condensed interim consolidated financial statements, the parties have not yet agreed on the amount of the price adjustment component, if any, referred to in item (i) above. Consequently, in defining the consideration transferred, the directors did not take into account the component of this possible adjustment, considering it in any case, on the basis of available information, to be insignificant in relation to the overall size of the acquisition transaction under analysis.

On the other hand, with regard to the variable compensation, the management, based on the information in its possession at the date of preparation of these condensed consolidated half-year financial statements, as well as in light of the estimates of the Aurora Group's economic-financial performance, has estimated the payment in 2023 of the maximum amount of the variable compensation contractually provided for, equal to Euro 15 million.

In light of the above, the estimated consideration transferred, determined considering the best estimate on the basis of the information available at the date of these condensed interim consolidated financial statements is Euro 90,500,000 (Euro 75,500,000 fixed consideration and Euro 15,000,000 variable consideration)

The net assets attributable to the Group as of the date of acquisition of control assumed as of 31st March 2022 as reflected in the Aurora Group's statement of financial position were Euro 30,599,879 net of the minority interest of Euro 1,189,484 as depicted in the table below.

(in €)	Amount
Goodwill	491,363
Intangible Assets	1,673,985
Property, plant and equipment	2,956,540
Right-of-use assets	2,494,852
Shareholdings	799,021
Inventories	251,101
Trade Receivables	34,193,508
Other assets	6,788,386
Financial assets	219,159
Cash and cash equivalents	7,028,856
Financial liabilities	(7,349,064)
Deferred tax liabilities	(262,763)
Contingent liabilities	(1,707,855)
Trade payables	(3,403,316)
Other liabilities	(9,971,609)
Financial liabilities	(2,412,802)
Total net identifiable assets	**31,789,363**

In application of the authority granted by IFRS 3 to make a provisional determination of the fair values of assets, liabilities, and contingent liabilities, the business combination has been recognized in these condensed interim consolidated financial statements using the provisional values shown above pending completion of the valuation process to be carried out within 12 months from the date of acquisition. Consequently, the difference of 59,900,121 Euro between the sale consideration, as described above, and the net assets acquired pertaining to the Group was temporarily allocated to goodwill as shown in the table below.

(in €)	Amount
Fixed fee transferred	75,500,000
Potential consideration	15,000,000
A. Total consideration	**90,500,000**
Aurora Group Shareholders' Equity	31,789,363
Minority shareholdings	(1,189,484)
B.Shareholders' equity attributable to the Group	**30,599,879**
Total Goodwill (A-B)	**59,900,121**

Finally, it should be noted that the parent company incurred costs related to the above-described acquisition in the amount of 2,432 thousand Euro, mainly related to legal fees, due diligence costs and other consultancy.

These costs, in application of IFRS 3 "Business Combinations," have been accounted for in the purchase and personnel costs line item of the consolidated statement of income as of 30th June 2022.

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

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

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

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

Licences and similar rights are reported at cost net amortisation and impairment accumulated over time. Amortisation starts in the year when the ownership is acquired in relation to their duration. Development costs include the costs related to application of the research results or other knowledge to a plan or project aimed at production of applications, devices and new software systems or substantially advanced prior to start-up of sales, for which it is possible to prove the production of future economic benefits. These costs are amortised during the period when the expected future revenue occurs from the same projects estimated as three years considering the characteristics of the projects in question.

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

- Development costs are amortised in a period equal to three years (33.33%);
- Intangible assets (Industrial patent rights and Concessions, licences, trademarks and similar) are amortised in the shorter period between the legal or contractual duration and the remaining possibility of use (from 20% to 33% based on the duration of the licence);

Other assets: they are amortised in the shorter period between future use of the expenses incurred and remaining use of the lease, taking into consideration any renewal period, if it depends on the Company (variable based on the remaining duration of the lease contract).

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

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

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

As of 30th June 2022, no indicators of impairment have been identified that have led to the need to conduct impairment tests for the recoverability of the value of tangible and intangible assets with a finite useful life recorded in the condensed consolidated interim financial statements as of 30th June 2022.

IMPAIRMENT OF OTHER FINANCIAL INSTRUMENTS

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

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

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

With reference to trade receivables and contract assets, which represent the majority of the Company's credit exposure, an impairment model has been implemented that takes into account the so-called simplified approach required by the standard for this type of receivables. Specifically, the aforesaid assets have been divided into uniform clusters that take into account the type of receivable, customer’s rating and relative geographic area. Based on the information collected, the reference parameters (PD[2], LGD[3] and EAD[4]) are then determined- for each uniform cluster - to calculate the lifetime expected credit losses. In the event of positions referred to Customers with credit risk less than adequate (so-called speculative grade, non investment grade, high yield) and having significant delays in payments analytical writeoff are made taking into account the parameters identified on a time to time basis. In terms of the other financial assets to subject to Impairment Test, analyses have been performed based on the general approach contained in the standard in question based on which a stage allocation was performed of the positions subject to impairment estimating the expected loss taking into account the risk parameters PD, LGD and EAD. Impairment losses calculated in accordance with IFRS 9 (including the related reversal) are recognised in the consolidated income statement.

INVENTORIES

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

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

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

RECEIVABLES AND FINANCIAL ASSETS

The company classifies financial assets in the following categories:

- Amortised cost;
- fair value recognised in profit/(loss) for the period;
- fair value recognised in other comprehensive income.

The Group determines their classification on the basis of the business model pursued in the management of financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured initially at fair value plus or minus, in the case of financial assets or financial liabilities not measured at fair value through profit or loss for the period, transaction costs directly attributable to the acquisition or issue of the financial asset. Trade receivables are initially measured at the transaction price because it is representative of the fair value.

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2 PD: Probability of Default.
3 LGD: Loss Given Default.
4 EAD: Exposure At Default.

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

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

Financial assets measured at amortised cost

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

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

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

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

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

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

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

FAIR VALUE MEASUREMENT

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

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

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

The three most widely used valuation techniques are:

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

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

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

In cases where the Group has transferred rights to receive cash flows from an asset and has neither transferred nor retained substantially all risks and rewards or has not lost control over it, the asset is recognised in the Group's financial statements to the extent of its continuing involvement in the asset. Continuing involvement that for example is in the form of a guarantee on the transferred asset is measured at the lower between the initial carrying amount of the asset and maximum value of the payments that the Company may be required to pay.

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

[5] IFRS 7 par. 29

financial instrument. Any difference between the carrying amount redetermined and the carrying amount of the original financial instrument must be immediately recognised as profit or loss for the period.

LIQUID ASSETS

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

NET EQUITY

Share capital

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

Retained earnings (losses carried forward)

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

Other reserves

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

Other components of comprehensive income

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

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

FINANCIAL LIABILITIES

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

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

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

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

TRADE PAYABLES AND OTHER PAYABLES

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

INCOME TAXES

Current taxes

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

Deferred taxes

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

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

- deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of that transaction, affects neither the profit for the year, calculated for financial reporting purposes, nor the profit or loss, calculated for tax purposes;
- liabilities arising from temporary differences associated with investments in subsidiaries, branches, and associates, and interests in joint arrangements, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

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

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

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

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

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

CONVERSION OF CURRENCY ITEMS

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

EMPLOYEE BENEFITS

Benefits due to employees for early termination of employment

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

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

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

Post-employment benefits

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

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

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

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

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

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

<u>Remuneration plan based on Phantom stock option rights</u>

The Company, by resolution of the Board of Directors of 22 September 2020, provided executive directors and managers with strategic responsibilities with an Incentive Plan consisting in the assignment, free of charge, of Phantom Stock Option rights, upon the achievement of certain economic-financial objectives. The incentive plan called the "2020-2022 Phantom Stock Option Plan" which provides for the granting of up to 2,400,000 Options (hereinafter also referred to as the "Options") aims to:

link the remuneration of key resources to the actual creation of new value for the company in the medium term;

align the interests of beneficiaries with those of shareholders and investors;

introduce retention and attraction policies aimed at retaining and attracting key resources and providing incentives for the duration of the relationship with the Company.

