CEDACRI S.p.A.

Registered office in Corso Monforte, 30 – 20122 Milano
Fully paid-up share capital: Euro 12,609,000
Registered with the Milan Monza Brianza Lodi Chamber of Commerce
Tax code and Companies Register No.: 00432960342

2022 Consolidated financial statements

INTRODUCTION

As permitted by the article 40, paragraph 2 bis, of the Legislative Decree no. 127 of 9 April 1991, the Parent company Cedacri S.p.A. has prepared the Directors' Management Report as the sole document for both the Separate Financial Statements of Cedacri S.p.A. (hereinafter the "**Company**") and the Consolidated Financial Statements of Cedacri Group (hereinafter the "**Group**").

1. Cedacri Group's structure

Cedacri Group's structure as of December 31, 2022 is as follows:

	% of ownership
Parent Company:	
Cedacri S.p.A.	Parent
Subsidiaries directly controlled by the Parent Company:	
C-Global S.p.A.	100.0%
Cedacri International	100.0%
Sigrade S.p.A.	100.0%
CAD IT S.p.A.	95.4%
Subsidiaries directly controlled by C-Global S.p.A.:	
Docugest S.p.A.	100.0%
Subsidiaries directly controlled by CAD IT S.p.A.:	
CeSBE S.r.l.	62.11%
Datafox S.r.l.	51.0%
Tecsit S.r.l. in liquidazione	70.0%
CAD IT España S.A.	83.0%

During 2022 there were no changes in the Group's scope of consolidation. However, it should be noted that in December 2022 the reverse merger (hereinafter the "**Reverse Merger**") of Cedacri Mergeco S.p.A. in Cedacri S.p.A. has been completed. The accounting effects were backdated to January 1, 2022. The deficit resulting from the Reverse Merger generated in the statement of financial position of Cedacri S.p.A., amounting to €1,054 million, has been allocated in accordance with the values recognised in Cedacri Mergeco S.p.A. consolidated financial information as of December 31, 2021 after the *Purchase Price Allocation* (PPA). For further details refer to section "Business combinations" in the Notes.

2. Investment Plan

The investment plan continues with investments aimed at the evolution of Cedacri's application and technology platforms and the vertical application platforms of the other Group companies.

3. Evolution of the organizational structure

From an organizational perspective, 2022 has been a year of consolidation of the model already started in 2021 and in line with the Group's strategic and business objectives and of evolution of the control functions' structure.

The General managements with operations and commercial responsibilities have been consolidated, the Chief Financial Office Department has been created and the principle of autonomy and

independence of the control functions was formalized by moving them to report directly to the Board. For all functions, the role of overseeing activities at the Group level was also made explicit.
Specifically, in order to improve the management of processes and competencies with a view on customer service focus, within Operations the role of functional coordination from the parent company to subsidiaries has been emphasized. The Company has given prominence to the Cyber Security function by moving to report to the Group Operations Director, and a Change and Delivery function has been developed with a role of coordinating project activities at the Group level.

The consolidation process of the Commercial Department with focus on business lines at a group level has carried on, in line with the objective of increasing synergies in offering proposition and customer relationship.

Finally, within the Staff, the Chief Financial Officer Department was implemented. The HR, Finance, Procurement and General Services Departments report to it with the aim of increasing synergies on group-wide processes and activities.

4. Macroeconomic trend

In 2022 the global economy continues to be affected by high inflation, deep uncertainty connected with the war in Ukraine and the restrictive stance of monetary policies aiming at containing the high level of inflation. The cyclical indicators and the first available national statistics pointed to a worsening of the situation in the fourth quarter 2022, more markedly so in the advanced countries and in China. International trade is also thought to have slackened at the end of last year.

According to the OECD's forecasts for 2023, published in November, global GDP is expected to slow to 2.2 per cent, from 3.1 per cent last year, as a result of the restrictive stance of monetary policies, energy prices remaining high and weak household disposable income. The risks to these projections are predominantly on the downside, including those stemming from the continuation of the war in Ukraine, the persistently high inflation rates and the potentially protracted weakness of activity in China.

The December Eurosystem staff projections indicate a slowdown in GDP in 2023 (0.5 per cent, versus 3.4 per cent last year), followed by an acceleration in the biennium 2024-25 (1.9 and 1.8 per cent respectively). Compared with September 2022, the estimates for 2023 have been revised downwards by almost half a percentage point, due above all to the weakening global economic cycle and prolonged price increases.

In this context, Italy's GDP registered a +4% increase in 2022, but growth is projected to weaken in 2023-2025 (forecast +0.6 percent in 2023). This period is estimated to be characterized by high levels of inflation, which are projected to decline in the next two years[1].

5. Cedacri Group's activities

Cedacri Group offers to its customers a range of services for financial institutions including Core Banking, back office BPO (Business Process Outsourcing) and vertical software solutions on specific areas such as Finance, RegTech, anti-money laundering and reporting. Cedacri has a differentiated positioning within the Italian technology and software market for financial institutions due to the breadth and completeness of the service portfolio.

6. Income statement and balance sheet of the parent company Cedacri S.p.A.

The following section provides the income statement and balance sheet analysis of the parent company Cedacri S.p.A. as of and for the years ended December 31, 2022 and 2021.

Income statement

[1] Bank of Italy, "Economic Bulletin" 2023".

The following table shows the income statement of Cedacri S.p.A. for the years ended December 31, 2022 and 2021:

(Euro thousands and in %)	For the year ended December 31, 2022		For the year ended December 31, 2021		Change for the year ended December 31, 2022 vs 2021	
	value	% of production value	value	% of production value	value	%
Total value of production	349,082	100.0%	335,522	100.0%	13,560	4.0%
Operating costs	(228,564)	(65.5%)	(247,026)	(73.6%)	18,462	(7.5%)
EBITDA (MOL)	**120,518**	**34.5%**	**88,496**	**26.4%**	**32,022**	**36.2%**
Amortization, depreciation, impairment and net accruals	(110,963)	(31.8%)	(53,617)	(16.0%)	(57,346)	>100%
EBIT (Operating profit)	**9,555**	**2.7%**	**34,879**	**10.4%**	**(25,324)**	**(72.6%)**
Financial income/(expenses)	(33,569)	(9.6%)	(32,429)	(9.7%)	(1,140)	3.5%
Profit before tax	**(24,014)**	**(6.9%)**	**2,450**	**0.7%**	**(26,464)**	**n.a.**
Income tax expense	4,318	1.2%	(4,407)	(1.3%)	8,725	n.a.
Net profit for the year	**(19,696)**	**(5.6%)**	**(1,957)**	**(0.6%)**	**(17,739)**	**>100%**

EBITDA is defined as operating profit before amortization, depreciation, impairments and other provisions. Since EBITDA is not identified as an accounting measure, neither under Italian Accounting Standards nor under International Financial Reporting Standards (IAS/IFRS), its quantitative determination may not be univocal. EBITDA is a measure used by the company's management to monitor and assess its operating performance. The management believes that EBITDA is an important parameter for measuring the operating performance of the company, since it is not influenced by the effects of the different criteria for calculating taxable income, the amount and characteristics of the capital employed as well as the related amortization and depreciation policies.

The increase in EBITDA in 2022 is due: (i) to the improvement in the company's revenues as a result of the performance of Core Banking, (ii) the reduction in operating costs (especially in the areas of personnel and technology costs) due to the progressive improvement in production efficiency and (iii) the increase in internal costs that have been capitalised.

The decrease of the operating income during 2022 mainly refers to the depreciations and amortizations of the surpluses generated due to the allocation of merger deficit, as a result of the Reverse Merger, amounting to € 54 million.

The following table provides a breakdown of “Revenue from contracts with customers” for the years ended December 31, 2022 and 2021:

(Euro thousands and in %)	For the year ended December 31, 2022		For the year ended December 31, 2021		Change for the year ended December 31, 2022 vs 2021	
	value	% of total	value	% of total	value	%
Core Banking	219,317	63.2%	208,138	62.3%	11,179	5.4%
Technology infrastructure and cloud services	48,782	14.1%	46,627	14.0%	2,155	4.6%
Projects	62,515	18.0%	63,440	19.0%	(925)	(1.5%)
Software solutions	3,615	1.0%	3,679	1.1%	(64)	(1.7%)
Other revenues	12,596	3.6%	12,144	3.6%	452	3.7%
Total	**346,825**	**100.0%**	**334,028**	**100.0%**	**12,797**	**3.8%**

The increase in revenues reflects the improved performance of Core Banking.

The following table provides a breakdown of “Other income” for the years ended December 31, 2022 and 2021:

(Euro thousands and in %)	**For the year ended December 31, 2022**		**For the year ended December 31, 2021**		**Change for the year ended December 31, 2022 vs 2021**	
	value	% of production value	value	% of production value	value	%
Operating grants	690	30.6%	695	46.5%	(5)	(0.7%)
Revenues from secondment of employees	301	13.3%	552	36.9%	(251)	(45.5%)
Income from tax credit	1,213	53.7%	-	0.0%	1,213	0.0%
Income from contract termination	-	0.0%	44	2.9%	(44)	(100.0%)
Other revenue and income	53	2.3%	203	13.6%	(150)	(73.9%)
Total	**2,257**	**100.0%**	**1,494**	**100.0%**	**763**	**51.1%**

Balance sheet

The following table shows the balance sheet of Cedacri S.p.A. as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
ASSETS		
Non-current assets		
Property, plant and equipment	51,235	38,004
Goodwill	866,047	115,637
Other intangible assets	446,702	166,031
Right of use assets	17,422	14,662
Investments	200,526	149,282
Deferred tax assets	24,490	19,470
Non-current financial assets	2,971	2,886
Other non-current assets	72	422
Total non-current assets	**1,609,465**	**506,394**
Current assets		
Trade receivables	81,802	67,582
Current tax assets	3,274	1,210
Cash and cash equivalents	24,630	67,739
Current financial assets	256,399	666
Other current assets	38,352	25,873
Total current assets	**404,457**	**163,070**
TOTAL ASSETS	**2,013,922**	**669,464**
EQUITY AND LIABILITIES		
Share capital	12,609	12,609
Share premium reserve	34,063	34,063
Other reserves	695,179	73,276
Net profit (loss) for the year	(19,696)	(1,957)
TOTAL EQUITY	**722,155**	**117,991**
LIABILITIES		
Non-current liabilities		
Non-current lease liabilities	10,793	9,985
Non-current financial liabilities	760,218	193,835
Provisions for employee benefits	9,896	11,151
Deferred tax liabilities	105,651	22,825
Provisions for risks and charges	1,752	1,705
Other non-current liabilities	38,538	44,770
Total non-current liabilities	**926,848**	**284,271**
Current liabilities		
Current lease liabilities	6,083	6,325
Current financial liabilities	101,823	74,360

Current tax liabilities	1,076	5,267
Trade payables	115,760	95,137
Other current liabilities	140,177	86,113
Total current liabilities	**364,919**	**267,202**
TOTAL LIABILITIES	**1,291,767**	**551,473**
TOTAL EQUITY AND LIABILITIES	**2,013,922**	**669,464**

Goodwill has increased by € 750 million due to the Reverse Merger.

Tangible and intangible assets, investments and deferred tax liabilities reflect the increase resulting from the accounting of the surpluses generated due to the allocation of merger deficit, as a result of the Reverse Merger.

Current financial assets have approximately increased by € 256 million mainly in relation to: *(i)* the issuance of loans to FermION Investment Group companies with a nominal value of approximately € 231 million and *(ii)* loans that had been issued during 2021 by Cedacri Mergeco S.p.A. (company merged into Cedacri during fiscal year 2022) to FermION Investment Group companies with a nominal value of approximately € 15 million.

Total equity has cumulatively increased by approximately € 604 million due to: *(i)* the effect of shareholder's capital contributions amounting to € 16 million and *(ii)* the accounting of a merger reserve of approximately € 607 million, after the Reverse Merger and *(iii)* the loss for the year.

Current and non-current financial liabilities have approximately increased by € 594 million in relation to: *(i)* the accounting, as a result of the Reverse Merger, of two bond loans respectively with a nominal value of € 650 million and € 105 million; *(ii)* the increase in payables towards other Group companies as a result of the cash-pooling agreement amounting to approximately € 20 million and *(iii)* the write-off, as a result of the Reverse Merger, of the loan granted by Cedacri Mergeco S.p.A. to the Company, with a nominal value of approximately € 233 million.

The non-current financial liabilities, as of December 31, 2022, mainly consist of the above-mentioned bond loans, issued by the company Cedacri Mergeco S.p.A. (company merged in Cedacri during 2022) with maturity date in May 2028.

Current financial liabilities as of December 31, 2022 mainly consist of payables due to Group companies for cash-pooling and to software rental liabilities relating to medium/long-term software rental and user licenses agreements.

In terms of sources of funding, the Company's capital structure as of December 31, 2022 and 2021 is shown below:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Net working capital	(133,585)	(91,852)
Fixed assets	1,609,465	506,394
Consolidated liabilities	(155,837)	(80,451)
NET INVESTED CAPITAL	**1,320,043**	**334,091**
Net financial position	597,888	216,100
Equity	722,155	117,991
SOURCES OF FINANCING	**1,320,043**	**334,091**

The following table provides a breakdown of the Company's Net working capital as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Trade receivables	81,802	67,582
Current tax assets	3,274	1,210
Other current assets	38,352	25,873
Trade payables	(115,760)	(95,137)

Current tax liabilities	(1,076)	(5,267)
Other current liabilities	(140,177)	(86,113)
NET WORKING CAPITAL	**(133,585)**	**(91,852)**

The following table provides a breakdown of the Company's net financial position as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Cash and cash equivalents	24,630	67,739
Current financial assets	256,399	666
Financial liabilities (current and non-current portion)	(862,041)	(268,195)
Lease liabilities (current and non-current portion)	(16,876)	(16,310)
NET FINANCIAL POSITION	**(597,888)**	**(216,100)**

The worsening in the net financial position is primarily related to the above-mentioned increase in current and non-current financial liabilities, partially offset by the increase in current financial assets, as noted above.

Financial indicators

The following table summarizes the main financial ratios commonly used by the company to monitor its performance:

(Euro thousands and in %)	**As of and for the year ended December 31, 2022**	**As of and for the year ended December 31, 2021**
ROI		
(Operating profit / Total assets)	0.5% *	5.2%
ROS		
(Operating profit / Revenues from operating services)	2.8% **	10.4%
EBITDA		
(Euro thousands)	120,518	88,496
EBITDA %		
(EBITDA/Revenue from contracts with customers)	34.7%	26.5%

* ROI adjusted for the accounting of the surpluses generated due to the allocation of merger deficit, as a result of the Reverse Merger, as well as the relating depreciations and amortizations, would be equal to 3.8%.
** ROS adjusted for the depreciations and amortizations of the surpluses generated due to the allocation of merger deficit, as a result of the Reverse Merger would be equal to 18.3%.

Share capital structure

The share capital is equal to € 12,609,000, fully paid, and is divided into 12,962,647 shares.

Main investments

In the year 2022 the Company has invested € 79.3 million, mainly related to:

- HW amounting to € 12.7 million required to maintain a state of the art technological infrastructure and the operational needs, as well as the onbording of new customers and services on the Core Banking and the technological infrastructure / Cloud services;
- SW licenses with fixed and indefinite duration as well as costs for internal software development projects amounting to € 30.6 million;
- Capitalization of costs for internal software development projects accounted in the category "Intangible assets under development or construction" for an amount of € 28.5 million;
- Investments for right of use assets (IFRS 16) for € 7.4 million; and
- Other changes for € 0.1 million.

7. Consolidated income statement and balance sheet of Cedacri Group

The following section provides the income statement and balance sheet analysis of Cedacri Group as of and for the years ended December 31, 2022 and 2021.

As a result of the Reverse Merger, the consolidated financial statements of the Group for the year ended December 31, 2022 have been prepared in accordance with the values of Cedacri Mergeco S.p.A. consolidated financial information as of December 31, 2021: consequently, the compared financial and economic values as of December 31, 2021 represent the consolidated financial information of Cedacri Mergeco S.p.A. at the same date.

Based on what mentioned above, please note that 2021 income statement values of the Group consolidated financial statement cannot be compared to the 2022 income statement values as they include the consolidated result of the Company and of its subsidiaries for a 7-months period only (i.e. starting from June 2021, when Cedacri Mergeco S.p.A. acquired Cedacri S.p.A.). In order to overcome this and for the purpose of analysing the Group's performance, this section includes, in addition to consolidated financial information as of December 31, 2021 of Cedacri Mergeco S.p.A., the 2021 income statement values related to a scope of consolidation that includes Cedacri S.p.A. and its subsidiaries only, for the 12-months period ended December 31, 2021 (the "**Cedacri Scope of Consolidation**").

<u>*Income statement*</u>

The consolidated financial statements for the year ended December 31, 2022 show a loss for the year of € 14.5 million (of which € 14.7 million attributable to the Group).

The following table shows the consolidated income statement of the Group for the years ended December 31, 2022 and 2021:

(Euro thousands and in %)	**For the year ended December 31, 2022**		**For the year ended December 31, 2021**		**Change for the year ended December 31, 2022 vs 2021**	
	value	% of production value	value	% of production value	value	%
Continuing operations:						
Total value of production	464,677	100.0%	276,324	60.8%	188,353	68.2%
Operating costs	(312,604)	(67.3%)	(185,829)	(40.9%)	(126,775)	68.2%
EBITDA (MOL)	**152,073**	**32.7%**	**90,495**	**19.9%**	**61,578**	**68.0%**
Amortization, depreciation, impairment and net accruals	(137,044)	(29.5%)	(77,741)	(17.1%)	(59,303)	76.3%
EBIT (Operating profit)	**15,029**	**3.2%**	**12,754**	**2.8%**	**2,275**	**17.8%**
Financial income/(expenses)	(32,788)	(7.1%)	(20,053)	(4.4%)	(12,735)	63.5%
Profit before tax from continuing operations	**(17,759)**	**(3.8%)**	**(7,299)**	**(1.6%)**	**(10,460)**	**>100%**
Income tax expense	3,238	0.7%	5,383	1.2%	(2,145)	(39.8%)
Profit for the year from continuing operations	**(14,521)**	**(3.1%)**	**(1,916)**	**(0.4%)**	**(12,605)**	**>100%**
Discontinued operations:						
Profit/(Loss) after tax from discontinued operations	-	0.0%	(17)	(0.0%)	17	(100.0%)
Net profit for the year	**(14,521)**	**(3.1%)**	**(1,933)**	**(0.4%)**	**(12,588)**	**>100%**

The following table shows the consolidated income statement of the Group for the years ended December 31, 2022 compared to the one of Cedacri Scope of Consolidation for the year ended December 31, 2021.

(Euro thousands and in %)	For the year ended December 31, 2022		For the year ended December 31, 2021 (Cedacri Scope of Consolidation)		Change For the year ended December 31, 2022 vs 2021	
	value	% of production value	value	% of production value	value	%
Continuing operations:						
Total value of production	464,677	100.0%	454,330	100.0%	10,347	2.3%
Operating costs	(312,604)	(67.3%)	(330,532)	(72.8%)	17,928	(5.4%)
EBITDA (MOL)	**152,073**	**32.7%**	**123,798**	**27.2%**	**28,275**	**22.8%**
Amortization, depreciation, impairment and net accruals	(137,044)	(29.5%)	(66,281)	(14.6%)	(70,763)	>100%
EBIT (Operating profit)	**15,029**	**3.2%**	**57,517**	**12.7%**	**(42,488)**	**(73.9%)**
Financial income/(expenses)	(32,788)	(7.1%)	(38,320)	(8.4%)	5,532	(14.4%)
Profit before tax from continuing operations	**(17,759)**	**(3.8%)**	**19,197**	**4.2%**	**(36,956)**	**n.a.**
Income tax expense	3,238	0.7%	(10,131)	(2.2%)	13,369	n.a.
Profit for the year from continuing operations	**(14,521)**	**(3.1%)**	**9,066**	**2.0%**	**(23,587)**	**n.a.**
Discontinued operations:						
Profit/(Loss) after tax from discontinued operations	-	0.0%	(17)	(0.0%)	17	(100.0%)
Net profit for the year	**(14,521)**	**(3.1%)**	**9,049**	**2.0%**	**(23,570)**	**n.a.**

EBITDA is defined as operating profit before amortization, depreciation and other provisions. Since EBITDA is not identified as an accounting measure, neither under Italian Accounting Standards nor under International Financial Reporting Standards (IAS/IFRS), its quantitative determination may not be univocal. EBITDA is a measure used by the company's management to monitor and assess its operating performance. The management believes that EBITDA is an important parameter for measuring the operating performance of the company, since it is not influenced by the effects of the different criteria for calculating taxable income, the amount and characteristics of the capital employed as well as the related amortization and depreciation policies.

For an explanation of the EBITDA increase in 2022 compared to 2021 please refer to the section "Income statement and balance sheet of the parent company Cedacri S.p.A.".

The operating profit decrease in 2022 is substantially due to the amortizations and depreciations of the surpluses resulting from the *Purchase Price Allocation* (PPA), of approximately € 74 milion. Please note that these depreciations and amortizations are not included in to the Cedacri Scope of Consolidation income statement for the year ended December 31, 2021 and they have been accounted for a 7-months period only in the consolidated financial information of Cedacri Mergeco S.p.A. at the same date.

The following table provides a breakdown of “Revenue from contracts with customers” for the years ended December 31, 2022 compared to the one of Cedacri Scope of Consolidation for the year ended December 31, 2021:

(Euro thousands and in %)	For the year ended December 31, 2022		For the year ended December 31, 2021 (Cedacri Scope of Consolidation)		Change for the year ended December 31, 2022 vs 2021	
	value	% of total revenue from contracts with customers	value	% of total revenue from contracts with customers	value	%
Core Banking	221,010	47.8%	209,980	46.3%	11,030	5.3%

Technology infrastructure and cloud services	48,092	10.4%	45,870	10.1%	2,222	4.8%
Projects	62,479	13.5%	63,319	14.0%	(840)	(1.3%)
Software solutions	70,783	15.3%	74,501	16.4%	(3,718)	(5.0%)
Business Process as a Service (BPaaS)	48,550	10.5%	47,971	10.6%	579	1.2%
Other revenues	11,775	2.5%	11,677	2.6%	98	0.8%
Total	**462,689**	**100.0%**	**453,318**	**100.0%**	**9,371**	**2.1%**

For an explanation of the increase in revenues please refer to the section "Income statement and balance sheet and of the parent company Cedacri S.p.A.".

The following table provides a breakdown of "Other income" for the year ended December 31, 2022 compared to the one of Cedacri Scope of Consolidation for the year ended December 31, 2021:

(Euro thousands and in %)	**For the year ended December 31, 2022**		**For the year ended December 31, 2021 (Cedacri Scope of Consolidation)**		**Change For the year ended December 31,2022 vs 2021**	
	value	in % on total	value	in % on total	value	%
Income from contract termination	121	6.1%	124	12.3%	(3)	(2.4%)
Operating grants	-	0.0%	6	0.6%	(6)	(100.0%)
Income for tax credits	1,213	61.0%	-	0.0%	1,213	n.a.
Other revenue and income	654	32.9%	882	87.2%	(228)	(25.9%)
Total	**1,988**	**100.0%**	**1,012**	**100.0%**	**976**	**96.4%**

<u>*Balance sheet*</u>

In terms of sources of funding, the Group's capital structure as of December 31, 2022, and 2021 is summarized as follows:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Net working capital	(119,912)	(73,002)
Other current financial assets	262	224
Fixed assets	1,589,257	1,641,504
Consolidated liabilities	(192,842)	(216,446)
Net assets held for sale	271	270
NET INVESTED CAPITAL	**1,277,036**	**1,352,550**
Net financial position	515,054	593,925
Equity	761,982	758,625
SOURCES OF FINANCING	**1,277,036**	**1,352,550**

The following table provides a breakdown of the Group's net working capital as of December 31, 2022, and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Inventories	899	664
Trade receivables	124,353	112,241
Current tax assets	3,561	1,263

Other current assets	34,877	27,346
Trade payables	(125,397)	(103,966)
Current tax liabilities	(1,076)	(5,604)
Other current liabilities	(157,129)	(104,946)
NET WORKING CAPITAL	**(119,912)**	**(73,002)**

Net working capital improved significantly mainly due to the increase in other current liabilities due to the change in deferred income for customers payments.

The following table provides a breakdown of the Group's net financial position as of December 31,2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Cash and cash equivalents	26,978	70,992
Current financial assets	257,956	18,801
Financial liabilities (current and non-current portion)	(778,163)	(662,353)
Lease liabilities (current and non-current portion)	(21,825)	(21,365)
NET FINANCIAL POSITION	**(515,054)**	**(593,925)**

The change in the net financial position is mainly related to the combined effect deriving from *(i)* the disbursement of loans receivable to FermION Investment Group companies with a nominal value of approximately € 231 million, and *(ii)* the issuance of a new bond loan with a nominal value of € 105 milion.

<u>*Financial indicators*</u>

The following table summarizes the main financial ratios commonly used by the company to monitor its financial performance:

(Euro thousands and in %)	**As of and for the year ended December 31, 2022**	**As of and for the year ended December 31, 2021**
ROI		
(Operating profit/ Total assets)	0.7%	0.7%
ROS		
(Operating profit/ Revenues from operating services)	3.2%	4.6%
EBITDA		
(Euro thousands)	152,073	90,495
EBITDA %		
(EBITDA/Revenue from contracts with customers)	32.9%	32.9%

8. Related party transactions and relationships between Cedacri and other Group companies

Related party transactions, as identified in IAS 24, for Cedacri S.p.A. are primarily attributable to relationships with Group companies and with some other companies that are part of FermION Investment Group. These relationships relate to commercial, for services provided or rendered, and financial transactions, form part of the Group's normal business activities and are entered into at arm's length fully respecting appropriate procedures and applying similar conditions to transactions entered into with independent third parties.

With regard to the transactions between the parent company Cedacri S.p.A. and the companies of the FermION Investment Group, as of December 31, 2022 the parent Company has mainly: *(i)* trade receivables of approximately € 0.9 million, current trade payables of approximately € 6.3 million and current financial assets of approximately € 255.7 million; *(ii)* cost of services amounting to approximately € 6.8 million and financial income amounting to approximately € 8.2 million for the year ended December 31, 2022.

Details of transactions with related parties are provided in a specific section of the Notes.

Transactions between the parent company Cedacri S.p.A. and its subsidiaries are governed by consistent Group's procedures in terms of provision of services, commercial and customer relationships.

The following tables summarize intra-group receivables and payables as of December 31, 2022, as well as intercompany transactions for the year ended December 31, 2022:

Intra-group receivables/payables:

(In Euro Thousands)	**Payable**						
	CEDACRI	*C-GLOBAL*	*DOCUGEST*	*SIGRADE*	*CAD IT GROUP*	*CEDACRI INTERNATIONAL*	**Total**
Receivable							
CEDACRI		1,385	96	498	1,816	2,524	**6,319**
C-GLOBAL	20,216		109	24	10	-	**20,359**
DOCUGEST	9,003	1,801		-	-	-	**10,804**
SIGRADE	11,818	-	-		8	-	**11,826**
CAD IT GROUP	54,377	-	-	52		-	**54,429**
CEDACRI INTERNATIONAL	1,196	864	-	-	-		**2,060**
Total	**96,610**	**4,050**	**205**	**574**	**1,834**	**2,524**	**105,797**

Revenue and cost intra-group transactions:

(In Euro Thousands)	**Expenses**						
	CEDACRI	*C-GLOBAL*	*DOCUGEST*	*SIGRADE*	*CAD IT GROUP*	*CEDACRI INTERNATIONAL*	**Total**
Revenue							
CEDACRI		1,801	395	284	269	212	**2,961**
C-GLOBAL	2,777		52	24	12	-	**2,865**
DOCUGEST	1,057	1,348		-	-	-	**2,405**
SIGRADE	2,285	-	-		63	-	**2,348**
CAD IT GROUP	1,876	-	-	40		-	**1,916**
CEDACRI INTERNATIONAL	1,789	1,368	-	-	-		**3,157**
Total	**9,784**	**4,517**	**447**	**348**	**344**	**212**	**15,652**

9. Risk factors

Due to the nature of its business, the following are the main risk profiles which are managed by Cedacri

Group. In order to prevent the occurrence of harmful events and/or mitigate their impact, the Group has is equipped with an internal control system consisting of a set of rules, procedures and organizational structures designed to allow a healthy and stable management of the company. This system also envisages an appropriate process of identification, management and monitoring of the main risks that could threaten the achievement of corporate objectives.

Operating Risk

The Group is constantly committed to aligning and adapting its risk management model to the principles and rules that govern the sector of supervised financial institutions, also ensuring the involvement of its clients in relevant discussions and technical bodies.

In order to mitigate operating risk, particularly ICT risk, the Group applies preventive measures which are in continuous evolution. These measures are mainly based on risk analysis and assessment processes and the consequent implementation of corrective actions. In addition, adequate insurance policies have been subscribed to cover the risks of fraud, unfaithfulness / errors and cyber security, with the aim of reducing the potential consequences of any risk event.

The Risk Management function has been assigned the task of implementing an integrated risk detection and assessment/measurement system inspired by industry best practices, implementing processes and activities that are within the scope of the second level of control. The Internal Audit function is also part of the internal control system with the responsibility to independently perform third level control activities.

The need to ensure the continuity of service, even following systemic events, is met through an infrastructure comprising three data centers, the first is the main datacenter, the second one, in proximity to the first one, which ensures business continuity in a highly reliable manner, and a third one, at a remote location which ensures disaster recovery.

Operating risk also includes the risk of non-compliance, that is the possibility of failing to comply with the relevant legislative and regulatory framework, and the consequent possibility of incurring sanctions and/or prohibition to carry out operations; the Compliance Department is responsible for the non-compliance risk identification and assessment processes.
Cedacri has adopted a model for the identification and assessment of business risks which covers these types of risks and provides for the implementation of processes dedicated to their detection, evaluation of the effectiveness of the control systems, assessment of the level of exposure and potential mitigation.

Cyber Risk

In an increasingly digital world, Cedacri Group, similarly to other companies in the industry, is exposed to cyber risks.
The higher risk is still the geopolitical one, related to Russian-Ukrainian situation.
The new attack scenarios have also highlighted how the threat landscape has become more volatile and how cybercriminal groups have continued to increase the volume of attacks, with a shift in focus from security activities of a strategic nature to security activities of a typically tactical nature.

Cedacri, as a response to cyber risks, has prepared a series of tactical nature actions aimed at:
- reinforcement of threat management activities, by increasing information source and intensifing notifications to organizational structures;
- reinforcement of patching procedures by increasing on activities frequency;
- moving to common Group-wide anti-malware systems.

On a strategic point of view, Cedacri has focused on:
- start revision of regulatory set based on new ISO 27001:2022 standard;
- reinforcement of controls on third parties to cover cyber risks introduced by the supply chain;
- first activities aimed to unify and harmonize security technologies at the Group level.

Financial risks

- *Liquidity Risk*: the company has adopted a financial structure that ensures an adequate level of liquidity to run the operating activities and manages the liquidity of the Group through cash pooling agreements with the rest fo the Group's entities. Any fluctuation in such access to credit would have a negligible impact on the economic and financial position. Management believes the Group has sufficient access to funding sources to satisfy its forseeable future financial requirements.

- *Credit Risk*: based on historical evidence credit losses have always been minimal, which is also a consequence of the quality of the customer base served by the Group; since Cedacri Group works primarily with banks and entities controlled by banks, the Group has a solid and solvent customer base and, therefore, in previous years the risk of incurring losses on receivables has beennot very relevant. In the event that the Group identifies specific situations where the receivables can not be recovered in full or in part, a specific provision is made against such receivables based on an estimate of recoverable amount and timing of recovery.
- *Interest rate risk*: the company invests any available liquidity in bank deposit accounts and short-term restricted current accounts and it has an outstanding bond loan indexed to EURIBOR plus a spread. Changes in market interest rates may have an impact on finance income and costs. The Group has decided not to enter into any hedge agreements with regard to the interest rate risk.
- *Foreign currency risk*: given the nature of its business activities and its final market, most of Cedacri's commercial transactions are Euro denominated; transactions in foreign currencies are of little relevance and do not justify any exchange rate hedging transactions. The only exception relates to the subsidiary Cedacri International (located in Moldova), which is exposed to exchange rate fluctuations in its transactions with the other Group entities which are denominated in Euro; in order to cover such risk, the subsidiary holds its cash balances in Euro, exchanging amounts in local currency only to meet its short-term operating requirements.

No transactions in derivative instruments were entered into during the year.

Other Risks

- *Strategic Risk*: strategic risk derives from the dynamics related to technological innovation and the effects it produces on supply, demand and price variability. The Group is equipped with the tools that enable it to analyse market trends in light of the new industry requirements and the evolution of technology.
- *Reputational Risk*: reputational risk is defined as the deterioration of the company's appreciation by its relevant stakeholders as a result of facts and/or circumstances relating to performance, operations and behaviour perceived in a negative manner. The set of policies and procedures that the Cedacri Group has adopted to govern service activities, relationships with clients and suppliers and the conduct of its employees and partners, as well as the attention to compliance matters, represent a guarantee to limit the occurrence of these adverse events. Furthermore, the company has implemented processes aimed at collecting feedback from banking clients and assessing their degree of satisfaction with the services provided.

10. People management and corporate environment

Employees

As of December 31, 2022, the Group has 2,058 employees.

As of December 31, 2022, the employees of the Group companies are broken down by geographical area as follows, with the characteristics (in terms of gender, age and professional category) described in the tables below.

Employees distribution by territorial dislocation

	As of December 31, 2022						
Location	Cedacri S.p.A.	C-Global S.p.A.	Sigrade S.p.A.	Docugest S.p.A.	Cedacri International	Gruppo CAD IT	**Total Group**
Assago	37	28	-	6	-	12	83

Bari	26	-	-	-	-	-	26
Basiglio	-	26	-	-	-	-	26
Brescia	9	-	-	-	-	-	9
Castellazzo Bormida	125	19	-	-	-	-	144
Collecchio	571	155	-	49	-	-	775
Milano	17	-	-	-	-	-	17
Parma	-	-	93	-	-	-	93
Prato	-	-	-	-	-	12	12
Roma	87	-	-	-	-	39	126
Verona	6	-	-	-	-	402	408
Total Italy	**878**	**228**	**93**	**55**	-	**465**	**1,719**
Chişinău	-	-	-	-	229	-	-
Total Moldova	**-**	**-**	**-**	**-**	**229**	**-**	**229**
Madrid	-	-	-	-	-	110	-
Total Spain	**-**	**-**	**-**	**-**	**-**	**110**	**110**
TOTAL	**878**	**228**	**93**	**55**	**229**	**575**	**2,058**

Employees distribution by professional category

	As of December 31, 2022						
	Cedacri S.p.A.	C-Global S.p.A.	Sigrade S.p.A.	Docugest S.p.A.	Cedacri International	Gruppo CAD IT	**Total Group**
Blue Collars	-	-	-	38	-	1	39
White Collars	564	200	62	15	-	489	1,330
Middle Managers	290	26	27	2	-	77	422
Executives	24	2	4	-	-	8	38
Other*	-	-	-	-	229	-	229
TOTAL	**878**	**228**	**93**	**55**	**229**	**575**	**2,058**

**Cedacri International does not make such distinction in professional categories.*

Employees distribution by age group

	As of December 31, 2022						
Age group	Cedacri S.p.A.	C-Global S.p.A.	Sigrade S.p.A.	Docugest S.p.A.	Cedacri International	Gruppo CAD IT	**Total Group**
Less than 30 years	52	6	10	-	97	35	200
From 30 to 39	150	60	21	14	116	54	415
From 40 to 49	241	96	16	18	15	200	586
From 50 to 59	371	56	39	22	1	246	735
60 years and above	64	10	7	1	-	40	122
TOTAL	**878**	**228**	**93**	**55**	**229**	**575**	**2,058**

Employees distribution by gender

	As of December 31, 2022						
Gender	Cedacri S.p.A.	C-Global S.p.A.	Sigrade S.p.A.	Docugest S.p.A.	Cedacri International	Gruppo CAD IT	**Total Group**
Men	573	87	58	24	54	415	1211
Women	305	141	35	31	175	160	847

TOTAL	**878**	**228**	**93**	**55**	**229**	**575**	**2,058**

The attention to training activities remains a key focus for Cedacri, and as usual, the Group has invested to provide mandatory trainings as required by company procedures and the legislation with regard to GDPR, regulation 231, security awareness, mandatory training for apprentices.

Relationships with labor unions

Relationships with the labor unions continued to be based on fairness, openness and mutual respect. As evidence of the consolidation of constructive relationships, there were no events of "unrest" or labor disputes.
These positive relationships with the trade unions have, among other things, led to the signing of various agreements, including three-year the extension of the Cedacri S.p.A. Amended Labor Agreement ("*Contratto Integrativo Aziendale di Cedacri*") to December 31, 2022, the agreement on the Company variable incentive for 2022, 2023, 2024, 2025 for Cedacri, C-Global, and Docugest. Also for the year 2023, employees have been able to convert their performance related compensation into the so-called flexible benefits, strengthening the corporate welfare system.
In addition, agreements on financed training and smart working were also signed with trade unions.

11. Internal controls

Auditing

During 2022, Internal Auditing has continued its control activities with regard to the staff structures, operations and the other departments of the Group companies.

The activities carried out were mainly aimed at assessing and addressing operational and compliance risks, in particular on the basis of the provisions of Bank of Italy Circular no. 285 of December 17, 2013 "Supervisory Provisions for Banks" and the requirements set by the market standards adopted by the Company such as PCI DSS, ISO 9001:2015, ISO/IEC 27001:2013 and ISO/IEC 20000-1:2011, and included the assessment of the objective possibility of the occurrence of unlawful acts established by Legislative Decree no. 231/2001 (with particular attention to crimes related to T.U. 81/08 and IT crimes), with regard to macro-activities of the offices/departments subject to analysis.

The control activities put in place, consisting of audits and internal inspections, were carried out in line with the initial plan which, despite the operational constraints caused by the pandemic emergency, was fully met; no critical aspects of non-compliance emerged from the process.

12. Research and development activities

During 2022, the Group carried out research and development (R&D) activities for technological innovation and directed its efforts particularly towards projects that are considered particularly innovative. Specifically:

- R&D activities in favor of innovative technical and technological solutions aimed at the creation of new functions and information procedures for the management of banking activities and, more generally, the development of its Core Banking platform and vertical software solutions;
- R&D activities in favor of innovative technical and technological solutions aimed at improving the performance of software procedures for the management of banking activities;
- R&D activities aimed at identifying fintech products (e.g. Credimi, Young Platform, Dbridge) that have high potential and that can be offered to customers with the marketplace model;
- involvement in R&D activities promoted by universities and/or industry institutions, and in particular in 2022 the participation in the "Digital Euro" working group sponsored by ABI's innovation office, the aim of the European Central Bank, at this stage of investigation, is to confirm the introduction of the digital Euro as a central bank currency, that is an electronic equivalence of cash that complements banknotes and coins and provides an additional payment option for citizens.

13. Other information

NEXI arbitration

On January 22, 2019 Cedacri S.p.A. completed the purchase of shares representing the entire share capital of Oasi S.p.A. from Nexi S.p.A.

Following this acquisition, a dispute arose with Nexi S.p.A. concerning both Nexi's request for payment from Cedacri to the seller of the earn-out provided for in the Sales Purchase Agreement (SPA), and Cedacri's request for compensation from the seller for breach of representations and warranties.

The dispute is still pending before the arbitration court; during 2022, the court-appointed technical consultant, who has requested the production of documentation from both parties. The dispute is estimated to be closed by the end of 2023.

Inspection by Bank of Italy

On May 21, 2021, the Company received a letter from the Bank of Italy containing the results of the inspection carried out between October 2020 and February 2021, which confirm a substantial adequacy of the quality of IT services provided to banks while noting weaknesses (which, however, do not compromise the minimum acceptable operation levels) in three areas:

- Control Functions
- IT risk
- IT security

Cedacri prepared a Remediation Plan to Bank of Italy findings, which has been implemented during 2022.

At the same time, Cedacri has revised the governance and control framework of the company's operations, allowing banking clients to have greater transparency on the service provided (both run and change), and to exercise its ability to govern the outsourced function with further effectiveness and efficiency, as required by current regulations.