The Plan is developed over a medium- to long-term time horizon and consists of three cycles (2020, 2021 and 2022), each having annual targets and, limited to 50% of the Options granted, a 12-month deferral period.

The cost of the plan beneficiaries' benefits is measured at the fair value of the liabilities assumed, with an offsetting entry under liabilities. Until the liability is extinguished, the fair value of the liability is restated by reference to the balance sheet date, recognizing the related changes in the income statement.

PROVISIONS FOR RISKS AND CHARGES

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

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

REVENUES FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

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

OTHER OPERATING REVENUE

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

GRANTS

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

FINANCIAL INCOME AND EXPENSES

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

DIVIDENDS

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

COSTS

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

EARNINGS PER SHARE

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

DISCLOSURE OF BUSINESS SEGMENTS

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

USE OF ESTIMATES

As part of the preparation of these condensed consolidated financial statements for the six months ended 30 June 2022, in application of the relevant accounting standards, the directors had to make judgments, estimates, and assumptions that affect the amounts of assets, liabilities, expenses, and revenues recognized in the financial statements, as well as the disclosures provided. The estimates are based on the latest information available to the Directors at the time of preparation of these condensed interim consolidated financial statements. The accounting principles and items in the financial statements that involve greater subjectivity on the part of the directors in making estimates are as follows:

- Assets and liabilities arising from contracts: in valuing assets and liabilities arising from contracts, the Group determines whether contract revenue is to be recognized at a particular time or over time and estimates the percentage of completion based on the physical recognition of services performed. In addition, any additional fees for work variances, price revisions, incentives and claims over those contractually agreed upon as well as job order business plans from which funds may be derived for onerous contracts are estimated.
- Allocation of the price paid for the acquisition of control of an entity (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 recognized in the consolidated financial statements at fair values as of the acquisition date, through a process of allocation of the price paid (purchase price allocation). During the measurement period, the determination of such current values involves the assumption of estimates by the directors about available information on all facts and circumstances existing at the date of acquisition that may affect the value of the assets acquired and liabilities assumed, which include, among other things, the estimated variable consideration (price adjustment and earn-out).
- Impairment of fixed assets: property, plant and equipment and intangible assets with finite lives are tested to ascertain whether an impairment has occurred, which should be recognized through impairment, when there are indicators that suggest difficulty in recovering their net book value through use. Verification of the existence of the above indicators requires the Directors to exercise subjective judgment based on information available within the Group and the market, as well as historical experience. In addition, if it is determined that a potential impairment may have been generated, it is determined using valuation techniques deemed appropriate. The proper identification of the elements indicating the existence of a potential impairment, as well as the estimates for determining them,

depend on factors that may change over time affecting the assessments and estimates made by the Directors.

- 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 distinguished into various hierarchical levels based on the inputs used in the valuation techniques, as further described in the section "Fair Value Measurement" above.
- 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 lease term involves making estimates that depend on factors that may change over time with potentially even significant effects on the assessments made by the Directors.
- Evaluation of allowance for expected credit losses: in the case of impaired positions (customers with high credit risk or significant past due), the Group makes analytical writeoff using historical experience in order to estimate the expected losses on these positions. Estimates and assumptions are reviewed periodically, and the effects of any changes are reflected in the income statement in the relevant period.
- Valuation 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 the discount rate, inflation rate, wage increase rate and expected turnover, among others. All recruitment is reviewed on an annual basis.

The results of the items in the financial statements for which the above estimates were used that will be realized in the final financial statements may differ from those reported in these condensed interim consolidated financial statements as of 30 June 2022 because of the uncertainty surrounding the assumptions and hypotheses on which the estimates are based. The estimates and assumptions are reviewed periodically, and any changes are reflected in the income statement in the period when the change occurred.

NEWLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

At the date of approval of these condensed interim consolidated financial statements for the six months ended 30 June 2022, the European Union has incorporated certain standards and interpretations, not yet mandatory, which will be adopted by the Company in subsequent financial years, if applicable. It is not expected that the above changes in standards or interpretations will have a significant effect on the Group's condensed interim consolidated financial statements. There are also some standards or amendments to existing standards that are issued by the IASB, or new IFRIC interpretations for which the endorsement process by the European Union is still ongoing.
The new standards, amendments and interpretations are summarized below:

- *"Amendments to IFRS 3 - Reference to the Conceptual Framework,"* issued in May 2020. The amendments are intended to update the definitions of assets and liabilities in this standard so that they relate to those defined in the Conceptual Framework for Financial Reporting issued in March 2018 (Conceptual Framework). However, as an exception, the acquirer does not apply the Conceptual Framework's definitions of assets and liabilities but those of the reference principles in the following cases:
  - provisions or contingent liabilities within the scope of "IAS 37 - Provisions, Contingent Liabilities and Contingent Assets";
  - taxes in the scope of "IFRIC 21 - Taxes". Finally, the amendments clarify that on the acquisition date the acquirer does not have to recognize the acquired contingent asset in a business combination. The company must apply these changes to business combinations whose acquisition date corresponds to

or is after January 1, 2022.

- *"Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use,"* issued in May 2020. The amendments prohibit companies from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items produced prior to their intended use, that is, while bringing that asset to the location and condition necessary for it to be capable of functioning in the manner intended by management; in fact, the proceeds from the sale of each such item, and the related cost measured in accordance with "IAS 2 - Inventories," will have to be recognized in the Income Statement. In order to better define the guidelines as to when an asset can be considered available for use, the amendments clarify that in verifying the smooth operation of the asset, it is necessary to assess whether the technical and physical performance of the asset is such that it can be used in the production or provision of goods or services, to lease it to others, or for administrative purposes. For this reason, verification activities are not related to assessing the financial performance of a business such as, for example, assessing the achievement of the level of operating margin initially planned by management. The amendments are applicable for financial years beginning on or after 1 January 2022. The company shall apply such changes retroactively only to those items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of functioning in the manner intended by management at or after the beginning of the first period presented in the financial statements in which the company first applies the changes.

- "*Amendments to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract,"* issued in May 2020. The amendments specify what costs a company includes in determining the cost necessary to fulfil a contract in order to assess whether the contract is onerous. In this regard, the "cost necessary to fulfil" the contract includes the costs directly related to the contract, which consist of:
  - the incremental costs necessary to fulfil that contract (e.g., labour and direct raw materials); and
  - the allocation of other costs directly related to the performance of the contract (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in the performance of that contract and others).

  The amendments are applicable for financial years beginning on or after 1 January 2022. The company must apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the fiscal year in which it first applies the amendments (the date of first application). The company should recognize the cumulative effect of first-time application of the amendments as an adjustment to the opening balance of equity as of the date of first-time application without restatement of comparative information.