Cedacri has also completed the project to improve the Internal Control System and to apply it to the entire Group to make it compliant with Bank of Italy requirements; in particular, it has focused on Internal Auditing as a third-level control functions and the reinforcement of organizational roles suitable for second-level control functions, such as Risk Management, Compliance and Chief Security Officer.

Reverse Merger of Cedacri Mergeco S.p.A. in Cedacri S.p.A.

In December 2022 the Reverse Merger operation of Cedacri Mergeco S.p.A. in Cedacri S.p.A. has been completed. The accounting effects of the Reverse Merger were backdated to January 1, 2022.

Bond loan

As a result of the Reverse Merger that took place by public deed on December 1, 2022, the Company inherited from Cedacri Mergeco S.p.A. (company merged into Cedacri during 2022) both the original bond loan, issued in May 2021, for a nominal amount of € 650 million, and the additional bond loan (the TAP loan), amounting to € 105 million, placed with institutional investors in May 2022.

The entire bond loan of € 755 million accrues interest, quarterly calculated, at a rate equal to EURIBOR plus a spread. The bond loan provides for the repayment of the principal amount in a lump sum in May 2028, except for certain mandatory or voluntary repayment clauses governed by the bond loan regulation, which as of the date of preparation of these financial statements have not been occurred.

14. Significant events occurring after the reporting period

In February 2023, notice was forwarded to four banking institutions with which Cedacri maintains current account relationships, pursuant to art. 2800 of the civil code, regarding the execution of a contract dated January 31, 2023 between Cedacri S.p.A. and KROLL TRUSTEE SERVICES LIMITED through which pledge rights of the current accounts outstanding in the identified Institutions have been established to guarantee the full performance of the bond loan subscribed by Cedacri Mergeco S.p.A. and inherited in Cedacri S.p.A. as a result of the Reverse Merger on December 1, 2022.

The Company, as a result of this, retains the right to use the amounts deposited in the current account, until, a Declared Default, communicated by Kroll to the aforementioned banks, may occur. If such condition could arise, Cedacri may not use the credit balance in the current account without the prior consent of the Agent.

15. Foreseeable evolution of operations for the year 2022

Based on the inertial revenues that the Group has visibility of and the commercial dynamics of the first months of 2023, as well as the innovation investment plan that has been undertaken and the cost saving underway the outlook remains positive for 2023. Of course, the impact that exogenous elements could have on Cedacri's bank customers, and in particular the impact on global economic performance of the current geopolitical tensions between Russia and Ukraine, need to be evaluated.

16. Parent company shares held by the Group and treasury shares

No Group company holds shares of the Parent Company. The parent company does not own any treasury shares at the end of the financial year.

17. List of branch offices

Cedacri S.p.A. operates in the following branch offices:

- Bari (BA) – V.le Giuseppe Degennaro n. 1 – 70123;
- Brescia (BS) – Via Valcamonica n. 17/a – 25132;
- Castellazzo Bormida (AL) – Via Liguria 529 – 15073;
- Collecchio (PR) – Via del Conventino 1 – 43044;
- Assago (MI) – Strada n 1, Palazzo F4/F6 - Milanofiori - 20090;
- Roma (RO) – Via Elio Chianesi 110/d – 00128;
- Verona (VR) – Via Torricelli, 44/a – 37136.

Milan, April 6, 2023

For the Board of Directors

The Executive Chairman

Dr. Luca Peyrano

Consolidated financial statements of Cedacri S.p.A. as of and for the year ended December 31, 2022

Consolidated statement of financial position

(Euro thousands)	**Notes**	**As of December 31, 2022**	**As of December 31, 2021**
ASSETS			
Non-current assets			
Property, plant and equipment	8.1	71,174	72,364
Goodwill	8.2	917,291	917,291
Other intangible assets	8.3	547,775	599,561
Right of use assets	8.4	21,713	20,000
Investments accounted for using the equity method	8.5	3,363	3,545
Deferred tax assets	8.6	25,837	26,285
Non-current financial assets	8.7	1,678	1,707
Other non-current assets	8.8	426	751
Total non-current assets		**1,589,257**	**1,641,504**
Current assets			
Inventories	8.9	899	664
Trade receivables	8.10	124,353	112,241
Current tax assets	8.11	3,561	1,263
Cash and cash equivalents	8.12	26,978	70,992
Current financial assets	8.13	258,218	19,025
Other current assets	8.14	34,877	27,346
Total current assets		**448,886**	**231,531**
Assets held for sale	**8.15**	*291*	*299*
TOTAL ASSETS		**2,038,434**	**1,873,334**
EQUITY AND LIABILITIES			
Share capital		12,609	50
Share premium reserve		34,063	-
Other reserves		719,280	750,095
Net profit (loss) for the year attributable to the Group		(14,662)	(1,639)
Total equity attributable to the Group	8.16	**751,290**	**748,506**
Equity attributable to non-controlling interests		10,692	10,119
TOTAL EQUITY	8.16	**761,982**	**758,625**
Non-current liabilities			
Non-current lease liabilities	8.4	14,623	13,978
Non-current financial liabilities	8.17	760,218	648,242
Provisions for employee benefits	8.18	19,326	22,514
Deferred tax liabilities	8.6	132,673	146,852
Provisions for risks and charges	8.19	2,305	2,310
Other non-current liabilities	8.20	38,538	44,770
Total non-current liabilities		**967,683**	**878,666**
Current liabilities			
Current lease liabilities	8.4	7,202	7,387
Current financial liabilities	8.17	17,945	14,111
Current tax liabilities	8.21	1,076	5,604
Trade payables	8.22	125,397	103,966
Other current liabilities	8.23	157,129	104,946
Total current liabilities		**308,749**	**236,014**
Liabilities directly associated with the assets held for sale	8.15	*20*	*29*
TOTAL EQUITY AND LIABILITIES		**2,038,434**	**1,873,334**

Consolidated statement of profit or loss

(Euro thousands)	**Notes**	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Continuing operations:			
Revenue from contracts with customers	9.1	462,689	275,457
Other income	9.2	1,988	867
Total revenues and income		**464,677**	**276,324**
Raw materials, supplies, consumables and goods	9.3	(2,312)	(910)
Cost of services	9.4	(183,432)	(101,796)
Personnel expenses	9.5	(146,778)	(83,585)
Other operating expenses	9.6	(10,985)	(8,837)
Capitalized costs	9.7	30,903	9,299
Net impairment of financial assets	9.8	-	38
Depreciation, amortization and impairment of property, plant and equipment and intangibles assets	9.9	(136,251)	(78,205)
Net accruals to provisions for risks and charges	9.10	(793)	426
Operating profit		**15,029**	**12,754**
Finance income	9.11	8,436	1,112
Finance costs	9.12	(42,140)	(21,131)
Change in fair value of financial assets and liabilities	9.13	(84)	(34)
Profit/(Loss) from investments accounted for using the equity method	9.14	1,000	572
Profit before tax from continuing operations		**(17,759)**	**(6,727)**
Income tax expense	9.15	3,238	5,383
Profit (loss) for the year from continuing operations		**(14,521)**	**(1,344)**
Discontinued operations:			
Profit/(Loss) after tax from discontinued operations	9.16	-	(17)
Net profit (loss) for the year		**(14,521)**	**(1,361)**
- of which attributable to the Group		(14,662)	(1,639)
- of which attributable to non-controlling interests		141	278

Consolidated statement of comprehensive income

(Euro thousands)	**Notes**	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Profit (loss) for the year (A)		**(14,521)**	**(1,361)**
a) Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
- Defined benefit plans	8.18	2,374	48
- Taxation on defined benefit plans	8.6	(662)	(13)
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**1,712**	**35**
b) Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Changes in foreign currency translation reserve		(25)	74
Total other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(25)**	**74**
Total other comprehensive income for the year, net of tax (B)		**1,687**	**109**
Total comprehensive income for the year (A)+(B)		**(12,834)**	**(1,252)**
- of which attributable to the Group		(13,407)	(1,539)
- of which attributable to non-controlling interests		573	287

Consolidated statement of changes in equity

(Euro thousands)	**Notes**	**Share capital**	**Share premium reserve**	**Other reserves**	**Net profit (loss) for the year attributable to the Group**	**Total equity attributable to the Group**	**Equity attributable to non-controlling interests**	**Total equity**
As of March 24, 2021	**8.16**	**50**	**-**	**-**	**-**	**50**	**-**	**50**
Shareholder's capital contributions		-	-	750,000	-	750,000	-	750,000
Group Cedacri Acquisition		-	-	-	-	-	9,832	9,832
Net profit (loss) for the year		-	-	-	(1,639)	(1,639)	278	(1,361)
Defined benefit plans (net of tax)		-	-	26	-	26	9	35
Changes in foreign currency translation reserve		-	-	74	-	74	-	74
Total comprehensive income for the year		**-**	**-**	**100**	**(1,639)**	**(1,539)**	**287**	**(1,252)**
Other changes in equity		-	-	(5)	-	(5)	-	(5)
As of December 31, 2021	**8.16**	**50**	**-**	**750,095**	**(1,639)**	**748,506**	**10,119**	**758,625**
Allocation of prior year earnings		-	-	(1,639)	1,639	-	-	-
Shareholder's capital contributions		-	-	16,000	-	16,000	-	16,000
Cedacri Mergeco S.p.A. merger effect		12,559	34,063	(46,622)	-	-	-	-
Net profit (loss) for the year		-	-	-	(14,662)	(14,662)	141	(14,521)
Defined benefit plans (net of tax)		-	-	1,280	-	1,280	432	1,712
Changes in foreign currency translation reserve		-	-	(25)	-	(25)	-	(25)
Total comprehensive income for the year		**-**	**-**	**1,255**	**(14,662)**	**(13,407)**	**573**	**(12,834)**
Other changes in equity		-	-	191	-	191	-	191
As of December 31, 2022	**8.16**	**12,609**	**34,063**	**719,280**	**(14,662)**	**751,290**	**10,692**	**761,982**

Consolidated statement of cash flows

(Euro thousands)	**Notes**	**Year ended December 31, 2022**	**Year ended December 31, 2021**
A. Cash flows from operating activities (indirect method)			
Net profit (loss) for the year		(14,521)	(1,361)
Income tax expense	9.15	(3,238)	(5,383)
Finance expenses/(finance income)	9.11 - 9.12	33,704	20,019
Profit/(Loss) from investments accounted for using the equity method	9.14	(1,000)	(572)
Net impairment of financial assets	9.8	-	(38)
(Gain)/ loss from disposal of assets		(10)	(330)
1. Profit/ (loss) for the year before tax, interest, dividends and gain/ loss from disposal of assets		**14,935**	**12,335**
Adjustments for non-monetary items with no impact on net working capital:			
Total net accruals to provisions for risks and charges	8.19	916	(1,489)
Accruals to provisions for employee benefits	8.18	360	260
Amortization, depreciation and impairment of tangible and intangible assets	9.9	136,251	78,205
Change in fair value of financial assets and liabilities	9.13	84	34
Other adjustments for non-monetary items		191	-
Total adjustments for non-monetary items with no impact on net working capital		**137,802**	**77,010**
2. Cash flows before changes in net working capital		**152,737**	**89,345**
Changes in net working capital:			
Decrease/(increase) in inventories	8.9	(235)	(46)
Decrease/(increase) in trade receivables	8.10	(12,112)	12,843
Increase/(decrease) in trade payables	8.22	21,431	2,111
Other decreases/(other increases) in net working capital		38,511	18,151
Total changes in net working capital		**47,595**	**33,059**
3. Cash flows after changes in net working capital		**200,332**	**122,404**
Interest received/(paid)		(37,670)	(14,838)
(Income tax paid)		(17,757)	(8,817)
Dividends received		1,257	-
(Utilization of provisions)		(2,300)	(1,199)
CASH FLOWS FROM OPERATING ACTIVITIES (A)		**143,862**	**97,550**
B. Cash flows from/(used in) investing activities			
Property, plant and equipment:			
(Investments)	8.1	(14,650)	(9,267)
Proceeds from sale	8.1	280	(12)
Intangible assets:			
(Investments)	8.2 - 8.3	(40,800)	(11,563)
Proceeds from sale	8.2 - 8.3	-	-
Financial assets:			
(Investments)	8.7 - 8.13	(231,896)	(17,156)
Proceeds from sale	8.7 - 8.13	886	958
Cash flow from acquisition, net of cash acquired	7	-	(1,061,017)
CASH FLOWS USED IN INVESTING ACTIVITIES (B)		**(286,180)**	**(1,098,057)**
C. Cash flows from/(used in) financing activities			
Bond loans issued	8.17	103,425	631,761
Increase/(decrease) in short-term bank borrowing	8.17	(1,376)	(302,914)
Increase/(decrease) in other financial liabilities	8.17	(11,903)	(3,039)
Increase/(decrease) in lease liabilities	8.4	(7,842)	(4,359)
Shareholder's capital constitution and contributions	8.16	16,000	750,050
CASH FLOWS USED IN FINANCING ACTIVITIES (C)		**98,304**	**1,071,499**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)		**(44,014)**	**70,992**
Total cash and cash equivalents at the beginning of the year	8.12	**70,992**	**-**
Total cash and cash equivalents at the end of the year	8.12	**26,978**	**70,992**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

1. General information

Cedacri S.p.A. (hereafter ‘‘**Cedacri**’’, the ‘‘**Company**’’ or the ‘‘**Parent Company**’’) and its subsidiaries (hereafter the ‘‘**Cedacri Group**’’ or the “**Group**”) mainly operate in Italy in the IT systems market serving banks and financial institutions, through:

- the provision of a core banking as-a-service IT platform (“**Core banking**”);
- the provision of technology infrastructure and cloud services using proprietary data centers (“**Technology infrastructure and cloud services**”);
- the customization and upgrading of IT systems to meet customer requirements (“**Projects**”);
- the sale of software under user license and maintainance and updating of software for the financial market– through CAD IT S.p.A. (and its subsidiaries) and Sigrade S.p.A. – and the regtech market (“**Software solutions**”); and
- the provision of back office, help desk, contact and call center activities – through the subsidiary C-Global S.p.A. – and printing and insertion in envelopes of bank correspondence - through the subsidiary Docugest S.p.A. - (“**Business Process as a Service (BPaaS)**”).

Cedacri is a company incorporated and domiciled in Italy, with registered office in Milano, Corso Monforte 30, organized under the laws of the Republic of Italy.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements as of and for the year ended December 31, 2022 (the "**Consolidated Financial Statements**") have been prepared in accordance with the International Financial Reporting Standards, as issued by the International Accounting Standards Board and endorsed by the European Union (hereinafter “**International Accounting Standards**” or “**EU-IFRS**”).

Due to the effect of the reverse merger of Cedacri Mergeco S.p.A. (hereinafter as **“Cedacri Mergeco”** or **“Incorporated Company”**) into the subsidiary Cedacri S.p.A. (hereinafter as **“Incorporating Company”**) occurred in 2022, these consolidated financial statements of Cedacri S.p.A. have been prepared on a going basis with respect to the consolidated financial information as of December 31, 2021 of the holding company Cedacri Mergeco S.p.A. Therefore, the comparative information as of and for the year ended December 31, 2021 represent the consolidated financial information of Cedacri Mergeco S.p.A. as of the same date. Based on the aforesaid, it should be noted that the comparative financial information for the year 2021 is not comparable with the financial information for the year 2022 as they include the consolidated results of the Incorporating Company and of its subsidiaries for a period of only seven months (that is, starting from the acquisition date of Cedacri S.p.A. by Cedacri Mergeco S.p.A. occurred in June 2021) and the result of the Incorporated Company from the date of its incorporation (March 24, 2021) to December 31, 2021.

The main accounting criteria and standards applied in the preparation of the Consolidated Financial Statements are reported below.

2.2 Declaration of compliance with International Accounting Standards

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union and in force on December 31, 2022. The designation EU-IFRS includes all “International Financial Reporting Standards”, all “International

Accounting Standards" (IAS) and all interpretation documents of the "IFRS Interpretations Committee" (IFRIC), formerly the "Standing Interpretations Committee" (SIC).

The application of International Financial Reporting Standards was also carried out with reference to the "*Conceptual Framework for Financial Reporting*" and no exceptions were made to the application of the EU-IFRS standards.

The Consolidated Financial Statements have been approved by the Company's Board of Directors on April 6, 2023.

These Consolidated Financial Statements have been audited by EY S.p.A., the Company's independent auditor.

2.3 General principles for preparation

In accordance with IAS 1, the Consolidated Financial Statements comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, as well as the explanatory notes.

The Group has elected to present the consolidated statement of profit or loss by classifying costs by nature, while assets and liabilities included in the consolidated statement of financial position are classified according to the current or non-current criteria.

An asset is classified as current when:

- it is expected to be realized, or it is intended to be sold or consumed, during the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realized within twelve months after the reporting period; or
- the asset is cash or a cash equivalent (unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period).

All other assets are classified as non-current. Specifically, IAS 1 uses the term "non-current" to include property plant and equipment, intangible assets and financial assets of a long-term nature.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. When the normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

The consolidated statement of cash flow is prepared using the indirect method.

These Consolidated Financial Statements have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity financial assets and contingent considerations that have been measured at fair value.

These Consolidated Financial Statements have been prepared in Euro, the Company's functional currency. Unless otherwise stated, all financial amounts, explanatory notes and tables are presented in thousands of Euro.

These Consolidated Financial Statements have been prepared using the accrual basis of accounting, respecting the principle of materiality and significance, ensuring the prevalence of substance over form and with a view to facilitating consistency with future financial statements. Neither assets and liabilities nor income and expenses are offset, unless required or allowed by IFRS.

In addition, these Consolidated Financial Statements have been prepared on a going concern basis. The directors reiterate that they are reasonably certain that the Group will continue to operate in the foreseeable future and that, consequently, the consolidated financial statements for the year 2021 have been prepared on a going concern basis. They therefore state that they have not detected any symptoms in the financial structure and operating performance that could lead to uncertainties on the point of business continuity.

2.4 Area and basis of consolidation

Scope of consolidation

The Consolidated Financial Statements include the financial statements of the Parent Company and its subsidiaries over which it exercises, directly or indirectly, control.

The following table provides the list of companies included in the consolidation area as of December 31, 2022 together with details of the location of the registered office, the currency, the share capital held directly or indirectly by the Company, the percentage of ownership and the related method of consolidation used:

	Registered office	Currency	Share capital as of December 31, 2022	% of ownership of the parent (direct and indirect) as of December 31, 2022	Method of consolidation
Parent Company:					
Cedacri S.p.A.	Milano	EUR	€ 12,609,000	Parent	Full consolidation
Subsidiaries directly controlled by the Parent Company:					
C-Global S.p.A.	Collecchio (PR)	EUR	€ 897,474	100.0%	Full consolidation
Cedacri International	Chisinau (MD)	MDL	MDL 830,185	100.0%	Full consolidation
Sigrade S.p.A.	Collecchio (PR)	EUR	€ 120,000	100.0%	Full consolidation
CAD IT S.p.A.	Verona	EUR	€4,669,600	95.4%	Full consolidation
Subsidiaries indirectly controlled by the Parent Company:					
Docugest S.p.A.	Collecchio (PR)	EUR	€ 1,351,261	100.0%	Full consolidation
CeSBE S.r.l.	Verona	EUR	€ 10,400	59.3%	Full consolidation
Datafox S.r.l.	Verona	EUR	€ 99,999	48.7%	Full consolidation
Tecsit S.r.l. into liquidation (*)	Roma	EUR	€ 75,000	66.8%	Full consolidation
CAD IT España S.A.	Madrid	EUR	€ 933,530	79.2%	Full consolidation

(*) It should be noted that as of December 31, 2022 the assets and liabilities of Tecsit S.r.l. were classified as assets and liabilities held for sale.

The year-end reporting date of the companies in the consolidation scope is December 31, the same as that of the Parent Company.

It is noted that during the year ended December 31, 2022 there were no changes in the Group's scope of consolidation, with the exception of the reverse merger of the company Cedacri Mergeco S.p.A. in Cedacri S.p.A. It should also be noted that, on December 9, 2020 and with registration in the companies' register on December 16, 2020, Tecsit S.r.l., whose activities had been insignificant in recent years, was put into liquidation.

Translation of foreign companies' financial statements

The financial statements of foreign subsidiaries are prepared using the currency of the main economic environment in which they operate.

The amounts of the Moldavian subsidiary Cedacri International, whose currency is the Moldavian Leu (MDL), were converted to Euro according to the following rules:

- assets and liabilities are translated using the financial year-end closing exchange rates;
- costs and revenues are translated at the average exchange rate for the year;
- the "foreign currency translation reserve" includes both exchange differences generated by the translation of amounts at a different exchange rate from the closing rate and those generated by the translation of opening balances at an exchange rate other than the closing rate.

The following table shows the exchange rates used for the translation into Euro of the financial statements of the subsidiary Cedacri International:

Exchange rate	**As of December 31, 2022**	**As of December 31, 2021**	**Average rate for 2022**	**Average rate for 2021**
EUR/MDL	20.38	20.12	19.90	20.90

Consolidation methods

Fully-owned subsidiaries are consolidated using the full consolidation line-by-line method. Associates in which the Group has a significant influence are accounted for using the equity method.

a) Full consolidation method

Subsidiaries are those companies over which the Group exercises control. The Group controls a subsidiary when it is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls a subsidiary if, and only if, the Group has:

- power over the investee (or holds valid rights that give it the current ability to manage the relevant activities of the subsidiary);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its return.

Control is generally presumed when the Group holds, directly or indirectly, more than half of the voting rights, also considering the potential voting rights that are exercisable or convertible.

Control is obtained when the Group is exposed, or has rights, to variable returns. The Group considers all the relevant facts and circumstances in assessing whether it has power over an investee, including any:

- contractual agreements with other holders of voting rights;
- rights arising from contractual agreements;
- Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts or circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss for the year and each component of other comprehensive income are attributed to the shareholders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, appropriate adjustments are made to the financial statements of the subsidiaries in order to ensure compliance with the Group's accounting policies.

Changes in the ownership interest of a subsidiary, without a loss of control, are accounted for as an equity transaction.

The financial statements of the subsidiaries used for consolidation purposes are prepared with reference to the same accounting period and adopt the same accounting standards as the Parent Company. All balances and intercompany transactions, including any unrealized profits and losses deriving from relationships between Group companies, and dividends are eliminated in full on consolidation. Unrealized gains and losses generated on transactions with associated or jointly controlled companies are eliminated based of the value of the Group's interest in those companies. The result of other comprehensive income of a subsidiary is attributed to non-controlling interests, even if this implies that the non-controlling interests have a negative balance.

If the Parent Company loses control of a subsidiary, it:

- derecognizes the assets (including any goodwill) and liabilities of the subsidiary;
- derecognizes the book values of any non-controlling interest in the former subsidiary;
- eliminates the accumulated exchange differences recognized in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained in the former subsidiary;
- recognizes any gains/losses in profit or loss;
- reclassifies its share of amounts previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations

Business combinations are recognized using the acquisition method. According to this method:

i) the consideration transferred in a business combination is measured at fair value, which is determined as the sum of the acquisition-date fair values of the identifiable assets transferred and liabilities incurred by the Group, and of any equity instruments issued in exchange for control of the acquiree. Transaction-related costs are recognized in profit or loss when they are incurred;

ii) at the acquisition date, identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair value, except for deferred tax assets and liabilities, assets and liabilities relating to employee benefits, liabilities or equity instruments relating to share-based payments of the acquired company or share-based payments relating to the Group issued in place of contracts of the acquired company, and the assets (or groups of assets and liabilities) held for sale, which instead are recognized on the basis of the relevant accounting principles;

iii) goodwill is determined as the excess of the sum of the consideration transferred in the business combination, the non-controlling interests and the fair value of any interest previously held in the acquired business compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the transferred payments, the value of the non-controlling interests equity and the fair value of any interest previously held in the acquired business, this excess value is recognized directly in profit or loss as a gain deriving from the transaction;

iv) any contingent consideration in a business combination is measured at the acquisition date fair value and is included in the consideration transferred in the business combination for the purpose of determining goodwill.

In a business combination achieved in stages, the interest previously held by the Group in the acquired business is revalued at fair value on the date control is acquired, and any resulting gains or losses are recognized in profit or loss.

If the initial amounts of a business combination are incomplete by the end of the reporting period in which the business combination occurs, the Group reports in its Consolidated Financial Statements provisional amounts for the items for which the accounting cannot be concluded. These provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have had effects on the amount of the assets and liabilities recognized at that date.

b) Equity method

Investments in which the Group exercises significant influence or has joint control, as defined by IAS 28 and IFRS 11, are accounted for using the equity method.

According to this method, the investment is initially recognised at cost and the book value is increased or decreased to recognise changes in the Group's share of the profit or loss realized by the investee after the acquisition date. The Group's share of the investee's results for the period are recognized in the Group profit or loss. Any change in other comprehensive income relating to an investee is presented as part of the Group's other comprehensive income. Furthermore, when there has been a change recognised directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses arising from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.

Dividends received from an investee reduce the carrying amount of the investment.

When potential voting rights exist, the investor's share of profits or losses and changes in equity of the investee are determined based on the current ownership interests and does not reflect the possible exercise of conversion of potential voting rights.

In the event that the losses incurred by the investee exceeds the book value of the investment, such book value is reduced to zero and any additional losses are provided for to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. If the investee subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

If there is evidence of impairment, the recoverable amount of the investment is estimated, taking into account the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable amount is lower than the book value, the difference is recognized in profit or loss. If the reasons for loss in value cease to exist, the value of the investments is reinstated up to the amount that would have been recognized had no impairment occurred, with the effect being reflected in profit or loss.

The financial statements used for the consolidation of equity investments in associate and/or joint ventures, are those prepared and approved by the board of directors of the individual investees. If accounts prepared in accordance with international financial reporting standards are not available, accounts prepared in accordance with the national accounting standards are used, after ensuring the non-material significance of any differences.

The consolidating entity discontinues use of the equity method from the date it ceases to exercise significant influence or joint control over the investee company. In the event of loss of significant influence or joint control over the investee company, the Group measures and recognizes any retained investment at its fair value. Any difference between the book value of the investment at the date of loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2.5 Significant accounting policies and measurement criteria

The following are the criteria adopted regarding the classification, recognition, measurement and derecognition of assets and liabilities as well as the criteria used to recognize income statement items.

Property, plant and equipment

Items of property, plant and equipment are capitalized and accounted for only when both of the following conditions are satisfied:

- it is likely that the future economic benefits relating to the asset will be enjoyed by the company; and
- the cost of the asset can be determined reliably.

Items of property, plant and equipment are originally measured at cost, defined as the cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or substitution. Subsequently, property, plant and equipment are carried at cost net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes amounts directly attributable to enabling the asset to be used as well as any expected costs of dismantling and removing the asset and restoring it to its original condition if a contractual obligation exists.

Expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to profit or loss when incurred. The capitalization of costs inherent to the expansion, modernization or improvement of facilities owned or used by third parties is recorded solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the individual assets. The expected useful life by class of property, plant and equipment is as follows:

Categories of property, plant and equipment	**Expected useful life**
Buildings	34 years
Technological fixtures	5 years
Communication systems	3 years
Electronic machinery	3 years
Office furniture and equipment	7 years
Furniture	5 years
Hardware	3 years
POS equipment	5 years
Trucks	5 years
Lifting systems	12 years

Leasehold improvements are classified under "Property, plant and equipment". Their depreciation period corresponds to the lower between the residual useful life of the asset and the residual duration of the lease, considering any renewal period, if dependent on the lessee.

At each year end, the Group determines whether there have been any significant changes in the expected economic benefits to be derived from capitalised property, plant and equipment and, in such case, makes appropriate changes to the relevant depreciation rate, which is considered a change in accounting estimate in accordance with IAS 8, and it is therefore accounted for prospectively, recognizing the impacts related to the modification in the year in which the change occurs and in future years.

Property, plant and equipment amount is derecognized when it is sold or otherwise disposed of or when no economic benefit is expected from its use or disposal

Intangible assets

An intangible asset is an asset that meets the following conditions:

- it can be identified;
- it is non-monetary;
- it is without physical substance;
- it is under the control of the company that prepares the financial statements;
- it is expected to produce future economic benefits for the company.

If an asset does not meet all of the above requirements to be considered an intangible asset, the amount incurred to acquire or produce the item internally is expensed when it is incurred.

Intangible assets are initially recognized at cost. The cost of intangible assets acquired externally includes both the purchase price and any cost that may be directly attributed.

Internally generated goodwill is not recognized as an asset, nor are intangible assets the research costs (or the research phase of an internal project).

Development expenditures on an individual project (or from the development phase of an internal project) are recognized as an intangible asset if, and only if, the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset to use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate future economic benefits: among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are measured using the cost model. The cost model requires that after initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and impairment losses.

The amortization method used for intangible assets is the straight-line method over their useful life. The expected useful life for the various classes of intangible assets is as follows:

Categories of intangible assets	**Expected useful life**
Software licenses of determinate period of time	3 years
Internally developed software	Based on product life cycle
Contract acquisition costs	Based on the duration of the underlying contracts
Customer relationship	7.7 years
Trademark	18 years
Technology platform	3.6 years

There are no intangible assets with indefinite useful life, except for goodwill.

Business combinations and goodwill

A business combination is an operation, or other event, through which an acquirer obtains control of one or more business activities. In accordance with IFRS 3, all business combinations are accounted for using the acquisition method, which considers a business combination from the point of view of the acquirer and, consequently, assumes that an acquirer has to be identified in each business combination. The acquisition date is the date on which the acquirer obtained control of the other companies or business activities considered in the business combination. At the acquisition date, the financial statements of the acquiree must be available for the consolidation of the results in consolidated profit or loss and the measurement of the fair value of the assets acquired and liabilities assumed, including goodwill.

The assets acquired and the liabilities assumed are measured by the buyer at their fair value at the acquisition date, in accordance with IFRS 13.

Goodwill represents the residual amount of the acquisition cost, as it represents the excess of the cost of the business combination over the fair value of the identifiable net assets, liabilities and contingent liabilities (including intangible assets and potential liabilities that meet the requirements for recognition in the financial statements).

It represents the consideration paid by the buyer in anticipation of future economic benefits deriving from assets that cannot be identified individually and recognized separately, effectively incorporating the value of the expected synergies, the image of the acquired company, the know-how, the professional skills, procedures and other indistinct factors. Specifically, at the acquisition date, goodwill is measured as the difference between the fair value of the identifiable net assets of the acquired company and the sum of the following components:

- the consideration transferred, generally measured at fair value;
- the amount relating to non-controlling interests;
- the fair value at the acquisition date of the interests already held by the buyer prior to the business combination.

Goodwill acquired in a business combination is not amortized. Each year, or more frequently, whenever events or changes in circumstances indicate that goodwill may be impaired, the Group performs impairments tests to ensure that the value of goodwill recognized in the consolidated financial statements has not been impaired (impairment test).

If, on the other hand, the residual amount arising on allocation of the purchase price is negative, it is instead recognized as a gain in profit or loss, as it represents a bargain purchase (or negative goodwill).

Right of use assets and lease liabilities

In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether the contract confers the right to control the use of an identified asset for a certain period of time, over the period of use, it is necessary to assess whether the lessee has the right to substantially obtain all the economic benefits from the use of the identified asset and has the right to direct the use of the identified asset.

The contract is re-evaluated, to assess if it is or it contains a lease, only if the terms and conditions of the contract change.

For a contract that is, or contains, a lease, each lease component within the contract is accounted for as a lease separately from non-lease components of the contract, unless the Group applies the practical expedient in paragraph 15 of IFRS 16. Under such practical expedient, the Group may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. It is noted that the Group has chosen not to apply such practical expedient and has, therefore, chosen to separate the non-leasing components from the leasing components.

The lease term is the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease, if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease, if the Group is reasonably certain not to exercise that option.

In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group shall consider all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group shall redetermine the lease term if there is a change in the non-cancellable period of a lease.

Specifically, with regard to the lease term, the Group has adopted the following approach:

- for the lease of properties, only the first renewal period is considered as reasonably certain, unless there are particular contractual clauses, facts or circumstances, which suggest the lease will be further extened or that it will be terminated; for contracts already renewed at least once, only the residual period of the current renewal is considered;
- for the rental of vehicles, only the original duration is considered;
- contracts with a duration of less than 12 months (short-term leases) are not considered in determining the existence of right-of-use assets and related lease liabilities, and therefore the related costs are recognized in profit or loss within the item "Cost of services".

At the contract commencement date, the Group recognizes the right of use asset and the related lease liability.

At the commencement date, the right of use asset is measured at cost, which comprises:

a) the amount of the initial measurement of the lease liability;
b) any lease payments made as of or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the lessee;
d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid as of that date. The lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, less any lease incentives receivable;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
c) amounts expected to be payable by the lessee under residual value guarantees;
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

It is noted that lease payments are considered net of VAT.

Lease payments are discounted to their present value using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group is required to use its incremental borrowing rate, which is the rate of interest it would have to pay to borrow a similar sum over a similar term as the lease contract.

Specifically, with regard to the discount rate, the Group used an interest rate representative of the cost that the Group would have to pay to finance the purchase of the assets over a time period consistent with the duration of the contract.

Following initial recognition, the right-of-use asset is measured at cost:

a) net of accumulated depreciation and accumulated impairment losses, if any; and
b) adjusted for any remeasurement of the lease liability.

The right of use asset is depreciated over the term of the contract or, if the contract transfers ownership of the underlying asset to the lessee at the end of the contract or if the exercise of an option to purchase the underlying asset is reasonably certain at the end of the contract, over the useful life of the underlying asset.

Following initial recognition, the lease liability is measured by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

For a lease modification that is not accounted for as a separate lease, the right of use asset is remeasured (up or down) in line with the change in the lease liability at the modification date. The lease liability is remeasured based on the new contract conditions, using the discount date at the effective date of the modification.

The Group has elected to exploit two exceptions permitted by IFRS 16, regarding short-term leases (leases that, at the commencement date, have lease terms of 12 months or less) and leases for which the underlying asset is of low value (leases for which the underlying asset value, when new, is less than USD 5,000). In such cases the right of use assets and related lease liabilities are not recognized, and lease payments are charged directly to profit or loss on a straight-line basis over the lease term or on another systematic basis if more representative of the way in which the lessee receives the benefits.

Impairment of property, plant and equipment, intangible assets, goodwill and right of use assets

At each reporting date, the Group assesses whether there are any indications of impairment of property, plant and equipment, intangible assets, goodwill and right of use assets not fully depreciated or amortized.

When indicators of impairment exist, the recoverable amount is estimated and the carrying amount of the asset reduced accordingly, with the impairment loss being charged to profit or loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, where value in use is determined by discounting the asset's estimated future cash flows including, if materially significant and reasonably certain, those relating to disposal of the asset at the end of its useful economic life, less any costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the Group estimates the recoverable amount of the Cash-Generating Unit (**"CGU"**) to which the asset belongs.

If the carrying amount of an asset or the CGU to which it belongs exceeds the recoverable amount, an impairment loss is charged to profit or loss. Such impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to other assets of the unit in proportion to their carrying amounts, while respecting their related recoverable amounts. If the conditions that gave rise to an impairment loss no longer exist, the asset is revalued to the revised estimate of its recoverable amount, up to the value that would have been recorded, net of amortization, had no impairment loss been recognized, with the increase being recognized in profit or loss.

Investments accounted for using the equity method

This item includes the interests held in associates, which are valued using the equity method. Investees subject to significant influence (associates) are entities in which the Group holds at least 20% of the voting rights (including "potential" voting rights) or in which - even with a lower share of voting rights – it has the power to participate in the investee financial and managerial decisions on the basis of particular legal relationships, such as participation in voting trust.

For a description of the methodology following the application of the equity method, please refer to note

2.4 “Basis and principles of consolidation”.

Financial assets

On initial recognition, financial assets are measured at fair value and are subsequently classified in one of the following:

(a) Financial assets at amortized cost;
(b) Financial assets at fair value through other comprehensive income (therefore with impact on the equity reserve “Fair value reserve”);
(c) Financial assets at fair value through profit or loss.

The accounting standard IFRS 9 distinguishes the classification of financial assets according to whether they are debt instruments (i.e. credits and debt securities), equity instruments, or derivative instruments.

Debt instruments are classified based on the following elements:

- the entity’s business model for managing the financial assets (the business model test); and
- the contractual cash flow terms of the financial asset (the SPPI test - solely payments of principal and interest test).

Specifically, the business model test makes use of the financial asset portfolio management model, which distinguishes between the following three methods:

- Hold to Collect (i.e. HTC): financial assets held to collect contractual cash flows;
- Hold to Collect and Sell (i.e. HTC&S): financial assets held to collect the contractual cash flows and realize any fair value gains through the sale;
- Residual portfolio (i.e. Other): financial assets held neither for the purpose of collecting the contractual cash flows, nor for the purpose of collecting the flows and realizing gains.

In order to pass the SPPI test, the contractual terms of the asset must provide, on certain dates, for cash flows represented solely by payments of principal and interest on the amount of notional to be repaid.

Equity interests, which cannot be classified as subsidiaries, associates or joint ventures, if at the time of initial recognition they are not held for trading purposes and do not refer to a consideration paid by an acquirer in a business combination in accordance with IFRS 3, can be assessed, irrevocably, at fair value through other comprehensive income (the so-called FVOCI election). In all other cases, they must be measured at fair value through profit or loss.

Derivative instruments, instead, are always measured at fair value through profit and loss, regardless of the portfolio they are allocated to and the related business model, with the exception of derivative instruments held for hedging purposes.

Financial assets are included in current assets, with the exception of financial assets with a contractual maturity of more than twelve months with respect to the reporting date, which are classified as non-current assets.

Financial assets are derecognized from the consolidated statement of financial position when the right to receive the cash flows deriving from the instrument has expired and the Group has substantially transferred all the risks and benefits relating to the instrument itself and the related control.

a) Financial assets at amortized cost

This category includes financial assets measured at amortized cost with both of the following conditions met:

- the financial asset is held within a “Hold to collect” business model, the objective of which is to hold financial assets in order to collect contractual cash flows (Business model “*Hold to Collect*”); and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (that pass the SPPI test).

At initial recognition, such assets are measured at fair value including directly attributable transaction costs or gains. After initial recognition, such financial assets are measured at amortized cost, calculated using the effective interest method. The amortized cost method is not used for those assets (measured at historical cost) whose short-term nature means there is no requirement to discount to present value, assets with no set maturity date or revocable credit lines.

b) Financial assets at fair value through other comprehensive income

This category includes financial assets measured at fair value through other comprehensive income with both of the following conditions met:

- the financial asset is held within a “Hold to collect and sell” business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (*i.e.*, that pass the SPPI test).

Equity interests not classified as subsidiaries, associates or joint ventures and not held for trading purposes are included in this category if the option was chosen for designation at fair value through other comprehensive income. In accordance with IFRS 9, for such items the offsetting amounts recognized in equity are not subsequently reclassified to profit or loss, even in the event of sale. Related dividends represent the only relevant component recognized in profit or loss.

For securities not listed in an active market included in this category, cost is used as an estimate for fair value under certain limited circumstances, such as when recent information to measure fair value is insufficient or there exists a broad range of possible measures of fair value and cost is considered to be the best estimate of these.

c) Financial assets at fair value through profit or loss

This category includes all financial assets other than those classified as “Financial assets at fair value through other comprehensive income” or “Financial assets at amortized cost”.

Specifically, the category includes:

- financial assets held for trading;
- derivatives not eligible as hedging instruments (which are represented as assets if fair value is positive or liabilities if fair value is negative); and
- debt instruments (i.e. assets and debt securities) assigned to the “Hold to Collect” and “Hold to Collect and Sell” business models, but for which the SPPI test was not passed.

Trade receivables

Trade receivables for provision of services are recognized, in accordance with IFRS 15, based on the terms of the relevant customer contract and classified according to the nature of the counterparty and/or the due date of the receivable.

As trade receivables are typically short-term in nature and do not involve payment of interest, amortized cost is not calculated and they are accounted for at the nominal value stated on the invoice or in the customer contract: such arrangement is followed even for those receivables due after more than 12 months, unless the effect is greatly significant. This is due to the fact that the value of short-term receivables is very similar whether the historical cost method or amortized cost method is adopted, and the impact of discounting is insignificant.