- "*Annual improvements to IFRS Standards 2018-2020,"* issued in May 2020. The document mainly makes changes to the following principles:
  - "IFRS 1 - First Adoption of International Financial Reporting Standards"; the amendment simplifies the application of IFRS 1 for an investee company (subsidiary, associate, and joint venture) that becomes a first-time adopter of IFRS after its parent/investor. In particular, IFRS 1 already provides an exemption in the event that no adjustments were made due to the method of consolidation and the effects of the business combination in which the parent acquired the subsidiary, whereby the subsidiary that first adopts IFRS after its parent may measure assets and liabilities in its own financial statements at the carrying amounts that would be recorded in the parent's consolidated financial statements as of the date of that parent's transition to IFRS. In this regard, the IASB decided to extend the voluntary exemption under IFRS 1 to cumulative translation differences for all es ere management by specifying that the investee may elect, in its own financial statements, to measure cumulative translation differences at the carrying amount that would be recorded in the consolidated financial statements of the parent/participant, as of the date of transition to IFRS by that parent/participant;
  - "IFRS 9 - Financial Instruments"; the amendment clarifies which fees are to be included in the "10 percent" test when assessing whether to derecognize a financial liability that has been modified or exchanged, or when determining whether the terms of a new or modified financial liability are

substantially different from the terms of the original financial liability. In this regard, the amendment specifies that in determining fees paid net of fees received the debtor includes only fees paid or received between the debtor and the creditor, including those paid or received on behalf of the other party. The amendment is applicable for financial years beginning on or after 1 January 2022. The company must apply these forecasts prospectively to financial liabilities that are modified or exchanged at the beginning of the fiscal year in which the company first applies the modification;

- "IFRS 16 - Leasing"; the IASB amended Illustrative Example 13 accompanying "IFRS 16 - Leasing". In particular, the amendment removes the illustration of reimbursement by the lessor for leasehold improvements in order to resolve possible confusion about the treatment of lease incentives in the application of this Standard; indeed, the example did not explain clearly enough whether a reimbursement for leasehold improvements would meet the definition of a lease incentive.

The application of these changes did not have a significant impact on these Condensed Consolidated Half-year Financial Statements.

SEASONALITY OF THE TARGET BUSINESS

The business sector in which the Group operates is characterized by a marked concentration of deliveries and collections from customers in the last months of the fiscal 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 different periods of the year, characterized by substantial improvements in the last months of the calendar year.

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

1. OPERATING REVENUES

Operating Revenue	Year ended as of	
(in €)	30/06/2022	30/06/2021
Sales and service revenues	15,850,613	4,218,602
Change in contract work in progress	184,509	807,167
Other revenues	**16,035,122**	**5,025,769**

The actual operating revenues in the first half of 2022 amounted to 16,035,122 Euro and showed a significant increase compared to the previous half-year period of 11,009,353 Euro, mainly attributable to the acquisition of the Aurora Group, whose revenues contribute on the group's result from the date of its acquisition at the end of March 2022.

In this regard, it should be noted that the revenues recorded by the Aurora Group in the second quarter of 2022 amounted to Euro 9,395,906 and were mainly attributable to RCS ETM Sicurezza S.p.A. in the amount of Euro 7,916,549. On the other hand, the operating revenues reported by the parent company CY4Gate S.p.A. grew by about 35% compared to 30th June 2021. This was achieved as a result of the company's improved operational capacity, both in terms of order intake and delivery to customers. The main projects that enabled this year-on-year increase in revenue were related to the sale of proprietary software licences to government agencies and corporate customers.

The item "Change in contract work in progress" amounts to 184,509 Euro and is attributable to the sum of revenues related to contract work in progress recognized "over time" mainly acquired in the second quarter of 2022, and revenues from the closure of certain contracts completed in the period.

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

(in €)	Revenue from sales and services	Change in contract work in progress
Revenue recognised at point in time	5,287,250	-
Revenue recognised over time	10,563,363	184,509
Total	**15,850,613**	**184,509**

2. OTHER OPERATING REVENUE

Other revenues	Reference date	
(in Euro)	30/06/2022	30/06/2021
R&D tax credit	329,339	-
Grants	202,910	8,515
Others	133,830	94,089
Total other operating revenue	**666,079**	**102,604**

Other revenues and income are mainly attributable, for Euro 329,339, to the recognition of an out-of-period income representing the difference between the estimated and final amount of the Cy4gate Research and Development tax credit on the year 2020, and for Euro 202,910 to the portion of operating grants accrued with reference to certain projects in progress partly financed with grants from the European Commission.

3. COSTS FOR PURCHASES AND PERSONNEL

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

Costs for purchases and personnel	Year ended as of	
(in €)	30/06/2022	30/06/2021
Costs for raw and subsidiary materials, consumables and goods	472,724	314,899
Change in inventories	(10,285)	33,750
Total costs for purchases	**462,439**	**348,649**
Consultation	3,351,010	631,270
Third party supplier services on orders	10,540	58,901
Commercial services	246,455	186,508
Telephone expenses	712,327	-
Compensation for Directors	164,495	91,383
General and administrative services	99,513	76,372
Maintenance	343,391	-
Other costs	2,909,684	560,911
Leasing	403,003	128,668
Total services	**8,240,419**	**1,734,015**
Wages and salaries	6,501,852	2,207,858
Social security expenses	1,956,682	590,476
Post-employment benefits	349,141	(36,224)
Employee pensions and similar obligations	65,188	49,042
Other costs	134,274	46,583
Total personnel costs	**9,007,136**	**2,857,735**
Capitalised costs for development activities	**(1,120,387)**	**(1,869,609)**
Total costs for purchases and personnel	**16,589,606**	**3,070,789**

3.1 COSTS FOR PURCHASES

Purchase costs show an increase of 113,790 Euro, the increase in which is mainly attributable to the net effect between:

- costs for purchases referring to costs incurred by the Aurora Group in the second quarter of 2022, and mainly related to raw materials used by the subsidiary RCS ETM Sicurezza S.p.A. to carry out its operational activities;
- lower actual costs incurred by the parent company Cy4gate S.p.A. compared with the same period of the previous year, due to the greater efficiency achieved on projects underway in the six-month period compared with those underway in the corresponding comparative period, which were characterized by a higher incidence of direct purchase costs on hardware components.

3.2 COSTS FOR SERVICES

Costs for services increase compared to the same period in 2021 by 6,506,404 Euro. This increase is mainly attributable, in addition to the costs of the consolidated companies of the Aurora Group that contribute to the consolidation from the second quarter of 2022 onwards, to the costs incurred as part of the acquisition of 100% of the share capital of Aurora S.p.A. related to technical consultants, as well as costs related to organisational and strategic consultancy for the necessary corporate integration. In addition, engineering consulting costs related to the increase in business volumes recorded during the period and those related to Aurora's business are responsible for the rest of the change.

Finally, it should be noted that the item also includes costs for the use of third party assets in relation to leasing contracts not included in the scope of IFRS 16 as they are of low value, of short duration or characterised by variable payments.

3.3 PERSONNEL COSTS

The increase in personnel costs of 6,149,401 Euro is strongly impacted by the cost of personnel employed by the Aurora Group acquired in March 2022 as described in more detail in the explanatory note "Business Combinations". On the other hand, as far as the parent company CY4Gate is concerned, it should be noted that in the first half of 2022 the Company confirmed the strengthening of the workforce (+50% of the total cost compared to the comparative) both in the sales area, in order to consolidate the Company's presence in strategic markets, and in the technical Development and delivery teams to support the increase in business volumes

Number of employees

The Group's headcount and changes in the first half of the year are shown in the following table, which starts from the headcount figures of the parent company CY4Gate S.p.A. alone as of 30 June 2022:

	Executives	Middle managers	Office employees	Apprentices	Others	Total
31/12/2021	8	13	68	4		**93**
Aurora Acquisition	13	30	243	15	1	**302**
income (+)	1	1	46	11		**59**
change	1		(1)			**0**
outputs (-)	(2)	(1)	(34)	(6)		**(43)**
30.06.2022	**21**	**43**	**322**	**24**	**1**	**411**

The average headcount as of 30th June 2022 is shown below:

	Executives	Middle managers	Office employees	Total
Average	19	44	337	400

3.4 CAPITALISED COSTS FOR DEVELOPMENT ACTIVITIES

Capitalised costs for development activities amounted to Euro 1,120,387. For further details, please refer to the extensive comments in Note 10 to these condensed consolidated half-yearly financial statements.

4. DEPRECIATION, WRITEOFF AND VALUE ADJUSTMENTS OF FINANCIAL ASSETS

Amortization	Year ended as of	
(in €)	30/06/2022	30/06/2021
Amortisation of intangible fixed assets	2,548,683	1,170,165
Amortisation of tangible fixed assets	305,034	104,358
Right-of-use amortisation	614,936	118,677
Total amortisation	**3,468,652**	**1,393,200**

Writeoff	Year ended as of	
(in €)	30/06/2022	30/06/2021
Provision IFRS 9	146,500	8,509
Total writeoff	**146,500**	**8,509**

Amortisation of intangible assets (Euro 2,548,683) mainly refers to amortisation of capitalised development costs (Euro 1,090,119) and software licences (Euro 1,031,120).

Depreciation of property, plant and equipment (Euro 305,034) refers to electronic office machines (Euro 209,609) used in the Group's ordinary operations

This item also includes Euro 614,396 in amortisation of usage rights resulting from the application of IFRS 16.

Lastly, the balance of writeoff (Euro 146,500) contains adjustments made following management evaluations on the possibility to recover financial assets reported at the end of the reporting period, in line with the provisions of IFRS 9 concerning impairment.

The increase for the period is due to the fact that the amount of financial assets subject to valuation is significantly higher than the comparative figure presented, which related only to the parent company CY4Gate, since the acquisition of the Aurora group companies and the related consolidation only took place at the end of the first quarter of 2022.

5. OTHER OPERATING COSTS

Other operating costs	Year ended as of	
(in €)	30/06/2022	30/06/2021
Various consumables	1,843	3,233
Membership dues	17,134	20,719
Maintenance and repairs on third-party property	2,950	1,398
Other operating costs	194,514	51,881
Other operating costs	**216,441**	**77,231**

Other operating expenses mainly refer to the Group's miscellaneous operating expenses of Euro 194,514. This item is mainly attributable to the Aurora Group's sundry operating expenses for the second quarter of 2022 in the amount of Euro 185,533.

This item also includes contributions and membership fees (Euro 17,134), among which the costs of the Women4Cyber project are also accounted for.

6. NET FINANCIAL INCOME (CHARGES)

Financial income (charges) (in €)	Year ended as of 30/06/2022	30/06/2021
Financial income	85	5,521
Financial expense	(308,802)	(24,400)
Total financial income (expense)	**(308,717)**	**(18,879)**

Financial income refers entirely to gains on foreign exchange.

Financial expenses mainly include interest expenses on loans (206,141 Euro) and bank fees (100,175 Euro).

7. TAXES

Group taxes as of 30th June 2022 totalled Euro 424,649 and included the balance of current taxes (Euro 444,962) and the net balance of deferred taxes (Euro 20,312).

Taxes recorded as of 30th June 2022 are mainly attributable to:

- Current taxes in the amount of 157,001 Euro;
- Income taxes for previous years, positive in the amount of Euro 601,963 and attributable to the out-of-period income recorded by the subsidiary RCS ETM Sicurezza in connection with the recognition of the *patent box* tax benefit from the subsidiary RCS ETM Sicurezza S.p.A. for the year 2021;
- Net deferred taxes of Euro 20,312.

Deferred tax assets are mainly recognised against tax losses from previous years, the ACE economic benefit not utilised during the period, and temporary differences recognised when determining the tax burden for the year and previous years. It is specified that these deferred tax assets have been recognised following the directors' assessment of their full recoverability through the forecast of future taxable income that the Company will be able to realise in future years

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

(in Euro) Category	30/06/2022	30/12/2022
Net deferred tax assets/liabilities at the beginning of the period	716,696	57,630
Aurora Acquisition	(41,577)	
Allocations (used) recognised in the Statement of Profit or Loss	(8,780)	682,161
Allocations (used) recognised in the Statement of Comprehensive Income	154,170	(23,095)
Net deferred tax assets/liabilities at the end of the period	**820,510**	**716,696**

8. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share (hereinafter referred to as "earning per share" or "EPS") is equal to Euro (0.15), calculated by dividing the net result (a loss of Euro 3,604,065) by the average number of shares in the reporting period (19,921,507), which has changed from 31 December 2021 due to the capital increase carried out on 14 March 2022.

9. GOODWILL

The goodwill recorded by the CY4Gate Group in its financial statements as of 30 June 2022 amounted to a total of Euro 60,391,484 of which, Euro 59,900,121 arising from the acquisition of the Aurora Group completed on 29 March 2022 for which please refer to the detailed description in the previous explanatory note "Business Combinations" of these explanatory notes, and Euro 491,363 referring to the goodwill recorded as of 31 December 2021 by the subsidiary Aurora S.p.A. in its consolidated statement of financial position, resulting from the acquisition of 90% of the subsidiary Tykelab S.r.l. effective 31 December 2021.

Also for this goodwill, for the purposes of preparing these condensed consolidated half-year financial statements, the option of provisionally allocating to goodwill the difference between the net assets acquired by Aurora S.p.A. in the subsidiary Tykelab S.r.l, amounting to Euro 98,052 and the consideration transferred for the acquisition of control of the subsidiary under analysis, amounting to Euro 589,416 pending the completion of the valuation process to be carried out, in accordance with IFRS 3 "Business Combinations", within 12 months from the date of acquisition.

10. INTANGIBLE ASSETS

Intangible assets (in €)	30/06/2022	31/12/2021
Development costs	4,092,195	3,833,161
Industrial patent rights and intellectual property rights	6,124,793	3,580,758
Concessions, licences, trademarks and similar rights	1,094,548	66,680
Intangible assets in progress and advances	30,000	-
Others	2,966,306	44,339
Total intangible assets	**14,307,842**	**7,524,937**

Intangible assets recorded as of 30 June 2022 amounted to Euro 14,307,842 and showed a net increase over the previous year of Euro 6,782,905 mainly attributable to the acquisition of the Aurora Group (balance as of 30 June 2022 of Euro 1,676,537), capitalizations in the half-year mainly related to industrial patent rights (Euro 3.523.437) for the acquisition of licenses, development costs (Euro 1,153,651) and other intangible assets (Euro 2,966,306), mainly attributable to the recognition of the value of the non-competition agreement paid as part of the acquisition of the Aurora Group in favour of the sellers with a term of 3 years from the date of acquisition of control.