Trade receivables are tested for impairment in accordance with the requirements of IFRS 9. For measurement purposes, trade receivables are categorized by due date. Performing receivables are measured collectively, grouping individual exposures based on similar credit risk. The measurement process is based on expected losses over the life of receivables from the time of initial recognition, determined starting from losses suffered on assets with similar credit risk based on past experience and adjusted to take economic future conditions into account.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  a) the Group has transferred substantially all the risks and rewards of the asset, or
  b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment on financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Inventories

Inventories are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are recognized and measured at the lower of cost and net realizable value.

The cost of inventories includes all purchase costs, transformation costs, and other costs incurred to bring the inventories to their current location and condition; inventory costs do not include exchange rate differences in the case of inventories invoiced in foreign currency. In accordance with the provisions of IAS 2, the Group calculates the cost of inventories using the FIFO (first-in, first-out) method.

If net realizable value is lower than cost, the difference is immediately recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are recognized, depending on their nature, at nominal value or at amortized cost. Other cash equivalents represent highly liquid short-term financial assets that can be easily converted to known cash amounts and are subject to negligible risk of change in their value, and which have an original maturity, on purchase, of less than three months.

Non-current assets held for sale/discontinued operations

Non-current assets held for sale or disposal groups whose carrying amount will be recovered principally through a sale rather than through continuing use are classified as held for sale and presented separately from other assets and liabilities in the consolidated statement of financial position. The corresponding assets amounts for the previous year are not reclassified in the consolidated statement of financial position but are instead presented separately in a specific column for changes in assets and liabilities in the period in which the non-current assets held for sale or disposal groups are classified as such.

A discontinued operation represents a part of the entity that has been disposed of or classified as held for sale, and:

- represents a major line of business or geographical area of operation; or
- is part of a co-ordinated plan to dispose of a significant business or geographical area of operations; or
- is a subsidiary acquired exclusively for the purpose of resale.

The results of discontinued operations - whether discontinued or classified as held for sale - are reported separately in the consolidated income statement, net of tax effects.

Non-current assets held for sale or disposal groups classified as held for sale are first recognized in accordance with the relevant IFRS applicable to each asset and liability and are subsequently recognized at the lower of their carrying amount and fair value less costs to sell.

Any subsequent impairment losses are recognized directly as an adjustment to non-current assets or disposal groups classified as held for sale with a balancing entry in the consolidated income statement.

A reversal of an impairment loss is recognized for each subsequent increase in the fair value of an asset net of costs to sell, but only up to the amount of the cumulative impairment loss previously recognized.

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), non-current assets classified as held for sale or as part of a disposal group are not amortised.

Payables and finacial liabilities

Trade payables and other payables are initially recognized at fair value and subsequently measured using the amortized cost method. However, short-term trade payables, whose maturity falls within the normal commercial terms, are not discounted since the effect of the discounting of financial flows is irrelevant.

Financial liabilities are initially recognized at fair value, net of directly attributable accessory costs, and later are measured at amortized cost, using the effective interest rate method. In the event of a change in the estimated expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the effective internal rate initially determined. Financial liabilities are classified under current liabilities, unless the Group has an unconditional right to defer their payment for at least twelve months after the reporting date.

If a financial liability is held for trading in the short-term, or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, it is valued at fair value through profit or loss.

Payables are derecognized when settled and when the Group has transferred all risks and the charges related to the instrument.

Provisions for employee benefits

Provisions for employee benefits, in addition to short-term benefits such as wages and salaries, relate to:

- post-employment benefits;
- other long-term benefits.

Post-employment benefits for employees are in turn divided between those based on defined contribution plans and those based on defined benefit plans, according to the expected benefits:

- defined contribution plans are post-employment benefit plans, in which fixed contributions are paid, without a legal or implicit obligation to pay further contributions, if there are not sufficient assets to honor all benefits;
- defined benefit plans are post-employment benefit plans other than defined contribution plans.

In this context, based on Law no. 296 of December 27, 2006 (the 2007 Finance Law):

- the employee severance indemnity for the part matured from January 1, 2007 is considered a defined contribution plan, which does not require actuarial calculation. Specifically, employees may now allocate new provision flows to alternative external pension plans or elect for them to be retained by the employer. If an external pension plan is chosen, the Group is only obliged to make defined contributions to such plan and, accordingly, from the aforementioned date, the related new provision flows are deemed to be payments to a defined contribution plan not subject to actuarial valuation;
- the employee severance indemnity accrued prior to the date noted above, however, remains a defined benefit plan, even if the benefit has already fully accrued. As a consequence, an actuarial recalculation of the debt is required at each reporting date subsequent to December 31, 2006.

Other long-term benefits are employee benefits that are not due in full within the twelve months following the end of the year in which the employees provided their service.

The value of a defined benefit obligation is equal to the present value of future payments required to extinguish the obligation deriving from the work carried out by the employee in the current and previous years. This present value is determined using the projected unit credit method.

Provisions for employee benefits included among other long-term benefits, such as those deriving from seniority bonuses that are paid upon reaching a predefined length of service, are recognized based on the valuation at the reporting date of the liability assumed, determined using the projected unit credit method.

The present value of the defined benefit plan is determined by discounting future cash flows at an interest rate equal to that of high-quality corporate bonds issued in Euro and which takes into account the duration of the related pension plan.

Costs to service the program (service costs) are accounted for in "Personnel expenses", while the interest expense accrued on the obligation is accounted for under "Finance costs". Actuarial gains and losses, deriving from changes in actuarial assumptions, are recognized as a balancing entry in equity (under the item “Reserve for actuarial gains/losses (IAS 19)”) as required by IAS 19.

Provisions for risks and charges

In accordance with IAS 37, provisions for risks and charges are recognized in respect of costs or losses of a known nature, the occurrence of which is certain or likely, but in respect of which the amount and timing are not known.

Provisions are only recognized when there is a current obligation (legal or constructive) for a future outflow of economic resources as a result of past events and it is likely that such outflow is required to settle the obligation. This provision represents the best estimate of the charge to settle the obligation. The rate used to determine the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

Where the effect of the time value of money is material and the payment dates relating to the obligations can be reliably estimated, provisions are measured at the present value of the expected outflow using a rate that reflects market conditions, the change in the time value of money and the specific risk associated with the obligation. The increase in the value of the provision determined by changes in the time value of money is accounted for as a financial expense.

Risks, in relation to which the occurrence of a liability is only possible are reported as contingent liabilities and no provision is made in respect of them.

Revenue from contracts with customers

In accordance with IFRS 15, revenue from contracts with customers is recognized when the following conditions are met:

- the contract with a customer has been identified;
- the performance obligations in the contract have been identified;
- the transaction price has been determined;
- the transaction price has been allocated to the performance obligations in the contract; and
- the related performance obligation contained in the contract is satisfied.

The Group recognizes revenue from contracts with customers when (or as) it satisfies its performance obligations, by transferring the promised goods or services (*i.e.*, an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, it is satisfied at a point in time. In such case, the Group recognizes revenue at the time the customer acquires control of the promised asset.

With regard to contracts relating to the granting of proprietary software user-licenses, if the services provided with the licenses are relevant and interconnected, the bundle of services are considered as a single performance obligation. Based on such considerations, revenues from the granting of software licenses and the additional services performed are recognized over time, as the performance obligations are satisfied. In particular:

- revenues associated with activation and system integration projects requested by the customer as part of the sale of a license for a fixed term or the payment of an outsourcing fee are recognized as a single performance obligation over the period of actual service provided;
- revenues related to activation and system integration projects requested by the customer as part of the sale of a license for an indefinite period of time are recognized as a single performance obligation, on the basis of the work progress; if the contract also provides for an

outsourcing fee or a maintenance fee, these latter services are recognized as separate performance obligations;

- user license or maintenance fees, being recurring services, are recognized on a straight-line basis over the duration of the contracts;
- in the case of projects related to new supervisory reports, the time of recognition of revenue coincides with the completion of the service being provided, which in turn coincides with the timing of the first report;
- revenues related to "resale of licenses" activities, if they concern activities carried out in the role of "agent", are recorded net of the purchase costs incurred so that only the margin is shown in the item "Revenues from contracts with customers".

The contractual consideration included in a contract with a customer may include fixed amounts, variable amounts, or both. If the contractual consideration includes a variable amount (*e.g.*, discounts, price concessions, incentives, penalties or other similar items), the Group estimates the amount of consideration to which it is entitled in exchange for transferring the promised goods or services to a customer. The Group includes a variable consideration in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Incremental costs of obtaining a contract with a customer are recognized as assets and amortized over the duration of the underlying contract, when the Group expects to recover them. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Costs incurred to fulfill a contract are recognized as an asset and amortized over the duration of the underlying contract if and only if these costs do not fall within the scope of another accounting standard (for example IAS 2 – Inventories, IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets) and all of the following criteria are met:

- the costs are directly related to a contract or a specific anticipated contract which the entity can identify specifically;
- the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

Cost recognition

Costs are recognized in profit or loss on an accrual basis.

Dividends

Dividends distributed are recorded as changes in equity in the year in which they are approved by the company’s shareholders’ meeting.

Dividend income are recognized on an accrual basis, when the right to receive such dividends is created following approval of the dividend distribution resolution of the relevant investee company shareholders’ meeting.

Income tax expenses

Current income tax expenses are calculated based on taxable income for the year, applying tax rates in effect at the reporting date. Taxes due for the current and previous years are recognized as liabilities to the extent they are still unpaid. Income tax receivables and payables, for the current and previous years, represent the amounts that are likely to be recovered from/paid to the tax authorities, applying the tax rates and the tax laws in effect, or effectively issued, at the reporting date.

Deferred tax liabilities are provided using the "liability method" on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities and assets are calculated by applying the relevant tax rate to the temporary differences identified, whether taxable or deductible, unused tax losses or unused tax credits.

At each reporting date, a new calculation is made of both the deferred tax assets not recognized in the balance sheet and the deferred tax assets recognized in the balance sheet to confirm the validity of the assumption regarding the probable recovery of the deferred tax assets.

Moreover, in the event of uncertainties over income tax treatments, the Group proceeds as follows: (i) if it considers it likely that the tax authorities will accept an uncertain tax treatment, it determines the (current and/or deferred) income taxes to be reported in the financial statements based on the tax treatment that it has applied or expects to apply when filing its returns; (ii) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment, it reflects the effect of uncertainty in determining the related (current and/or deferred) income taxes to be reported in the financial statements.

3. Recently issued accounting standards

New and amended standards and interpretations adopted by the Group

The Group applied for the first-time the following standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards/amendments	Description
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to

	provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the financial statements of the Group.
Reference to the Conceptual Framework – Amendments to IFRS 3	The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the financial statements of the Group.
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Group.
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the financial statements of the Group as it is not a first time adopter.
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Group as there were no modifications of the Group's financial instruments during the period.
IAS 41 Agriculture – Taxation in fair value measurements	The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of these Consolidated Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards/amendments	**Description**
IFRS 17 Insurance Contracts	In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by: • a specific adaptation for contracts with direct participation features (the variable fee approach); • a simplified approach (the premium allocation approach) mainly for short-duration contracts. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • what is meant by a right to defer settlement; • that a right to defer must exist at the end of the reporting period; • that classification is unaffected by the likelihood that an entity will exercise its deferral right; • that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.
Definition of Accounting Estimates - Amendments to IAS 8	In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

Amendments to IFRS 16 Leasing: Liability in a Sale and Leaseback	In September 2022 the IASB issued amendments to IFRS 16 — *Leases: Liability in a Sale and Leaseback* to improve the requirements for sale and leaseback transactions, which specify the measurement of the liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. These amendments are effective on or after January 1, 2024. The Group does not expect any material impact from the adoption of these amendments.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

4. Estimates and assumptions

The preparation of financial statements in conformity with relevant accounting standards and methods in certain cases requires management to make estimates and assumptions based on difficult and subjective judgments, in turn based on past experience and hypotheses considered reasonable and realistic, given the information known at the time.

Such estimates have an effect on the amounts reported in the financial statements, including the consolidated statement of financial position, the consolidated statementof profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the related notes to the financial statements. Actual results may then differ, even significantly, from those reported in the consolidated financial statements due to changes in the factors considered in determining the estimates, given the uncertainties that characterise the assumptions and conditions on which estimates are based.

The accounting estimates that more than others involve a high degree of subjectivity and judgement on the part of management, and where a change in the conditions underlying the assumptions could have a significant effect on the Group's financial results, are detailed below:

a) *Impairment of assets with a finite useful life:* tangible, intangible and right of use assets with a finite useful life are tested for impairment when indicators of impairment are identified that suggest the full asset value may not be recovered through use. The recoverable amount is estimated and the carrying amount of the asset is reduced accordingly. Identification of the existence of such indicators of impairment requires management to exercise judgement based on experience and information available both within the Group and in the broader marketplace. If impairment indicators are identified, management employs what it considers to be the most appropriate measurement techniques to estimate such impairment. Both the correct identification of the indicators of impairment of tangible, intangible and right of use assets and the related estimates of the extent of such impairment depend upon factors that may change over time, thereby influencing measurements and management estimates.

b) *Impairment of assets with an indefinite useful life (goodwill):* goodwill is tested for impairment annually in order to identify any loss in value to be recognized in profit or loss. Specifically, this involves allocating goodwill to the cash-generating units (''CGU'') and then determining the related recoverable amount, defined as the higher of its fair value and its value in use. In the event the recoverable amount is less than the carrying amount of goodwill allocated to the CGUs, the goodwill so allocated is written down appropriately.

c) *Allowance for doubtful receivables*: the allowance for doubtful receivables reflects management estimates of historical solvency and related future expectations, the ageing of the receivables, the expected credit losses and the losses recognized in previous periods.

d) *Provisions for risks and charges*: identification of the existence of a current obligation (legal or constructive) is the result of a complex process based on the probability of losing. Management reviews such matters on a case by case basis, together with estimates of the outflow of resources required to satisfy the obligation. When management believe the likelihood of a liability occurring to be only possible, the relevant risks are disclosed in the note on risks and charges, but no provision is made.

e) *Useful life of property, plant and equipment and intangible assets:* useful life is determined when the asset is first recognized in the financial statements. Considerations regarding an asset's useful life are based on historical experience, market conditions and expected future events that may affect them, such as technological changes. An asset's actual useful life may, therefore, differ from its estimated useful life.

f) *Deferred tax assets*: deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which temporary differences or tax losses can be utilized.

g) *Leases*: the measurement of lease liabilities and right of use assets depends upon determination of the lease term, which in turn is subject to management's assessment, in particular with regard to periods covered by extension and termination options provided for in the lease contracts. Such assessments may change upon the occurrence of either a significant event or a significant change in circumstances that affects whether management is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

h) *Capitalized software development costs:* the Group capitalizes software development costs if they meet the requirements of IAS 38. The capitalization of such costs is based on management considerations regarding confirmation of the technical and economic feasibility of individual projects. Moreover, in determining amounts to be capitalized, management makes assumptions regarding the future cash generating capacity of the software being developed, as well as the period in which such economic benefits can be expected.

5. Management of financial risks

The Group is potentially exposed to the following risks: credit risk, liquidity risk and market risk.

The Group's objective is to maintain a balanced approach to managing its financial exposure by matching assets and liabilities and achieving operational flexibility through the use of liquidity generated by current operating activities and borrowings.

The Group's ability to generate liquidity from operations together with its borrowing capacity enables it to satisfy its operational requirements to fund working capital, invest and meet its financial obligations.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The following paragraphs provide qualitative and quantitative information relating to the Group's exposure to the aforementioned financial risks.

5.1 Credit risk

Credit risk represents the Group's exposure to the risk of potential losses resulting from the non-fulfilment of obligations by counterparts.

Based on historical evidence credit losses have always been minimal, which is also a consequence of the quality of the customer base served by the Group. As its main business relations are with banks and companies controlled by banks, the Group has a solid and solvent customer base and, for this reason, in previous years the risk of incurring losses on receivables has beennot very relevant. In the event an objective risk of partial or total non-collection is identified with respect to individual exposures, a provision is made against the receivables in question based on estimates of recoverable amounts and likely dates of receipt. A general provision based on the experience of historical losses and expectations is made with regard to those receivables for which no individual provision is made.

There are no significant concentrations of credit risk with individual customers.

The following tables provide a breakdown of trade receivables as of December 31, 2022 and 2021 by due date, gross of the allowance for doubtful receivables:

(Euro thousands)	**As of December 31, 2022**				
	Current	**1-90 days Past Due**	**91-180 days Past Due**	**Over 181 days Past Due**	**Total**
Trade receivables (gross)	104,462	12,301	3,228	7,584	**127,575**
as a % of total trade receivables	*82%*	*9.6%*	*2.5%*	*5.9%*	*100.0%*

(Euro thousands)	**As of December 31, 2021**				
	Current	**1-90 days Past Due**	**91-180 days Past Due**	**Over 181 days Past Due**	**Total**
Trade receivables (gross)	100,750	7,677	1,548	5,117	**115,092**
as a % of total trade receivables	*87.6%*	*6.7%*	*1.3%*	*4.4%*	*100.0%*

5.2 Liquidity risk

Liquidity risk represents the risk that the financial resources available to the Group may not be sufficient to meet its financial or trade related payment obligations on time.

The Group's maintenance of adequate funding levels and demonstrated capacity to generate positive cash flows significantly reduces the risk of not having sufficient financial resources for its current operational needs.

In addition, thanks to a positive credit rating, the Parent Company has facilitated access to funding sources at competitive costs. Any fluctuation in such access to credit would have a negligible impact on its economic and financial position and management believes the Group has sufficient access to funding to satisfy its forseeable financial requirements.

The following table provides a breakdown of payables and other financial liabilities by maturity on the basis of the expected cash flows as of December 31, 2022:

(Euro thousands)	Expected cash flows				Total expected cash flows
	Within 1 year	**1 - 2 years**	**3 – 5 years**	**Over 5 years**	
Financial liabilities (current and non-current)	103,272	1,054	9,523	755,000	868,849
Lease liabilities (current and non-current)	8,337	9,777	6,244	29	24,387
Trade payables	125,397	-	-	-	125,397
Other current liabilities	31,918	-	-	-	31,918
Total	**268,924**	**10,831**	**15,767**	**755,029**	**1,050,551**

5.3 Market risk

In conducting its business, the Group is potentially exposed to the following market risks:

- exchange rate risk
- interest rate risk
- price risk

Foreign currency risk

Foreign currency risk may be generated by commercial or financial transactions entered into in a currency other than the functional currency of the individual Group companies (transaction exchange rate risk). Fluctuations in exchange rates between the time the transaction is entered into and the settlement date (receipt/payment) may result in exchange related gains or losses.

In addition, the Group has a controlling interest in a company that prepares its financial statements in a currency other than the Euro (Cedacri International, which prepares its financial statements in Moldavian Leu – MDL). This exposes the Group to exchange rate translation risk relating to the conversion into Euro of the subsidiary’s non-Euro denominated assets and liabilities.

The Group operates almost exclusively within the Euro area and, as transactions denominated in foreign currency are of limited monetary value, there is no requirement for any related foreign exchange hedging activities. The only exception relates to the subsidiary Cedacri International (located in Moldavia), which is exposed to the exchange rate fluctuations of such country in its transactions with the Cedacri Group which are denominated in Euro; in order to mitigate such risk, the subsidiary holds its cash balances in Euro, transforming amounts as required into local currency only to meet short-term operating requirements.

Interest rate risk

The Group invests any available liquidity in bank deposit accounts and short-term restricted current accounts andhas in place a bond loan indexed to EURIBOR. Changes in market interest rates may have an impact on finance income and finance costs. The Group has opted not to make arrangements to hedge the risk of changes in interest rates.

Measurement of the Group’s exposure to interest rate risk was conducted by performing sensitivity analysis mainly in relation to bond loans. Such analysis considered the effects on the Group’s 2022 consolidated income and consolidated equity of hypothetical positive and negative 50 bps variations to market interest rates. The change assumptions were applied to year end gross bank borrowing balances and the variable rate of interest paid during the year in relation to such liabilities. The analysis was based on the assumption of a general instantaneous change in interest rates.

The following table shows the results of the analysis:

(Euro thousands)	**Effect on net income (net of tax)**		**Effect on equity (net of tax)**	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps

Year ended December 31, 2022 (*)	2,608	(2,608)	2,608	(2,608)

(*)Note: a positive sign indicates higher profit and an increase in equity; a negative sign indicates lower profit and a reduction in equity.