Development costs in the amount of Euro 4,092,195 (Euro 8,022,061 net of accumulated amortisation of Euro 3,929,866) are mainly related to costs incurred for the development of four projects and related to personnel expenses and external technical consultancy directly employed in development activities.

Following appropriate analysis, the Directors considered that all the requirements for capitalisation were met. Amortisation of these capitalised costs occurs in a time frame consistent with the estimates on the recovery times of the investments made.

Changes in intangible assets as of 30th June 2022 are shown below.

(in €) Category	Historic cost at 31 Dec 2021	Net accumulated amortisation at 31 December 2021	value at 31 Dec 2021	Aurora Group Acquisition Increases	Increases 2022	Historical cost at 30 June 2022	Amortisation 2022	Net accumulated amortisation at 30 June 2022	Value as at 30/06/2022
Development costs	6,656,308	(2,823,147)	3,833,161	212,101	1,153,651	8,022,061	(1,106,719)	(3,929,866)	4,092,195
Industrial patent rights	4,923,068	(1,342,310)	3,580,758	-	3,523,437	8,446,504	(979,401)	(2,321,711)	6,124,793
Concessions, licences, trademarks and similar r	200,000	(133,320)	66,680	715,915	447,961	1,363,876	(136,008)	(269,328)	1,094,548
Intangible assets in progress and advances	-	-	-	-	30,000	30,000	-	-	30,000
Others	80,692	(36,353)	44,339	748,521	2,500,000	3,329,214	(326,555)	(362,908)	2,966,306
Total intangible fixed assets	**11,860,069**	**(4,335,131)**	**7,524,938**	**1,676,537**	**7,655,049**	**21,191,655**	**(2,548,682)**	**(6,883,813)**	**14,307,842**

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (in €)	30/06/2022	31/12/2021
Land and buildings	-	-
Plant and machinery	269,029	26,236
Industrial and commercial equipment	2,325,009	105,406
Other assets	1,321,681	577,600
Intangible assets in progress and advances	-	-
Total Property, plant and equipment	**3,915,720**	**709,242**

Tangible fixed assets recognised at 30th June 2022 amounted to Euro 3,915,720 and showed a net increase over the previous year of Euro 3,206,478, mainly attributable to the tangible assets of the Aurora Group (Euro 3,148,576), of which industrial and commercial equipment of Euro 2,248,643, mainly related to the electronic equipment of the subsidiary RCS ETM Sicurezza S.p.A.

Other assets show a balance of Euro 1,321,681, of which Euro 652,020 is attributable to the Aurora Group and Euro 669,661 to the parent company CY4Gate, and is mainly related to furniture and office equipment.

Changes in property, plant and equipment as of 30th June 2022 are shown below:

(in €) Category	Historic cost at 31 Dec 2021	Net accumulated amortisation at 31 December 2021	value at 31 Dec 2021	Aurora Group Acquisition Increases	Increases 2022	Decreases Historical Cost 2022	Decreases Accumulated depreciation 2022	Historical cost at 30 June 2022	Amortisation 2022	Net accumulated amortisation at 30 June 2022	Value as at 30/06/2022
Land and buildings	-	-	-	-	-	-	-	-	-	-	-
Plant and machinery	53,292	(27,056)	26,236	255,318	7,973	-	(27,330)	1,373,497	(47,828)	(1,104,468)	269,029
Industrial and commercial equipment	406,900	(301,494)	105,406	2,136,864	226,375	(66,689)	(1,093)	13,580,657	(78,039)	(11,255,648)	2,325,009
Other assets	1,047,067	(469,468)	577,600	564,359	368,783	(35,602)	(25,709)	7,757,764	(179,166)	(6,436,082)	1,321,681
Intangible assets in progress and advances	-	-	-	-	-	-	-	-	-	-	-
Total Property, plant and equipment	**1,507,259**	**(798,018)**	**709,242**	**2,956,541**	**603,130**	**(102,291)**	**(54,132)**	**22,711,918**	**(305,034)**	**(18,796,198)**	**3,915,720**

12. RIGHTS OF USE

Right-of-use assets		
Category	**30/06/2022**	**31/12/2021**
Buildings	2,245,969	1,829,548
Hardware	1,149,072	122,386
Cars	390,539	80,582
Total assets for right of use	**3,785,580**	**2,032,516**

As of 30th June 2022, the amount of outstanding usage rights was Euro 3,785,580, mainly related to the lease of the Group's offices (Euro 2,245,969) and hardware used in ordinary operations by the Aurora Group (Euro 1,149,072).

The amortisation period for right of use is 6 years for buildings, 5 years for hardware and 4 years for cars. It should be noted that the Company has chosen to exclude leases with a term less than 12 months and those for assets with a low value from the scope. However, their values are reported in the item "Costs for purchases and personnel".

13. CURRENT AND NON-CURRENT FINANCIAL ASSETS

(in €)		
Category	**30/06/2022**	**31/12/2021**
Security deposits	139,962	-
Derivatives	67,025	-
Factoring Receivables	252,360	-
Policies on active contracts	26,492	-
IFRS9 impairment provision	(3,105)	-
Total current financial assets	**482,733**	**-**

Current financial assets mainly refer to receivables from factoring in the amount of 252,360 Euro for invoices assigned and already collected by the financial intermediary and security deposits in the amount of 139,962 Euro mainly granted against leased properties.

Non-current financial assets		
(in €)	**30/06/2022**	**31/12/2021**
Security deposits vs. parent company	6,000	6,000
Security deposits	19,839	-
Derivative Instruments Assets	36,485	-
IFRS9 impairment provision	(310)	-
Total non-current financial assets	**62,014**	**6,000**

Non-current financial assets refer to hedging derivatives entered into to address interest rate risk on loan agreements and security deposits for properties leased for office use by the Group.

14. SHAREHOLDINGS

The item includes Euro 799,021 for the valuation of the associated company SAS Foretec valued by the equity method.

15. OTHER NON-CURRENT ASSETS

Other non-current assets (in €)	30/06/2022	31/12/2021
Tax assets	1,130,346	621,199
Total Other non-current assets	**1,130,346**	**621,199**

Other non-current assets mainly consist of the tax credit for Research and Development (Euro 851,944), the tax credit for the purchase of capital goods L.178/20 for the portion that will be offset starting from the financial year 2023 (Euro 268,017) in accordance with current tax regulations.

16. INVENTORIES

Inventories (in €)	30/06/2022	31/12/2021
Finished products and goods	327,886	66,500
Total inventory	**327,886**	**66,500**

Inventories of finished goods and merchandise amount to 327,886 Euro and refer to third-party licenses used on sales orders and inventories held by RCS ETM Sicurezza S.p.A. consisting mainly of external hard drives and other similar products currently used in the company's business.

17. CONTRACT ASSETS AND LIABILITIES
Contract Assets: Euro 3,103,411 (Euro 1,542,489)
Contract Liabilities: Euro 52,588 (Euro 65,252)

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

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

The net value of Contract assets is composed as follows:

(in €)	Year ended 30 June	
Category	30/06/2022	31/12/2021
Contract assets (gross)	3,890,154	1,846,938
Contract-related liabilities	(733,850)	(300,000)
IFRS9 impairment provision	(52,893)	(4,449)
A. Contract assets (net)	**3,103,411**	**1,542,489**
Liabilities from contracts (gross)	(361,916)	(309,008)
Contract-related assets	309,327	243,756
B. Contract liabilities (net)	**(52,588)**	**(65,252)**
(A - B). Net value	**3,050,823**	**1,477,237**

The increase in contract assets in the period was mainly due to advances in *forensic intelligence* on B2G orders.

18. TRADE RECEIVABLES

Trade receivables (in Euro)	30/06/2022	31/12/2021
With customers	49,556,435	19,428,119
To related parties	5,459,314	4,464,820
Towards affiliated companies	1,059,589	-
Loss allowance	(831,018)	(307,333)
Total trade receivables	**55,244,320**	**23,585,605**

Trade receivables, which totalled Euro 55,244,320 (of which 29,284,529 related to invoices to be issued), include Euro 49,556,435 from customers and Euro 5,459,314 Euro from the shareholder Elettronica S.p.A.. This item also includes an allowance for doubtful accounts of Euro 831,018. The loss allowance for trade receivables includes accumulated impairment estimated by applying the international accounting standard IFRS 9. With reference to the management of credit risk, please refer to the appropriate section of the explanatory notes.

The increase in the value of trade receivables compared to the comparative is directly related to the growth in revenues as fully commented in the explanatory note dedicated to the Company's operating revenues as well as to the acquisition of the Aurora Group whose receivables portfolio consists almost entirely of items related to supplies of products and services characteristic mainly to the Public Administration.

19. TAX CREDITS

Tax assets (in €)	30/06/2022	31/12/2021
Receivables from tax authorities for IVA	2,317,625	457,210
Receivables from tax authorities for IRAP	-	29,254
Receivables from tax authorities for IRES	5,001	1,029
Research and Development Tax Credits	897,260	346,511
Tax Credits Capital Goods	394,712	85,067
Others	781,106	10,281
Total tax credits	**4,395,704**	**929,351**

Tax credits are mainly composed of the tax credit for VAT (Euro 2,317,625), the current portion of the tax credit for research and development activities (Euro 897,260) recorded against investments made, and the tax credit for capital goods (Euro 394,712). With reference to the VAT credit, it should be noted that the increase compared to the previous year is related to the fact that the Aurora Group, starting in 2015 with the entry into force of the "Split payment", has always recognised VAT credits of significant amounts since it mainly carries out business with the Public Administration.

Other tax receivables show a balance of Euro 781,106 and are mainly attributable to the recognition of the *"patent box"* tax benefit of subsidiary RCS ETM Sicurezza S.p.A. in the amount of Euro 601,963.

20. OTHER CURRENT ASSETS

Other current assets (in Euro)	30/06/2022	31/12/2021
Receivables from related parties	460,091	-
Advances for transition costs	-	900,684
Other receivables	2,583,595	343,282
Loss allowance	(7,872)	(909)
Total Other Current Assets	**3,035,815**	**1,243,057**

Other current assets mainly refer to advances to suppliers and prepaid expenses recorded as an adjustment of maintenance fees on software licences used on internal infrastructures pertaining to future years, as well as consulting and insurance. Receivables from related parties refer to receivables recognised by the parent company CY4Gate from Elettronica.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents (in €)	30/06/2022	31/12/2021
Bank and postal accounts	19,737,761	2,296,631
Cash and equivalents in hand	277,513	1,276
IFRS9 impairment provision	(379)	(49)
Total cash and cash equivalents	**20,014,895**	**2,297,858**

The amount of cash and cash equivalents at 30th June 2022 was mainly generated by net cash flows realised by the Company during the period. The increase compared to the corresponding period of the previous year is mainly due to the unutilised residue of the capital increase carried out for the acquisition of the Aurora Group.

It should also be noted that the CY4 Group's liquid assets do not include restricted amounts.

22. NET EQUITY

Net equity (in Euro)	30/06/2022	31/12/2021
Share capital	1,441,500	481,500
Share premium reserve	108,539,944	19,499,944
Other Reserves	8,520,141	5,087,568
Profit (loss) for the period	(3,699,530)	5,185,828
Total shareholders' equity	**114,802,054**	**30,254,839**
Share capital and reserves attributable to non-controlling interests	1,171,663	
Minority interests profit (loss) for the period	95,466	
Shareholders' Equity	**116,069,183**	**30,254,839**

The subscribed and paid-up share capital as at 30 June 2022 amounted to Euro 1,441,449.94 and consisted of Euro 23,571,428 fully subscribed shares, divided as follows:

- 9,045,912 ordinary shares, subscribed for a nominal value of Euro 553,248, owned by Società Elettronica S.p.A., and a premium of Euro 13,803,783;
- 3,809,524 ordinary shares, subscribed for a nominal value of Euro 232,946 owned by TEC Cyber S.p.A., and a premium of Euro 39,573,335;
- 10,715,992 EGM (Euronext Growth Milan, formerly AIM Italy) listed ordinary shares, subscribed for a nominal value of Euro 655,306 and premium of Euro 111,317,724, held by the other shareholders on the market.

The share premium reserve therefore amounted to Euro 108,539,944.

It should be noted that during the first half of the year, the company concluded the capital increase for a total of 90 million Euro preparatory to the acquisition of the Aurora Group through the issuance of 8,571,428 shares with a price per share of 10.5 of which 0.112 Euro were allocated as an increase in share capital and 10.388 Euro were allocated to the share premium reserve. It should be noted that transaction costs related to the share capital increase were accounted for as a decrease in shareholders' equity consistently with IAS 32.

Other reserves amounted to Euro 2,806,006 as at 30th June 2022.

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

(in Euro)			
Category	**Amount**	**Possible use**	**Available share**
Share capital	1,441,500		1,441,500
Share premium reserve	108,539,944	A-B-C	108,539,944
Legal reserve	355,592	A-B	355,592
Reserve for actuarial profit/(loss) OCI	(400,839)	-	-
FTA reserve	(96,039)	-	-
Reserve for share capital increase ancillary charges	(2,560,151)	-	-
Other reserves	68,668	-	-
Retained earning	11,152,908	A-B-C	11,152,908
Total	**118,501,583**		**121,489,944**

23. PROVISIONS FOR EMPLOYEE BENEFITS CURRENT AND NONCURRENT

Provisions for employee benefits - noncurrent		
(in €)	30/06/2022	31/12/2021
Provision for post-employment benefits	2,715,301	326,481
Total Provisions for employee benefits	**2,715,301**	**326,481**

Provisions for employee benefits - current		
(in €)	30/06/2022	31/12/2021
Provision for Phantom Stock Option rights	136,875	271,875
Total provision for current risks	**136,875**	**271,875**

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

The provision for the Phantom Stock Option rights underwent a reduction equal to Euro 135,000 for benefits paid during the period to recipients of the plan who exercised the options related to the first assignment cycle.

In the current period

- no amounts have been allocated related to the second assignment cycle included in the regulation of the 2020-2022 Phantom Stock Option plan approved by the Board of Directors of CY4Gate on 22 September 2020 since the goals required by the plan were not met.
- No amounts were set aside in relation to the third allocation cycle because Management, in light of the current macroeconomic scenario estimated a PV of zero, assessing as remote the likelihood of achieving the targets set by the Board of Directors, which can be measured in FY 2022.