Price risk

The price risk to which the Group is exposed mainly relates to market dynamics and the progressive strengthening of customer bargaining power. In this regard, it is not always possible to resist customer pressure on sales prices and management of such dynamics requires careful cost control to protect profit margins.

5.4 Capital management

The Group's capital management is aimed at guaranteeing solid credit ratings and adequate capital indicators to support its investment plans, while meeting contractual obligations with lenders.

The Group ensures it has sufficient capital to finance its business development needs and to meet operating requirements; to guarantee a balanced financial structure and minimize the total cost of capital, finances are sourced through a mix of risk capital and debt to the benefit of all stakeholders.

Remuneration of risk capital is monitored based on market trends and business performance, net of other commitments, including borrowing costs. In order to ensure the Group's going concern status, develop the business and provide an adequate return on capital, Management monitors the Group's debt to equity ratio on an ongoing basis, as well as monitoring debt with respect to business trends and expected future cash flows in the medium/long term.

6. Financial assets and liabilities by category and information about fair value

Financial assets and liabilities by category

The following table provides a breakdown, in accordance with IFRS 9, of financial assets by category as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
FINANCIAL ASSETS:		
Financial assets at amortized cost:		
Non-current financial assets	1,154	1,183
Other non-current assets	426	751
Trade receivables	124,353	112,241
Cash and cash equivalents	26,978	70,992
Current financial assets	255,987	16,737
Other current assets	34,877	27,346
Total financial assets at amortized cost	**443,775**	**229,250**
Financial assets at fair value through other comprehensive income:		
Non-current financial assets	524	524
Total financial assets at fair value through other comprehensive income	**524**	**524**
Financial assets at fair value through profit or loss:		
Current financial assets	2,231	2,288
Total financial assets at fair value through profit or loss	**2,231**	**2,288**
TOTAL FINANCIAL ASSETS	**446,530**	**232,062**

The following table provides a breakdown, in accordance with IFRS 9, of financial liabilities by category as of December 31, 2022 and 2021:

(Euro thousands)	As of December 31, 2022	As of December 31, 2021
FINANCIAL LIABILITIES:		
Financial liabilities at amortized cost:		
Non-current lease liabilities	14,623	13,978
Non-current financial liabilities	760,218	648,242
Other non-current liabilities	38,538	44,770
Current lease liabilities	7,202	7,387
Current financial liabilities	17,945	14,111
Trade payables	125,397	103,966
Other current liabilities	157,129	104,946
Total financial liabilities at amortized cost	**1,121,052**	**937,400**
TOTAL FINANCIAL LIABILITIES	**1,121,052**	**937,400**

Information on fair value

For assets and liabilities recognized at fair value in the consolidated statement of financial position, IFRS 13 requires that such values be classified according to a hierarchy of levels that reflects the significance of the inputs used in the calculation of fair value. The fair value hierarchy classifies the inputs to valuation techniques used to measure fair value as follows:

- **Level 1**: fair value is calculated with reference to (unadjusted) prices quoted in active markets for identical financial instruments. Accordingly, the emphasis within Level 1 is on determining both of the following: (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and (b) whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.
- **Level 2**: fair value is calculated using valuation techniques based on observable inputs in active markets. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active; (c) inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable commonly quoted intervals, implied volatilities and credit spreads; and (d) market-corroborated inputs.
- **Level 3**: fair value is calculated using valuation techniques based on unobservable market inputs.

The following tables provide a breakdown of financial assets and liabilities at fair value, split by fair value hierarchy level, as of December 31, 2022 and 2021:

(Euro thousands)	As of December 31, 2022			
	Book value	**Level 1**	**Level 2**	**Level 3**
Non-current financial assets				
Equity investments in other companies	524	-	-	524
Current financial assets				
Real estate fund units	675	-	675	-
Securities	1,556	-	1,556	-

(Euro thousands)	As of December 31, 2021			
	Book value	**Level 1**	**Level 2**	**Level 3**
Non-current financial assets				
Equity investments in other companies	524	-	-	524
Current financial assets				

Real estate fund units	666	-	666	-
Securities	1,622	-	1,622	-

In view of their short-term nature, the fair values of trade receivables and trade payables are deemed to be substantially in line with their respective book values, net of any allowance for doubtful receivables.

Considering the terms and contract expiry dates, the fair value of lease liabilities is deemed not to be significantly different from their related book value.

7. Business combinations

Acquisition of Cedacri Group by Cedacri Mergeco S.p.A.

During the year 2021 Cedacri Mergeco S.p.A., a company wholly owned by the Irish-registered company DGB Bidco Holdings Limited, has acquired the Cedacri Group through the acquisiton of a 100% stake of the share capital of Cedacri S.p.A. (hereinafter the **"Acquisition"**). Subsequently, in December 2022 the reverse merger (hereinafter the **"Reverse Merger"**) of Cedacri Mergeco S.p.A. into Cedacri S.p.A has been completed.

The following table provides the total book value of the assets and liabilities of the Cedacri Group acquired, as well as the related fair values identified at the Acquisition date:

(Euro thousands)	**Book Value as of the Acquisition date**	**Purchase Price Allocation (PPA)**	**Fair value as of the Acquisition date**
Property, plant and equipment	57,371	14,087	71,458
Goodwill	166,881	(166,881)	-
Other intangible assets	254,253	398,457	652,710
Right of use assets	22,184	972	23,156
Investments accounted for using the equity method	2,973	-	2,973
Deferred tax assets	23,935	864	24,799
Non-current financial assets	873	-	873
Other non-current assets	3,639	-	3,639
Total non-current assets	**532,109**	**247,499**	**779,608**
Inventories	618	-	618
Trade receivables	125,046	-	125,046
Current tax assets	1,982	-	1,982
Cash and cash equivalents	108,212	-	108,212
Current financial assets	2,703	-	2,703
Other current assets	30,479	-	30,479
Total current assets	**269,040**	**-**	**269,040**
Assets held for sale	322	-	322
TOTAL ASSETS (A)	**801,471**	**247,499**	**1,048,970**
Non-current lease liabilities	16,736	-	16,736
Non-current financial liabilities	251,317	-	251,317
Provisions for employee benefits	22,768	-	22,768
Deferred tax liabilities	44,332	116,172	160,504
Provisions for risks and charges	4,500	-	4,500
Other non-current liabilities	50,315	-	50,315
Total non-current liabilities	**389,968**	**116,172**	**506,140**
Current lease liabilities	6,550	(50)	6,500
Current financial liabilities	80,321	(292)	80,029
Current tax liabilities	4,731	-	4,731
Trade payables	101,855	-	101,855
Other current liabilities	88,110	(200)	87,910
Total current liabilities	**281,567**	**(542)**	**281,025**
Liabilities directly associated with the assets held for sale	35	-	35

TOTAL LIABILITIES (B)	**671,570**	**115,630**	**787,200**
Equity attributable to non-controlling interests (C)	**9,460**	**372**	**9,832**
Total value of net assets acquired (A- B - C)	**120,441**	**131,497**	**251,938**

The following table provides the calculation of goodwill resulting from the Acquisition:

(Euro thousand)	
Gross consideration	1,169,229
Net assets acquired attributable to the Group	251,938
GOODWILL	***917,291***

It should be noted that the gross consideration shown in the above table does not include the transaction costs associated with the Acquisition, which, in accordance with the provisions of IFRS 3, have been recognised in the income statement for the year.

The net cash flow from the Acquisition is Euro 1,061,017 thousand and represents the gross consideration for the Acquisition (amounting to Euro 1,169,229 thousand) net of the cash and cash equivalents acquired (amounting to Euro 108,212 thousand).

If the Acquisition would have been effective as of the beginning of the year 2021, total revenue from the Group's operating activities for the year ended 31 December 2021 would have amounted to Euro 454,330 thousand while the loss from the Group's operating activities as of the same date would have amounted to Euro 28,950 thousand.

8. Notes to the consolidated statement of financial position

8.1 Property, plant and equipment

The following table provides a breakdown and movements of “Property, plant and equipment” for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**Assets under construction**	**Leasehold improvement**	**Total**
Cost as of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in scope of consolidation	48,650	20,569	260	1,428	310	812	72,029
Additions	70	8,843	96	258	-	-	9,267
Disposals	-	(197)	-	-	-	-	(197)
Reclassifications	165	-	-	-	(165)	-	-
Exchange differences	-	33	-	-	-	-	33
Cost as of December 31, 2021	**48,885**	**29,248**	**356**	**1,686**	**145**	**812**	**81,132**
Additions	-	14,408	141	63	24	14	14,650
Disposals	-	(1,776)	(138)	(103)	-	-	(2,017)
Reclassifications	-	565	22	(565)	(30)	8	-
Exchange differences	(54)	(7)	-	(2)	-	-	(63)
Cost as of December 31, 2022	**48,831**	**42,438**	**381**	**1,079**	**139**	**834**	**93,702**
Accumulated depreciation as of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	(1,079)	(6,935)	(14)	(366)	-	(159)	(8,553)
Disposals	-	197	-	-	-	-	197
Exchange differences	-	-	-	-	-	39	39
Accumulated depreciation as of December 31, 2021	**(1,079)**	**(6,738)**	**(14)**	**(366)**	**-**	**(120)**	**(8,317)**
Depreciation	(2,202)	(12,961)	(118)	(178)	-	(210)	**(15,669)**
Disposals	-	1,587	74	86	-	-	**1,747**
Exchange differences	23	8	-	2	-	-	**33**

Accumulated depreciation as of December 31, 2022	**(3,258)**	**(18,104)**	**(58)**	**(456)**	**-**	**(330)**	**(22,206)**
Allowance as of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in scope of consolidation	(571)	-	-	-	-	-	(571)
Write-downs/reinstatements of value	124	-	-	-	(4)	-	120
Allowance as of December 31, 2021	**(447)**	**-**	**-**	**-**	**(4)**	**-**	**(451)**
Write-downs/reinstatements of value	126	-	-	-	-	-	126
Exchange differences	3	-	-	-	-	-	3
Allowance as of December 31, 2022	**(318)**	**-**	**-**	**-**	**(4)**	**-**	**(322)**
Net book value as of December 31, 2021	**47,359**	**22,510**	**342**	**1,320**	**141**	**692**	**72,364**
Net book value as of December 31, 2022	**45,255**	**24,334**	**323**	**623**	**135**	**504**	**71,174**

The item “Land and buildings” mainly relates to the buildings located in Collecchio (PR) and Castellazzo Bormida (AL), used for production purposes by the Parent Company, and also by certain of the subsidiaries through regular lease contracts. The item also includes land and buildings owned by CAD IT S.p.A. and its subsidiaries.

The item “Plant and machinery” mainly relates to hardware devices and the systems-design technology infrastructure to support such devices and building complexes in general. Additions and disposals mainly related to hardware devices and were consistent with normal rotation for technological obsolescence as well as the upgrade and improvement of production equipment.

The item “Industrial and commercial equipment” mainly relates to office machinery and other equipment.

The item “Other assets” mainly relates to office furniture and fixtures.

Additions during the year ended December 31, 2022, amounting to Euro 14,650 thousand, mainly relate to acquisitions and hardware infrastructure upgrades by the Parent Company amounting to Euro 12,709 thousand included within “Plant and machinery”.

As of December 31, 2022 the Group had not identified any indicators of impairment in relation to property, plant and equipment.

As of December 31, 2022 no items of property, plant and equipment were subject to restrictions of ownership or lien.

8.2 Goodwill

The item “Goodwill” amounts to Euro 917,291 thousands as of December 31, 2022 and 2021 and only refers to the amount recognized as a result of the acquisition of the Cedacri group by Cedacri Mergeco S.p.A. (company merged into Cedacri S.p.A. during the year 2022), which took place on June 3, 2021.

Goodwill impairment test

As of December 31, 2022, an impairment test was carried out on the goodwill.

For the purposes of the impairment test on goodwill a single Cash Generating Unit corresponding to the activities of Cedacri Group has been identified. As part of this test, the recoverable amount of the single CGU ("**CGU**") was compared with its carrying amount.

The recoverable amount of the CGU was determined through the estimate of the value in use, based on the application of the Discounted Cash Flow (DCF), a widespread calculation method inspired by the general concept that the value of an asset coincides substantially with the discounting back of the following two elements:

- cash flows that it will be able to generate within the explicit forecasting horizon;
- terminal value, i.e. the value resulting from the period beyond the explicit forecasting horizon.

Cash flow forecasts are based on an explicit three-year forecast period (2023-2025) which has been extrapolated from the most recent business plans, which take into account the concrete potential of the acquired activities, which are based on historical results and identified growth initiatives.

Following a valuation approach focused on operating performance, the related cash flows of the CGUs are discounted using the WACC rate, i.e. the weighted average cost of capital.

The WACC was determined on the basis of market parameters, expressing a weighted average of the cost of own capital and the cost of third-party capital, net of tax effects, and reflecting, among other things, the country risk. Since the CGU's recoverable amount has been determined as the sum of the operations attributable to the Cedacri Group (excluding CAD IT) and of the operations attributable to the CAD IT Group, the WACC used is 8.4% and 9.2%, respectively.
In order to estimate the cash flows related to the CGU beyond the explicit forecasting time horizon, the following valuation assumptions were made:

- reference EBITDA defined on the basis of expected performance in 2025, assumed to increase according to a long-term growth coefficient "g" estimated to be 2.0%; and
- normalized investments, which have been defined mainly on the basis of the investment/revenue ratio of the last year of the explicit forecast and taking into account the impact of the "g" coefficient.

The valuations carried out showed that the recoverable amount of the CGUis higher than its carrying amount, and therefore no impairment was necessary.

8.3 Other intangible assets

The following table provides a breakdown and movements of “Other intangible assets” for the years ended December 31, 2022 and 2021:

(Euro thousands)	Development costs	Patents and intellectual property rights	Concessions, licenses, trademarks and similar	Contract acquisition costs	Customer relationship	Intangible assets under development or construction	Other intangible assets	Total
Cost as of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in scope of consolidation	13,919	124,998	67,047	196	337,081	21,457	88,012	**652,710**
Additions	2,211	6,177	60	-	-	4,083	-	12,531
Reclassifications	12,051	3,124	-	-	-	(15,175)	-	-
Cost as of December 31, 2021	**28,181**	**134,299**	**67,107**	**196**	**337,081**	**10,365**	**88,012**	**665,241**
Additions	2,232	28,844	-	-	-	31,257	-	**62,333**
Exchange differences	-	-	(1)	-	-	-	-	**(1)**
Cost as of December 31, 2022	**30,413**	**163,143**	**67,106**	**196**	**337,081**	**41,622**	**88,012**	**727,573**
Accumulated amortization as of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amortization	(6,094)	(25,956)	(2,223)	(28)	(25,648)	-	(5,731)	(65,680)
Accumulated amortization as of December 31, 2021	**(6,094)**	**(25,956)**	**(2,223)**	**(28)**	**(25,648)**	**-**	**(5,731)**	**(65,680)**
Amortization	**(9,976)**	**(46,582)**	**(3,740)**	**(48)**	**(43,967)**	**-**	**(9,800)**	**(114,113)**
Exchange differences	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**1**
Accumulated amortization as of December 31, 2022	**(16,070)**	**(72,538)**	**(5,962)**	**(76)**	**(69,615)**	**-**	**(15,531)**	**(179,792)**
Allowance as of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Write-downs/reinstatements of value	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Allowance as of December 31, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Write-downs/reinstatements of value	**(6)**	**-**	**-**	**-**	**-**	**-**	**-**	**(6)**
Allowance as of December 31, 2022	**(6)**	**-**	**-**	**-**	**-**	**-**	**-**	**(6)**
Net book value as of December 31, 2021	**22,087**	**108,343**	**64,884**	**168**	**311,433**	**10,365**	**82,281**	**599,561**
Net book value as of December 31, 2022	**14,337**	**90,605**	**61,144**	**120**	**267,466**	**41,622**	**72,481**	**547,775**

The item “Development costs” relates to capitalized costs incurred by the Parent Company, the subsidiary Sigrade

S.p.A. and by the CAD IT group companies for internal development projects.

The item “Patents and intellectual property rights”, amounting to Euro 90,605 thousand as of December 31, 2022 (Euro 108,343 thousand as of December 31, 2021), mainly includes:

- the value emerging from the Purchase Price Allocation (PPA) as part of the Acquisition, attributed to the technology platforms for a residual amount of Euro 51,416 thousand as of December 31, 2022 (Euro 76,095 thousand as of December 31, 2021);
- the value of the softwares and software user licenses of indefinite and fixed-term duration of the Parent Company.

The item “Concession, licenses, trademarks and similar”, amounting to Euro 61,144 thousand as of December 31, 2022 (Euro 64,884 thousand as of December 31, 2021), mainly includes the value of the Cedacri brand (amounting to Euro 61,119 thousand as of December 31, 2022 and Euro 64,842 thousand as of December 31, 2021) that emerged in the Purchase Price Allocation (PPA) as part of the the acquisition of the Cedacri Group by Cedacri Mergeco S.p.A. (company merged into Cedacri S.p.A. during 2022) that took place in 2021.

The item “Customer relationship”, amounting to Euro 267,466 thousand as of December 31, 2022 (Euro 311,433 thousand as of December 31, 2021), includes exclusively the value emerging from the Purchase Price Allocation (PPA) as part of the acquisition of Cedacri group by Cedacri Mergeco S.p.A. (company merged into Cedacri S.p.A. during 2022) that took place in 2021.

The item “Other intangible assets”, amounting to Euro 72,481 thousand as of December 31, 2022 (Euro 82,281 thousand as of December 31, 2021), includes mainly the residual value of assets realised for the start-up of a customer to the Cedacri IT system and functional to the provision of core banking services, which are amortised over the duration of the service contract.

The additions for the year ended December 31, 2022, amounting to Euro 62,333 thousand, mainly relate to:

- capitalisation of costs by the Parent Company relating to software user licences for fixed and indefinite periods and costs for internal development projects , which are part of the Parent Company's policy of investing in order to constantly improve the services provided to customers, for a total amount of Euro 59,104 thousand;
- capitalisation of costs by CAD IT S.p.A. and its subsidiaries for a total amount of Euro 3,220 thousand, mainly related to software internally developed and intended for sale or to be used within the company's core business and licensed software purchased from third parties and used for programming activities; most of the investments are for new advanced products which are expected to be used, also due to regulatory requirements, by banks and financial institutions as well as public administration and industrial entities.

As of December 31, 2022 the Group did not identify any impairment indicators for other intangible assets. It should be noted that the entire invested capital, including other intangible assets, has nevertheless been tested in the context of the goodwill impairment test; for more details, see note 8.2 "Goodwill".

8.4 Right of use assets and lease liabilities

The item “Right of use assets”, amounting to Euro 21,713 thousand as of December 31,2022 (Euro 20,000 thousand as of December 31, 2021) includes right of use assets recognized in accordance with the provisions of IFRS 16, mainly relating to the lease and rental of hardware, buildings and vehicles.

The following table shows movements in “Right of use assets” for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Right of use assets**
Cost as of March 24, 2021	**-**

Change in scope of consolidation	23,156
Additions	1,249
Disposals	(466)
Exchange differences	54
Cost as of December 31, 2021	**23,993**
Additions	8,307
Disposals	(1,101)
Cost as of December 31, 2022	**31,199**
Accumulated depreciation as of March 24, 2021	**-**
Depreciation	(4,092)
Disposals	99
Accumulated depreciation as of December 31, 2021	**(3,993)**
Depreciation	(6,589)
Disposals	1,096
Accumulated depreciation as of December 31, 2022	**(9,486)**
Net book value as of December 31, 2021	**20,000**
Net book value as of December 31, 2022	**21,713**

As of December 31, 2022, the Group had not identified any indicators of impairment of right of use assets.

The following table provides a breakdown of the Group's lease liabilities as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Non-current lease liabilities	14,623	13,978
Current lease liabilities	7,202	7,387
Total lease liabilities	**21,825**	**21,365**

See Note 5.2 "Liquidity risk" for a breakdown of cash outflows by due date in relation to lease and rental contracts.