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

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

The actuarial assumptions applied as at 30th June 2022 are summarised in the following table:

Assumptions (Ipotesi adottate)	Gruppo CY4Gate
Discount rate (Tasso di Attualizzazione)	3,07%
Inflation rate (Tasso di inflazione)	3,00%
Nominal rate of wage growth (Tasso nominale di crescita delle retribuzioni generico)	1,75%
Workers (Operai)	1,75%
Office employees (Impiegati)	1,75%
Front-line managers (Quadri)	1,75%
Executive (Funzionari)	1,75%
Managers (Dirigenti)	1,75%
Labour turnover rate (Tasso annuo di turnover)	10,40%
Probability of request of advances of TFR (Probabilità di richiesta di anticipazioni di TFR)	0,50%
Percentage required in case of advance (misura di richiesta dell'anticipo)	70,00%
Life Table - Male (Tavola di sopravvivenza - maschi)	M2019
Life Table - Female (Tavola di sopravvivenza - Femmine)	F2019

The sensitivity analyses performed are also provided below:

Sensitivity Analysis - DBO		CY4GATE
Central Assumption	€	**2.715.301**
Discount rate (+0,5%)	€	2.615.007
Discount rate (-0,5%)	€	2.822.900
Rate of Price Inflation Increases (+0,5%)	€	2.794.888
Rate of Price Inflation Decreases (-0,5%)	€	2.640.562
Rate of Salary Increases (+0,5%)	€	2.749.329
Rate of Salary Decreases (-0,5%)	€	2.682.758

24. CURRENT AND NONCURRENT PROVISIONS

Current provision (in €)	30/06/2022	31/12/2021
Provision for product warranty	276,372	267,793
Totalcurrent provisions	**276,372**	**267,793**

Non-current provision (in €)	30/06/2022	31/12/2021
Provision for product warranty	4,264	32,952
Total non-current provisions	**4,264**	**32,952**

Current and non-current provisions are mainly related to warranties in connection with the sale of licences for which there is a legal guarantee and/or a performance guarantee for the licences sold.

25. NONCURRENT FINANCIAL LIABILITIES

Noncurrent financial liabilities (in €)	30/06/2022	31/12/2021
Due to banks for financing	11,820,556	-
Payables to other lenders	230,786	
Total non-current financial liabilities	**12,051,342**	**-**

Non-current financial liabilities mainly refer to the portion beyond 12 months of the loan agreement signed with Credit Agricole Italia S.p.A., the leader of a pool of credit institutions, for a maximum total amount of Euro 45,000,000 (the "Loan Agreement"), to date used only for the portion dedicated to the partial financing of the acquisition of the Aurora Group (Line A) for a total of Euro 12,500,000 recognised in the financial statements using the amortised cost method for an amount of Euro 10,694,076.

The loan agreement provides, for Line A, for repayment of the principal amount by the relevant due date, in 11 six-monthly instalments in accordance with the contractually agreed repayment schedule. In addition, CY4Gate shall 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 equal to 225 b.p. for the hedging of which a derivative was entered into for 100% of the amount.

It should also be noted that according to the terms of the loan agreement, the margin that will be applied to the reference rate in relation to each line of the loan, may vary on a half-yearly basis, either upwards or downwards, in relation to the change in the *"Net Financial Debt/EBITDA (NFP/EBITDA)"* ratio *("financial covenant")* calculated on the basis of the data in the consolidated financial statements, or the consolidated half-yearly report, starting from a base ratio of 2x. The parent company, therefore, undertook to comply with the aforementioned NFP/EBITDA financial parameter, accepting that the lending banks and the agent bank will be able to exercise the actions and remedies contractually provided for in the event that the initial financial situation at the consolidated level does not comply with said parameter.

The verification of compliance with this financial parameter will take place every six months on a *"rolling "* basis (i.e. with reference to data for the previous twelve months), starting with the financial year ending 31 December 2022.

The remaining portion of the loan, which has not been used to date, provides for the possibility of activating the following lines of credit:

- Acquisition/Capex medium-long term, usable in cash, up to a maximum of Euro 25,000,000.00 (twenty-five million Euro.00) (the "Acquisition/Capex Line") for future investments as well as M&A transactions;
- Revolving medium-long term, usable cash revolving type, up to a maximum of Euro 7,500,000.00 (seven million five hundred thousand.00 Euro) (the "Revolving Line") aimed at financing cash needs related to its own and the group's treasury requirements headed by CY4.

The balance also includes other long-term financial liabilities in the amount of Euro 1,126,480.

We certify that in the selection of financing and investment transactions, the company has adopted prudence and limited risk criteria, and that no speculative transactions have been entered into. In this regard, it should be noted that the Company intended to hedge against financial risk, and in particular against the risk of rising interest rates, by entering into 4 "Interest Rate Swap" contracts. These contracts were signed to hedge the risk of fluctuations in the interest rate applied to the financing contracts signed over the last two financial years.

The main figures of these contracts are summarized below:

Counterparty	Description	Expiry	Original amount	Interest rate	Balance at 30.06.2022
Intesa San Paolo	Non-mortgage non-facilitated loan MLT	15/12/2023	2.300.000	Euribor 6M + 1.32	**858.740**
Intesa San Paolo	Non-mortgage non-facilitated loan MLT	15/12/2022	2.000.000	Euribor 6M + 1.55	**248.872**
Unicredit S.p.A.	Unsecured loan	31/12/2023	1.500.000	Euribor 3M + 0.5	**748.803**
Intesa San Paolo	Non-mortgage non-facilitated loan MLT	25/06/2025	3.000.000	Euribor 3M + 0.9	**2.257.348**
Banca Popolare di Sondrio	Unsecured loan	01/01/2024	1.500.000	1,04%	**924.144**
Total					**5.037.907**

The above-mentioned "Interest Rate Swap" contracts are to be understood as hedging transactions and their impact on the operating result is given exclusively by the accounting of the positive and negative differentials on interest rates accrued as of 30 June 2022.

26. NONCURRENT FINANCIAL LIABILITIES FROM LEASE

Noncurrent financial liabilities from lease (in €)	30/06/2022	31/12/2021
Financial payables for leasing	2,743,687	1,563,517
Total non-current financial liabilities arising from leases	**2,743,687**	**1,563,517**

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

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

27. TRADE PAYABLES

Trade payables (in Euro)	30/06/2022	31/12/2021
Payables due to suppliers	5,520,057	4,068,230
Advances to related parties	318,359	-
Payables to related parties	25,733	262,427
Total trade liabilities	**5,864,149**	**4,330,657**

Trade payables are recorded for a total of 5,864,149 Euro (of which 3,271,135 Euro in invoices to be received and 1,220,819 Euro in advances to suppliers). Payables to related parties refer to services rendered by the shareholder Elettronica S.p.A. mainly for canteen services and ancillary services for the Company's rental of the office building.