The following table provides key information regarding the lease contracts held by the Group, mainly in the role of lessee:

(Euro thousands)	**As of and for the year ended December 31,**	
	2022	**2021**
Net book value of right of use assets (hardware)	15,339	12,536
Net book value of right of use asset (buildings)	5,757	6,443
Net book value of right of use asset (vehicles)	617	1,021
Total net book value of right of use assets	**21,713**	**20,000**
Depreciation of right of use assets (hardware)	4,481	2,811
Depreciation of right of use assets (buildings)	1,494	836
Depreciation of right of use assets (vehicles)	614	445
Total depreciation of right of use assets	**6,589**	**4,092**
Lease interest expense	**2,348**	**1,032**
Software rental and support	39,901	20,774
Short term leases	237	123
Lease of low value assets	292	152
Total lease and rental costs	**40,430**	**21,049**

Lease and rental costs (not recognized as right of use assets and related lease liabilities) mainly relate to:

- the costs of leasing intangible assets and related ancillary services, which are recognized in profit or loss as permitted by IFRS 16, Paragraph 3;
- the costs of short-term leases, for a period less than 12 months, which are recognized in profit or loss as permitted by IFRS 16, Paragraph 5;
- the costs of leases for which the underlying asset is of low value (broadly, if the original value

of the underlying asset is less than USD 5,000), which are recognized in profit or loss as permitted by IFRS 16, Paragraph 5;
- other minor costs, mainly including ancillary costs included in contracts such as, for example, condominium charges relating to leased properties and the non-deductible VAT on vehicle lease contracts.

8.5 Investments accounted for using the equity method

The following table shows movements in "Investments accounted for using the equity method" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Investments accounted for using the equity method**
As of March 24, 2021	**-**
Change in scope of consolidation	2,973
Profit/(Loss) from investments accounted for using the equity method	572
As of December 31, 2021	**3,545**
Profit/(Loss) from investments accounted for using the equity method	1,000
Dividends from investments accounted for using the equity method	(1,182)
As of December 31, 2022	**3,363**

The following table provides a breakdown of "Investments accounted for using the equity method" as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Sicom S.r.l.	3,363	3,545
Sinter & Net S.p.A.	-	-
Total	**3,363**	**3,545**

Investments accounted for using the equity method related solely to:

- CAD IT S.p.A.'s investment in its asssociate Sicom S.r.l., in which it holds 25% of the share capital;
- the Parent Company's investment in its asssociate Sinter & Net S.p.A., in which it holds 22% of the share capital. It is noted that Sinter Net S.p.A. (the investment in which has been fully written down) is subject to bankruptcy proceedings.

The following table shows key information relating to the investment in the associate Sicom S.r.l. as of December 31, 2022:

Company name	**Share capital (Euro thousands)**	**Profit / loss for the year 2022 (Euro thousands)**	**Equity as of December 31,2022 (Euro thousands)**	**% ownership**
Sicom S.r.l.	10	3,999	13,450	25% (through CAD IT S.p.A.)

8.6 Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are the result of temporary differences between the book values and tax values of financial statement assets and liabilities.

The following table shows movements in "Deferred tax assets" and "Deferred tax liabilities" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Deferred tax assets**	**Deferred tax liabilities**	**Net**
As of March 24, 2021	**-**	**-**	**-**
Change in scope of consolidation	24,799	(160,504)	(135,705)
Charges/Releases to profit or loss	1,499	13,652	15,151
Charges/Releases to equity	(13)	-	(13)
As of December 31, 2021	**26,285**	**(146,852)**	**(120,567)**
Charges/Releases to profit or loss	154	14,239	14,393
Charges/Releases to equity	(599)	(63)	(662)
Reclassifications and other changes	(3)	3	-
As of December 31, 2022	**25,837**	**(132,673)**	**(106,836)**

The following table provides a breakdown and movements of “Deferred tax assets” for the years ended December 31, 2022 and 2021:

(Euro thousands)	Amortization and depreciation exceeding tax limits	Personnel costs with deducibility postponed	Provisions for risks and charges	Employee severance indemnity TFR (IAS 19)	Allowance for doubtful receivables	Directors' remuneration and severance indemnities	Revenues from contracts with customers	Other temporary differences	Total defferred tax assets
As of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in scope of consolidation	2,928	1,889	1,175	731	426	158	16,220	1,272	24,799
Charges/Releases to profit or loss	(81)	116	(555)	(39)	32	(104)	(1,928)	4,058	1,499
Charges/Releases to equity	-	-	-	(13)	-	-	-	-	(13)
As of December 31, 2021	**2,847**	**2,005**	**620**	**679**	**458**	**54**	**14,292**	**5,330**	**26,285**
Charges/Releases to profit or loss	(1,699)	562	(22)	(80)	-	66	6,119	(4,792)	154
Charges/Releases to equity	-	-	-	(599)	-	-	-	-	(599)
Reclassifications and other changes	-	-	-	-	-	-	-	(3)	(3)
As of December 31, 2022	**1,148**	**2,567**	**598**	**-**	**458**	**120**	**20,411**	**535**	**25,837**

The following table provides a breakdown and movements of “Deferred tax liabilities” for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Revenues from contracts with customers**	**Intangible assets**	**Tangible assets**	**Lease contracts**	**Software development costs**	**Financial assets**	**Employee severance indemnity TFR (IAS 19)**	**Other temporary differences**	**Total defferred tax liabilities**
As of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Change in scope of consolidation	**15,466**	**137,879**	**6,235**	**382**	**542**	**-**	**-**	**-**	**160,504**
Charges/Releases to profit or loss	(1,266)	(11,846)	(65)	(11)	(462)	-	-	(2)	**(13,652)**
As of December 31, 2021	**14,200**	**126,033**	**6,170**	**371**	**80**	**-**	**-**	**(2)**	**146,852**
Charges/Releases to profit or loss	6,103	(20,159)	(213)	3	(80)	-	105	2	**(14,239)**
Charges/Releases to equity	-	-	-	-	-	-	63	-	**63**
Reclassifications and other changes	(2)	(1)	-	-	-	-	-	-	**(3)**
As of December 31, 2022	**20,301**	**105,873**	**5,957**	**374**	**-**	**-**	**168**	**-**	**132,673**

Deferred tax assets and liabilities are recognized in relation to the period in which the temporary differences that generated them are expected to reverse, applying an IRES (corporate income tax) tax rate of 24.0% and an IRAP (regional business tax) tax rate of 3.9%.

On the basis of the taxable results provided for in the business plan, there are no critical findings in the recovery of the net balance of deferred tax assets and deferred tax liabilities.

8.7 Non-current financial asset

The following table provides a breakdown of “Non-current financial assets” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Equity investments in other companies	524	524
Finance lease receivables	779	858
Other financial receivables	375	325
Total	**1,678**	**1,707**

Equity investments in other companies

The following table provides a breakdown of “Equity investments in other companies” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Equity investments in non-listed companies:		
Nomisma S.p.A.	274	274
ReValuta S.p.A.	250	250
Total	**524**	**524**

Other financial receivables

Other financial receivables, amounting to Euro 375 thousand as of December 31,2022 (Euro 325 thousand as of December 31, 2021), only include the receivable of the Parent Company related to an insurance policy to provide coverage for the directors’ end of mandate indemnity. Such financial asset is measured at amortized cost.

8.8 Other non-current assets

The following table provides a breakdown of “Other non-current assets” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Assets from contracts with customers (non-current portion)	-	326
Non-current tax receivables	180	208
Other non-current assets	246	217
Total	**426**	**751**

8.9 Inventories

The following table provides a breakdown of “Inventories” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Raw materials, supplies and consumables	899	664
Total	**899**	**664**

The item “Raw materials, supplies and consumables” mainly relates to inventories held by the subsidiary Docugest S.p.A., comprising materials held for use in the provision of printing services and insertion in envelopes of related ancillary materials, as well as spare parts to enable timely repair of machines in the event of stoppages or breakdowns.

8.10 Trade receivables

The following table provides a breakdown of “Trade receivables” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Trade receivables	125,837	115,092
Receivables towards FermION Investment Group companies	1,738	371
Allowance for doubtful receivables	(3,222)	(3,222)
Total	**124,353**	**112,241**

Movements in the allowance for doubtful receivables for the years ended December 31, 2022 and 2021 are shown in the following table:

(Euro thousands)	**Allowance for doubtful receivables**
As of March 24, 2021	**-**
Change in scope of consolidation	4,102
Accruals	-
Uses/release	(880)
As of December 31, 2021	**3,222**
Accruals	-
Uses/release	-
As of December 31, 2022	**3,222**

8.11 Current tax assets

The following table provides a breakdown of “Current tax assets” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Income tax receivable - IRES	3,329	1,089
Income tax receivable - IRAP	232	174
Total	**3,561**	**1,263**

8.12 Cash and cash equivalents

The following table provides a breakdown of “Cash and cash equivalents” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Bank current accounts and deposits	26,964	70,981
Cash on hand	14	11
Total	**26,978**	**70,992**

Deposit accounts consist of cash on hand in bank current accounts. Cash and cash equivalents comprise exclusively physical amounts of cash. As of December 31, 2022 cash and cash equivalents are not subject to any constraints or restrictions.

8.13 Current financial assets

The following table provides a breakdown of “Current financial assets” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Financial receivables towards FermION Investment Group companies	255,725	16,513
Securities	1,556	1,622
Real estate fund units	675	666
Finance lease receivables	262	224
Total	**258,218**	**19,025**

The item “Financial receivables towards FermION Investment Group companies ” only relates to the value of the loans to certain FermION Investment Group companies and the related receivables for accrued but not yet collected interests.

The item "Securities" relates solely to investments in funds, equity instruments and bank certificates of deposit held by CAD IT España S.A. Such financial assets are valued at fair value through profit and loss.

The item “Real estate fund units” relates solely to 20 units in a real estate fund acquired by the Company in 2013, not held for resale. The balance reflects the latest available valuation provided by the fund manager. Such financial assets are valued at fair value through profit or loss.

8.14 Other current assets

The following table provides a breakdown of “Other current assets” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Accrued income and prepayments	19,496	17,208
Assets from contracts with customers (current portion)	13,645	7,085

Current tax receivables	1,117	445
Other current receivables	619	2,608
Total	**34,877**	**27,346**

As of December 31, 2022 the item "Other current receivables" mainly includes receivables from employees, insurance companies and social security institutions.

8.15 Assets held for sale and liabilities directly associated with the assets held for sale

In December 2020, Tecsit S.r.l., a company controlled by CAD IT S.p.A. whose activity had been insignificant in recent years, was put into liquidation. Therefore, as of December 31, 2022 and 2021 assets and liabilities of the subsidiary were classified in the items of the statement of financial position referring to assets and liabilities held for sale.

8.16 Equity

The following table provides a breakdown of "Equity" as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Equity attributable to the Group	751,290	748,506
Equity attributable to non-controlling interests	10,692	10,119
Total	**761,982**	**758,625**

<u>*Equity attributable to the Group*</u>

The following table provides a breakdown of "Equity attributable to the Group" as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Share capital	12,609	50
Share premium reserve	34,063	-
Other reserves		
- Extraordinary reserve	33,714	-
- Legal reserve	2,522	-
- Shareholder's capital contribution	16,000	750,000
- Consolidation reserve	-	(5)
- Currency translation reserve	49	74
- Actuarial gains/losses reserve (IAS 19)	1,306	26
- Other reserves	665,689	-
Net profit (loss) for the year attributable to the Group	(14,662)	(1,639)
Total equity attributable to the Group	**751,290**	**748,506**

Share capital

The share capital of the Parent Company amounts to Euro 12,609 thousand, fully paid up, comprising 12,962,647 shares.

The Parent Company does not hold any treasury shares. Moreover, no shares in the Parent Company are held, in any way, by its subsidiaries.

Share premium reserve

The share premium reserve amounts to Euro 34,063 thousand as of December 31, 2022 and relates only to the Parent Company.

Extraordinary reserve

The extraordinary reserve is only related to the Parent Company and amounts to Euro 33,714 thousand as of December 31, 2022.

Legal reserve

The legal reserve, amounting to Euro 2,522 thousand as of December 31, 2022 relates to the Parent Company and represents one-fifth of the Company's share capital in accordance with Article 2430 of the Italian Civil Code.

Shareholder's capital contribution

This reserve, amounting to Euro 16,000 thousand as of December 31, 2022, only includes the shareholder's capital contribution received by the Company during 2022.

Foreign currency translation reserve

The item "Foreign currency translation reserve" includes all the differences arising on the translation into Euro of the financial statements of subsidiaries included within the scope of consolidation expressed in currencies other than the Euro.

Actuarial gains/losses reserve (IAS 19)

The actuarial gains/losses reserve (IAS 19) represents the cumulative effects of the actuarial valuation of the employee severance indemnity (TFR) due to employees of the Group's Italian companies, in accordance with IAS 19.

<u>*Equity attributable to non-controlling interests*</u>

Equity attributable to non-controlling interests amounts to Euro 10,692 thousand as of December 31, 2022 (Euro 10,119 thousand as of December 31, 2021). The amount represents non-controlling interests in equity of CAD IT S.p.A. and its subsidiaries, as the Parent Company holds only 95.4% of the share capital of CAD IT S.p.A.

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The following table provides a reconciliation between the Parent Company's equity and net profit (loss) for the year and the consolidated equity and consolidated net profit (loss) for the year (attributable to the Group) as of and for the year ended December 31, 2022:

(Euro thousands)	**As of December 31, 2022**	
	Net profit (loss)	**Equity**
Net result and equity (Parent company financial statements)	**(19,696)**	**722,155**
Difference between the book value of consolidated equity investments and the pro rata share of net equity (included Purchase Price Allocation's effects)	-	29,461
Pro rata share of profit (loss) of subsidiaries (included Purchase Price Allocation's effects)	4,956	-
Elimination of the effects of intra-group transactions	78	(326)
Consolidated net result and equity attributable to the Group	**(14,662)**	**751,290**

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<u>*Distribution of dividends and reserves*</u>

During the year ended December 31, 2022 the Parent Company did not approve any distribution of reserves and dividends.

8.17 Financial liabilities (non-current and current)

The following table provides a breakdown of “Financial liabilities” (non-current and current) as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Bond loans (non-current portion)	738,133	633,072
Software rental liabilities	18,184	7,312
Earn-out liabilities	3,901	7,704
Other long-term bank borrowing	-	154
Total non-current financial liabilities	**760,218**	**648,242**
Earn-out liabilities	3,983	4,973
Software rental liabilities	7,664	3,973
Bond loans (current portion)	6,077	3,789
Other short-term bank borrowing	154	1,376
Financial payables for interest expenses on loan from FermION Investment Group companies	67	-
Total current financial liabilities	**17,945**	**14,111**

Bond loans

The item “Bond loans” refers only to two bond loans issued by Cedacri Mergeco S.p.A. (company merged into Cedacri during the year 2022) in May 2021 for a nominal amount of Euro 650,000 thousand and in May 2022 for a nominal amount of Euro 105,000 thousand. The bond loan accrues interest, calculated quarterly, at a rate equal to EURIBOR plus a spread. The bond loans provides the reimbursement of the principal amount in a single tranche in May 2028, except for certain mandatory or voluntary reimbursement clauses as regulated by the bond loan regulations, which at the date of preparation of these financial statements have not been occured. The value recognized in the financial statements, amounting to 744,210 thousand as of December 31, 2022 (of which Euro 738,133 thousand classified under non-current liabilities and Euro 6,077 thousand classified under current liabilities) consists of the nominal value of the bond loan, net of ancillary costs recognized according to the amortized cost method and it includes the liability for interest expense accrued but not yet paid as of the balance sheet date.

In relation to the provisions of Article 2427, paragraph 1, number 9 of the civil code, it should be noted that as warranty for the bond loan inherited as a result of the Reverse Merger by Cedacri S.p.A., there is a pledge on all the shares of Cedacri S.p.A. held by DGB Bidco Holdings Limited.

Other long-term bank borrowing

As of December 31, 2021 this item only includes the portion due after more than 12 months of loans granted to the subsidiary CAD IT S.p.A.

Other short-term bank borrowing

As of December 31, 2022 and 2021 this item mainly includes the portion due within 12 months of loans granted to the subsidiary CAD IT S.p.A.

Earn-out liabilities

This item, amounting to Euro 7,884 thousand as of December 31, 2022 (of which Euro 3,901 thousand classified under non-current liabilities and Euro 3,983 thousand classified under current liabilities), only includes the liability for the earn-out that shall be paid by the Parent Company to the sellers of the shares of Quarantacinque S.p.A. (company merged into Cedacri in 2020).

Software rental liabilities

This item exclusively includes liabilities, due within 12 months and more than 12 months from the balance sheet date, related to medium/long-term software licences and rental contracts.

8.18 Provisions for employee benefits

The following table shows movements in "Provisions for employee benefits" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Employee severance indemnity (TFR)**	**Directors' end of mandate indemnity (TFM)**	**Total**
As of March 24, 2021	**-**	**-**	**-**
Change in scope of consolidation	22,518	250	22,768
Provisions (personnel expenses)	-	79	79
Current service cost	181	-	181
Finance costs	32	-	32
Actuarial (gains)/losses	(51)	3	(48)
Benefits paid	(498)	-	(498)
As of December 31, 2021	**22,182**	**332**	**22,514**
Provisions (personnel expenses)	-	50	50
Current service cost	310	-	310
Finance costs	205	-	205
Actuarial (gains)/losses	(2,374)	-	(2,374)
Benefits paid	(1,379)	-	(1,379)
As of December 31, 2022	**18,944**	**382**	**19,326**

As of December 31, 2022 provisions for employee benefits include the employee severance indemnity (TFR) due to employees of the Group's Italian companies and the directors' end of mandate indemnity (TFM) relating to the Parent Company.

Employee severance indemnity (TFR)

The value of the employee severance indemnity, which meets the defined benefit plan criteria defined by IAS 19, is calculated on an actuarial basis. The assumptions adopted in determining the liabilities as of December 31, 2022 and 2021 are described in the following table:

	As of December 31, 2022	**As of December 31, 2021**
A) DEMOGRAPHIC ASSUMPTIONS:		
Mortality rate	Mortality table RG48, by gender, published by the State General Accounting Department	Mortality table RG48, by gender, published by the State General Accounting Department
Disability	Projection tables for 2010 provided by Social Security Institute (INPS) by gender	Projection tables for 2010 provided by Social Security Institute (INPS) by gender
Retirement	Full achievement of first pensionable requirement of Mandatory General Insurance	Full achievement of first pensionable requirement of Mandatory General Insurance
Likelihood of leaving for reason other than death	Annual frequency of 5.00% (2.50% for CAD IT Group companies)	Annual frequency of 5.00% (2.50% for CAD IT Group companies)
Likelihood of advance payments	Year on year of 3% (1.50% for CAD IT Group companies)	Year on year of 3% (1.50% for CAD IT Group companies)
B) FINANCIAL ASSUMPTIONS:		
Discount rate (7-10)	3.63% (3,77% for CAD IT Group companies)	0.44%

Discount rate (10+)	3,77%	0.98%
Inflation rate	5.90% for 2023 2.30% for 2024 2.00% for 2025	1.20% (1.75% for CAD IT Group companies)
Annual rate of wage growth	6.90% for 2023 (1% for CAD IT Group companies) 3.30% for 2024 (1% for CAD IT Group companies) 3.00% for 2025 (1% for CAD IT Group companies)	2.50% (0.50% for CAD IT Group companies)
Annual rate of indemnity growth	5.90% for 2023 (5,925% for CAD IT Group companies) 3.20% for 2024 (3,225% for CAD IT Group companies) 3.00% for 2025	2.40% (2.81% for CAD IT Group companies)

For the purposes of measuring the actuarial discount rate at the relevant dates, the iBoxx Eurozone Corporates AA 10+ index was used for C-Global S.p.A., Docugest S.p.A., CAD IT S.p.A. and the latter's subsidiaries, while the iBoxx Eurozone Corporates AA 7-10 index was used for the Parent Company and Sigrade S.p.A.