28. CURRENT FINANCIAL LIABILITIES

Current financial liabilities (in €)	30/06/2022	31/12/2021
Payables to banks	120,946	2,005,878
Payables to other lenders	140,772	-
Due to banks for financing	4,346,849	-
Earn Out Provision	15,000,000	-
Total current financial liabilities	**19,608,566**	**2,005,878**

Current financial liabilities consist of the portion due within 12 months of the existing long-term loan facility with the financial institution Credit Agricole (435,153 Euro) previously commented on under non-current financial liabilities to which reference should be made. In addition, as of 30 June 2022, the Group has outstanding financial liabilities of an additional 3,911,696 Euro with the credit institutions Banca Intesa, Unicredit and Sondrio referring to the Aurora Group's existing loan agreements. See Note 25 for details of Aurora Group's outstanding loans. It should also be noted that during the first half of the year, the Group repaid the short-term invoice advance line (approximately 2 million Euro).

Other current financial liabilities include an amount of Euro 15 million related to the earn-out under the Aurora Group acquisition agreement. On the basis of the information in its possession at the date of preparation of these condensed half-yearly financial statements, as well as in light of the estimates of the Aurora Group's economic-financial performance, the management has estimated that the full amount of the variable consideration envisaged in the investment contract will be paid in 2023.

29. CURRENT FINANCIAL LIABILITIES FROM LEASE

Current financial liabilities from lease (in €)	30/06/2022	31/12/2021
Lease payables	1,015,636	443,078
Total current financial liabilities	**1,015,636**	**443,078**

The item refers to the lease liability recognised as a balancing entry to the right of use recognised in assets, for the outstanding leases of buildings, hardware and automobiles for only the portion of lease payments due within one year.

30. TAX LIABILITIES

Tax liabilities (in €)	30/06/2022	31/12/2021
Payables to tax authorities for VAT	692,916	-
Payables to tax authorities for Irpef	243,280	262,625
IRAP payables	407,178	-
Other payables	738,678	317,636
Total tax payables	**2,082,053**	**580,261**

Taxes payable amount to 2,082,053 Euro and mainly refer to VAT payable (692,916 Euro), IRPEF payable (243,280 Euro) and IRAP payable (407,178 Euro).

31. OTHER CURRENT LIABILITIES

Other current liabilities (in €)	30/06/2022	31/12/2021
Other payables	5,485,259	981,829
Accrued expenses and deferred income	3,691,698	151,038
Total other current liabilities	**9,176,956**	**1,132,867**

Other current liabilities refer for Euro 523,852 to advances received on projects financed by the European Commission. Among these, the main one is ECYSAP (European Cyber Situational Awareness Platform), which aims to develop and implement innovative theoretical foundations, methods and research prototypes, integrated into a European operational platform that enables Cyber Situational Awareness in *real time.*

The item also includes other payables totalling 5,485,259 Euro, of which 1,756,318 Euro are attributable to the parent company CY4Gate and 3,728,940 Euro are attributable to the Aurora Group. This item mainly relates to payables for accrued and unused vacation time (totalling 2,801,778 Euro).

Accrued expenses and deferred income show a balance of 3,691,698 Euro, of which 139,742 Euro refer to the parent company CY4Gate and 3,551,956 Euro refer to the Aurora Group mainly pertaining to portions of revenues to be deferred to subsequent periods.

32. COMMITMENTS AND RISKS

Commitments and risks amounted to 2,157,480 Euro as of 30th June 2022 and refer to surety guarantees issued to Group companies by banking institutions in favour of third parties for the regular performance of business relationships. It should be noted that a specific guarantee in the amount of 1,185,000 Euro was discharged in August 2022.

The following is a description of the pledges on corporate shareholdings established (or to be established) under the Loan Agreement signed on 29th March 2022 between Cy4gate S.p.A. and RCS ETM Sicurezza S.p.A., following its accession, and a pool of lending banks headed by Crédit Agricole Italia S.p.A.

Aurora Group: On 29th March 2022, Cy4gate S.p.A., in its capacity as grantor, pledged in favour of Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano - Soc. Coop. (the "Lender 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. towards the Lender Banks, arising under any reason from the loan agreement signed on 29 March 2022 between Cy4gate S.p.A. and RCS ETM Sicurezza S.p.A. and the Lender Banks;

RCS ETM Sicurezza Pledge: On 29th March 2022, Aurora S.p.A., in its capacity as grantor, pledged in favour of Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano - Soc. Coop. (the "Lender Banks"), 100% of the share capital of RCS ETM Sicurezza S.p.A, as security for the proper, full and punctual performance of the pecuniary obligations (to the extent expressly provided for in the relevant deed of pledge) of Cy4gate S.p.A. and RCS ETM Sicurezza S.p.A. towards the Lender Banks arising under any title from the loan agreement signed on 29th March 2022 between Cy4gate S.p.A. and RCS ETM Sicurezza S.p.A. and the Lender Banks;

Dars Telecom SL pledge: as of today, the pledge by Cy4gate S.p.A. and RCS ETM Sicurezza S.p.A, in their capacity as grantors, is being finalized in favour of Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano - Soc. Coop. (the "Lender Banks"), of the entire interest they directly or indirectly hold in the subsidiary Dars Telecom SL.

33. RELATED-PARTY TRANSACTIONS

The Company has entered into transactions with related parties, specifically with Società Elettronica S.p.A., a shareholder of the Parent Company with a 38.3 percent stake. These transactions which do not constitute atypical and/or unusual transactions, are governed by normal market conditions and follow a physiological development in relation to contractual commitments and payment conditions.

All of these transactions are detailed in the tables below.

(in €)	Year ended as of	
Category	**30/06/2022**	**31/12/2021**
Non-current financial assets	6,000	6,000
Contract-related assets	691,832	599,102
Trade Receivables	4,658,378	4,454,820
Total	**5,356,210**	**5,059,922**

(in €)	Year ended as of	
Category	**30/06/2022**	**31/12/2021**
Trade Payables	342,904	262,428
Contract derivative liabilities	83,955	10,000
Current financial liabilities from lease	208,618	296,614
Noncurrent financial liabilities from lease	1,076,072	1,509,436
Total	**1,711,549**	**2,078,478**

(in €)	Year ended as of	
Category	**30/06/2022**	**30/06/2021**
Operating Revenue	1,801,854	1,824,610
Costs for purchases and personnel	(226,462)	(157,031)
Total	**1,575,392**	**1,667,579**

Specifically, current financial assets (Euro 6,000) refer to security deposits related to a lease contract. Assets under contract (Euro 691,832) and trade receivables (Euro 4,658,378) refer to assets strictly related to sales CY4 makes to Elettronica S.p.A. not yet collected at the date.

The financial liabilities related to the lease, current (Euro 208,618) and noncurrent (Euro 1,076,072), refer to lease payments for the buildings leased from the shareholder Elettronica S.p.A. and used as offices. The financial liabilities related to the contract (Euro 83,955) refer to the net balances for which the payments received from customers are higher than the services performed by the entity and which are reported in liabilities in compliance with the requirements of international accounting standards. Lastly, trade payables (totalling Euro 342,904) refer to liabilities mainly connected to chargeback of costs for services provided and not yet paid at the date.

The profit and loss account balances recorded in the period represent the counterpart income of what has been commented on above.

SIGNIFICANT EVENTS AFTER THE END OF THE SIX-MONTH PERIOD

No significant events were reported after 30th June 2022.

ON BEHALF OF THE BOARD OF DIRECTORS

(Ms. Domitilla Benigni)

(Mr. Emanuele Galtieri)