The following table shows the results of sensitivity analyses performed for the main actuarial assumptions made in calculating employee benenefit liabilities as of December 31, 2022 and 2021. Such analyses were performed considering the base case as described above, together with increases and decreases in the discount rate, annual inflation rate and annual turnover of 0.50%, 0.25% and 2.00% respectively. The results so obtained are summarized in the following table:

(Euro thousands)	**Annual discount rate**		**Annual inflation rate**		**Annual turnover**	
	+0.50%	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
As of December 31, 2022 (*)	18,404	19,520	19,145	18,755	19,038	18,857
As of December 31, 2021 (*)	21,444	22,965	22,452	21,918	22,093	22,286

(*) The sensitivity analyses performed in relation to CAD IT S.p.A. and its subsidiaries as of December 31, 2022 and 2021, was conducted with respect to increases and decreases in the discount rate, annual inflation rate and annual turnover of 0.25%, 0.25% and 1.00% respectively.

8.19 Provisions for risks and charges

The following table provides a breakdown and movements of "Provisions for risks and charges" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Provision for litigation costs and contractual penalties (Cedacri)**	**Provision for litigation costs and contractual penalties (C-Global)**	**Provision for litigation costs and contractual penalties (Docugest)**	**Provision for pro-rata VAT charges**	**Other provisions for risks and charges**	**Total**
As of March 24, 2021	**-**	**-**	**-**	**-**	**-**	**-**
Change in scope of consolidation	1,358	748	301	693	1,400	4,500
Accruals	-	94	-	590	-	684
Accruals (personnel expenses)	337	-	-	-	-	337
Utilizations/releases	(575)	(241)	(301)	(694)	(1,400)	(3,211)
As of December 31, 2021	**1,120**	**601**	**-**	**589**	**-**	**2,310**
Accruals	298	177	-	501	-	**976**
Accruals (personnel expenses)	160	-	-	-	-	**160**

Utilizations/releases	(320)	(232)	-	(589)	-	**(1,141)**
As of December 31, 2022	**1,258**	**546**	**-**	**501**	**-**	**2,305**

Provision for litigation costs and contractual penalties (Cedacri)

Accruals to the provision for litigation costs and contractual penalties of the year ended December 31, 2022, amounting totally to Euro 458 thousand, refer to the accrual related to disputes with former employees of the Parent Company for an amount of Euro 160 thousand and to dispute with a former supplier of the Parent Company for an amount of Euro 298 thousand.

Utilizations and releases of the provision for litigation and contractual penalties during the year ended December 31, 2022, amounting in total to Euro 320 thousand, relate to:

- utilizations amounting in total to Euro 100 thousand for compensation paid to customers;
- releases of provisions, recognized in previous years, against risks that have been considered not more probable for an amount of Euro 220 thousand.

Provision for litigation costs and contractual penalties (C-Global)

Accruals for litigation costs and contractual penalties of the year ended December 31, 2022, amounting totally to Euro 177 thousand, refer only to the accrual relating to risks arising from contractual penalties. It should be noted that the value of these accruals were recognised in the item “Revenue from contracts with customers”.

Utilizations and releases of the provision for litigation and contractual penalties during the year ended December 31, 2022, amounting in total to Euro 232 thousand, relate to:

- utilizations amounting to Euro 25 thousand for compensation paid to customers, utilizations amounting to Euro 11 thousand for a dispute with the Italian taxation authority and utilizations amounting to Euro 22 thousand for a dispute with former employees
- releases of provisions, recognized in previous years, against risks that have been considered not more probable for an amount of Euro 174 thousand. It should be noted that the value of these releases were recognized in the item “Other operating expenses”.

Provision for pro-rata VAT charges

Such provision has been recognized by the Parent Company and the subsidiary C-Global S.p.A. Accruals for pro-rata VAT charges are made in relation to the pro rata application of non-deductible VAT on accrued costs that will be included in invoices not yet received at the year end. The provision is utilized during the year to cover tax charges resulting from the pro rata application of non-deductible VAT on prior year costs included in invoices received in the current year.

8.20 Other non-current liabilities

The following table provides a breakdown of “Other non-current liabilities” as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Liabilities from contracts with customers (non-current portion)	38,538	44,770
Total	**38,538**	**44,770**

This item relates solely to customer payments on account in respect of services to be delivered at a future date and contractual obligations not yet fully performed.

8.21 Current tax liabilities

The following table provides a breakdown of "Current tex liabilities" as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Income tax payable - IRES	-	4,389
Income tax payable - IRAP	1,076	1,215
Total	**1,076**	**5,604**

8.22 Trade payables

The following table provides a breakdown of "Trade payables" as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Trade payables	119,002	103,167
Payables to FermION Investment Group companies	6,395	799
Total	**125,397**	**103,966**

Trade payables include payables due for supplies of goods and services, including those relating to investments in non-current assets.

8.23 Other current liabilities

The following table provides a breakdown of "Other current liabilities" as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Liabilities from contracts with customers (current portion)	68,119	21,336
Payables due to employees	21,881	21,110
Tax payables	3,029	8,546
Payables due to social security institutions	5,622	5,820
Accruals and deferred income	57,092	47,408
Other minor liabilities	1,386	726
Total	**157,129**	**104,946**

The increase in the item "Liabilities from contracts with customers (current portion) " as of December 31, 2022 compared to December 31, 2021 is mainly due to contractual agreements with some customers that provide for advance billing at year-end for the year 2023.

The item "Tax payables" is mainly related to VAT owed to the Tax Authorities and employee IRPEF (personal tax).

The item "Payables due to social security institutions" is mainly related to payables for contributions accrued on current monthly salaries.

The item "Payables due to employees" is mainly related to payables for wages and salaries, as well as to payables for residual holidays.

9. Notes to the consolidated statement of profit or loss

9.1 Revenue from contracts with customers

The following table provides a breakdown of "Revenue from contracts with customers" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Core Banking	221,010	126,101
Technology infrastructure and cloud services	48,092	26,425
Projects	62,479	44,982
Software solutions	70,783	44,153
Business Process as a Service (BPaaS)	48,550	26,900
Other revenues	11,775	6,896
Total	**462,689**	**275,457**

The item “Core Banking” relates to revenue from the provision of a core banking “as-a-service” IT platform. These revenues are recognized as the Group satisfies its performance obligations, by transferring the service agreed within the contract to the customer.

The item “Technology infrastructure and cloud services” relates to revenue from the provision of technology infrastructure and cloud services using Parent Company’s data centers. These revenues are recognized as the Group satisfies its performance obligations, by transferring the service agreed within the contract to the customer.

The item “Projects” relates to revenue from customization and upgrading activities to meet customer requirements regarding the core banking platform or technology infrastructure and cloud services, as well as revenue from adding/eliminating customers to/from the core banking platform or technology infrastructure and cloud services. These revenues are mainly recognized based on the percenntage of completion of the underlying project activities.

The item “Software solutions” relate to revenue from the sale of software under user license, revenue from software maintainance and upgrades, and revenue from consultancy projects, mainly carried out by the Parent Company, Sigrade S.p.A. and CAD IT S.p.A. (and its subsidiaries). If the services provided with the licenses are relevant and interconnected, the bundle of services are considered as a single performance obligation. Based on such considerations, revenues from the granting of software licenses and the additional services performed are recognized over time, as the performance obligations are satisfied.

The item “Business Process as a Service (BPaaS)” mainly relate to:

- the provision of back office, help desk, contact and call center activities and services, carried out by the subsidiary C-Global S.p.A.; and
- the printing and insertion in envelopes of bank correspondence and other documents, carried out by the subsidiary Docugest S.p.A.

No specific information is provided in relation to revenue from contracts with customers by geographical area as the Group’s business activities are largely limited to the Italian domestic market. It is noted, however, that following the acquisition of CAD IT S.p.A. and its subsidiaries, Group revenue now includes revenues from customers located in the following countries: Spain, Switzerland, Germany and the United Kingdom.

It should also be noted that Group revenues are not subject to significant seasonal or cyclical variations during the year.

9.2 Other income

The following table provides a breakdown of “Other income” for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Income from contract termination	121	42
Operating grants	-	6

Income for tax credits	1,213	-
Other revenue and income	654	819
Total	**1,988**	**867**

9.3 Raw materials, supplies, consumables and goods

The following table provides a breakdown of "Raw materials, supplies, consumables and goods" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Raw materials, supplies, consumables and goods	2,547	956
Change in inventory	(235)	(46)
Total	**2,312**	**910**

9.4 Cost of services

The following table provides a breakdown of "Cost of services" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Consultancy and outsourcing of programming services	86,123	51,342
Lease and rental costs	40,430	21,049
Maintenance and support costs	18,323	10,655
Telephone and data transmission costs	9,934	6,244
Utilities	8,048	1,808
Cost of transport and document delivery	3,390	1,910
Insurance	2,909	1,163
Cost of company vehicle services	1,273	745
Costs related to document processing and insertion in envelopes	527	357
Operational collaboration costs	1,130	500
Cleaning and waste disposal costs	746	416
Other cost of services	10,599	5,607
Total	**183,432**	**101,796**

The item "Lease and rental costs" mainly relates to the cost of software leasing and user licenses, the cost of leasing assets for which the underlying asset is of low value (broadly, if the original value of the underlying asset is less than USD 5,000) and the cost of short-term leases of up to a maximum of 12 months. In the case of such lease agreements, no right of use assets or related lease liabilities are recognized and the related lease costs are charged directly to profit or loss on a straight line basis. For further details, please refer to note 8.4 "Right of use assets and lease liabilities".

9.5 Personnel expenses

The following table provides a breakdown of "Personnel expenses" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Wages and salaries	97,252	57,065
Social security contributions	28,805	16,553
Provision for employee severance indemnity	5,781	3,719
Directors' emoluments	1,827	221
Other personnel expenses	13,113	6,027
Total	**146,778**	**83,585**

The item "Directors' emoluments" includes remuneration to the directors of Group companies, the related social security contributions and the annual provision to the directors' end of mandate indemnity fund.

The following table shows Group average employee numbers for the years ended December 31, 2022 and 2021:

Category	Year ended December 31,	
	2022	**2021**
Executives	47	50
Middle managers	430	438
White collar	1,674	1,868
Blue collar	40	41
Total	**2,191**	**2,397**

9.6 Other operating expenses

The following table provides a breakdown of "Other operating expenses" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Non-deductible (pro-rata) VAT	9,602	5,593
Other tax costs	569	2,700
Donations	33	28
Other sundry costs	412	278
Membership fees	242	116
Losses	1	17
Waste disposal charge	126	105
Total	**10,985**	**8,837**

The item "Losses" relates solely to losses incurred on disposal of fixed assets.

9.7 Capitalized costs

The following table provides a breakdown of "Capitalized costs" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Capitalized internal costs incurred on in-house and/or start-up projects	12,978	4,803
Capitalized external costs incurred on in-house and/or start-up projects	17,925	4,496
Total	**30,903**	**9,299**

The item "Capitalized internal costs incurred on in-house and/or start-up projects" relates to the capitalization of internal costs related to development projects, mainly related to employee costs.

The item "Capitalized external costs incurred on in-house and/or start-up projects" relates to the capitalization of external costs related to development projects, mainly related to external consultancy costs.

9.8 Net impairment of financial assets

The following table provides a breakdown of "Net impairment of financial assets" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Impairment of trade receivables	-	-
Release of allowance for doubtful receivables	-	(38)

Total	**-**	**(38)**

9.9 Depreciation, amortization and impairment of property, plant and equipment and intangible assets

The following table provides a breakdown of "Depreciation, amortization and impairment of property, plant and equipment and intangible assets" for the years ended December 31, 2022 and 2021:

(In thousands of Euro)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Depreciation of property, plant and equipment	15,669	8,553
Amortization of intangible assets	114,113	65,680
Depreciation of right of use assets	6,589	4,092
Impairment/reversals of impairments of property, plant and equipment and intangible assets	(120)	(120)
Total	**136,251**	**78,205**

9.10 Net accruals to provisions for risks and charges

The following table provides a breakdown of "Net accruals to provisions for risks and charges" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Accruals to provisions for risks and charges	793	684
Release of provisions for risks and charges	-	(1,110)
Total	**793**	**(426)**

See Note 8.19 "Provisions for risks and charges" above for further details.

9.11 Finance income

The following table provides a breakdown of "Finance income" for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Interest income on financial receivables towards FermION Investment Group companies	8,166	190
Dividends	75	-
Interest income on bank current accounts	61	1
Interest income on finance leases	71	29
Late payment and other interest income	31	343
Foreign exchange gains	5	51
Interest income on financings	-	4
Gain on sale of securities	27	13
Financial income from long-term debt discounting	-	481
Total	**8,436**	**1,112**

The item "Interest income on financial receivables towards FermION Investment Group companies" refers exclusively to accrued interest on loans to some FermION Investment Group companies.

The item "Dividends" relate solely to the Parent Company and includes the dividends approved by the investee company Revaluta S.p.A. for an amount of Euro 75 thousand for the year ended December 31, 2022 (Euro 50 thousand for the year ended December 31, 2021).

9.12 Finance costs

The following table provides a breakdown of “Finance costs” for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Interest expense on bond loans	35,628	17,873
Income expenses on financings towards FermION Investment Group companies	67	-
Interest expense on financings	8	12
Amortized cost on financings and bond loans	2,497	1,733
Lease interest costs	2,348	1,032
Finance costs on employee severance indemnity (TFR)	205	32
Other interest expenses	1,104	190
Interest expense on bank current accounts	60	87
Foreign exchange losses	16	14
Financial charges from long-term debt discounting	207	158
Total	**42,140**	**21,131**

The item “Amortized cost on financings and bond loans” relates exclusively to the amortized cost, calculated using the effective interest method, of loan transaction costs (legal administration fees and other related costs incurred in obtaining the loans) over the duration of the underlying financial liabilities.

The item “Other interest expenses” mainly relates to bank fees on financings and default interest and late payment interest.

9.13 Change in fair value of financial assets and liabilities

The following table provides a breakdown of “Change in fair value of financial assets and liabilities” for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Change in fair value of real estate fund units	9	5
Changes in fair value of securities	(93)	(39)
Total	**(84)**	**(34)**

9.14 Profit/(Loss) from investments accounted for using the equity method

The following table provides a breakdown of “Profit/(Loss) from investments accounted for using the equity method” for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Sicom S.r.l.	1,000	572
Total	**1,000**	**572**

The item reflects the adjustment to the value of investments in associates resulting from the equity method measurement.

9.15 Income tax expense

The following table provides a breakdown of “Income tax expense” for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Current taxes	11,271	11,654
Deferred taxes	(14,393)	(15,151)
Prior period taxes	(116)	(1,886)
Total	**(3,238)**	**(5,383)**

Current taxes are calculated based on the forecast charge for the period considering tax rates currently in force.

Deferred taxes are recognized (based on an IRES rate of 24.0% and an IRAP rate of 3.9%) on temporary differences identified, to the extent to which it is reasonably certain that future taxable profit will be available against which they can be utilized.

For further details regarding "Deferred taxes", see Note 8.6 "Deferred tax assets and deferred tax liabilities" above.

The following tables show reconciliations between the theoretical IRES (corporate income tax) and IRAP (regional business tax) tax rates and the related actual tax rates for the year ended December 31, 2022:

IRES (corporate income tax)	**For the year ended December 31, 2022**
Theoretical rate	24.00%
Effect of increases/decreases and growth assistance tax relief (ACE)	27.60%
Actual rate (IRES)	**51.60%**

IRAP (regional business tax)	**For the year ended December 31, 2022**
Theoretical rate	3.90%
Effect of labor cost related variations	(2.55%)
Net effect of other increases/decreases	0.95%
Actual rate (IRAP)	**2.30%**

9.16 Profit/(Loss) from discontinued operations

For the year ended December 31, 2021 this item only included the amount of the loss for the year, equal to Euro 17 thousand, of the company Tecsit S.r.l.

10. Related party transactions

Related party transactions are primarily attributable to relations with some companies of FermION Investment Group. These relations are both of a commercial nature, for services provided or rendered, quoted at prices and conditions in line with those of the market, and of a financial nature, also provided or rendered at market conditions.

The following tables provide summary details of balances outstanding with related parties as of December 31, 2022 and 2021:

(Euro thousands)	**As of December 31, 2022**

	Trade receivables	Current financial assets	Current financial liabilities	Trade payables	Other non current liabilities
Parent companies and under the control of parent companies					
FermION Investment Group companies	1,738	255,725	67	6,395	-
Total parent companies and under the control of parent companies	**1,738**	**255,725**	**67**	**6,395**	**-**
Associates:					
SICOM S.r.l.	-	-	-	228	-
Total balances with associates	**-**	**-**	**-**	**228**	**-**
Other related parties:					
Directors and executives of Cedacri Group companies	-	-	-	-	962
Total balances with other related parties	**-**	**-**	**-**	**-**	**962**
Total balances with related parties	**1,738**	**255,725**	**67**	**6,623**	**962**

(Euro thousands)	**As of December 31, 2021**			
	Current financial assets	**Trade payables**	**Non-Current financial liabilities**	**Current liabilities**
Parent companies and under the control of parent companies				
FermION Investment Group companies	16,513	799	-	-
Total parent companies and under the control of parent companies	**16,513**	**799**	-	-
Associates:				
SICOM S.r.l.	-	880	-	-
Total balances with associates	**-**	**880**	**-**	**-**
Other related parties:				
Directors and executives of Cedacri Group companies	-	-	-	-
Total balances with other related parties	**-**	**-**	**-**	**-**
Total balances with related parties	**16,513**	**1,679**	-	-

The following tables provide summary details of transasctions with related parties for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**				
	Revenue	**Cost of services**	**Personnel expenses**	**Finance income**	**Finance costs**
Parent companies and under the control of parent companies					
FermION Investment Group companies	958	6,234	-	8,166	67

Total parent companies and under the control of parent companies	**958**	**6,234**	**-**	**8,166**	**67**
Associates:	-	-	-	-	-
SICOM S.r.l.	-	672	-	-	-
Total balances with associates	**-**	**672**	**-**	**-**	**-**
Other related parties:	-	-	-	-	-
Directors and executives of Cedacri Group companies	-	-	1,827	-	-
Total transactions with other related parties	**-**	**-**	**1,827**	**-**	**-**
	-	-	-	-	-
Total transactions with related parties	**958**	**6,906**	**1,827**	**8,166**	**67**

(Euro thousands)	**Year ended December 31, 2021**		
	Cost of services	**Personnel expenses**	**Finance income**
Parent companies and under the control of parent companies			
FermION Invstment Group companies	749	-	190
Total parent companies and under the control of parent companies	**749**	**-**	**190**
Associates:			
SICOM S.r.l.	669	**-**	**-**
Total balances with associates	**669**	**-**	**-**
Other related parties:			
Directors and executives of Cedacri Group companies	-	221	-
Other minor companies	165	-	-
Total transactions with other related parties	**165**	**221**	**-**
Total transactions with related parties	**1,583**	**221**	**190**

Cost of services with associates and other related parties for the year ended December 31, 2022 mainly relates to services provided by the associate Sicom S.r.l. to CAD IT S.p.A. (amounting to Euro 672 thousand).

Other than as reported in the tables above, there were no other significant financial transactions with related parties.

11. Commitments, guarantees and contingent liabilities

a) Commitments

The Group had no commitments other than those recognized in the consolidated statement of financial position.

b) Guarantees

The following guarantees were in place as of December 31, 2022:

- the Parent Company and its subsidiaries C-Global S.p.A., Sigrade S.p.A. and Docugest S.p.A. have outstanding guarantees for a total amount of Euro 3,128 thousand, of which Euro 2,776 thousand relating to contracts with customers, Euro 321 thousand relating to office rental contracts and Euro 31 thousand relating to employee housing contracts;

- to guarantee contractual obligations undertaken by CAD IT S.p.A. and its subsidiaries, guarantees were provided by banks or insurance companies for an amount of Euro 1,571 thousand to customers and public bodies and for Euro 165 thousand to suppliers.

c) Contingent liabilities

Other than as described in the note on "Provisions for risks and charges", there were no contingent liabilities not reflected in the consolidated financial statement.

12. Remuneration due to corporate bodies

The following table shows total amounts due to Group company directors and the Board of Statutory Auditors for the years ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Directors (remuneration for office)	1,701	952
Board of Statutory Auditors	218	129

13. Fees due to independent auditor

The following table shows total amounts due to the Group's independent external auditor for the year ended December 31, 2022 and 2021:

(Euro thousands)	**Year ended December 31, 2022**	**Year ended December 31, 2021 (*)**
Regulatory audit of annual financial statements	202	133
Total	**202**	**133**

(*) The fees for the year ended 31 December 2021 shown in the table above represent the portion attributable to the period June-December 2021 only.

It should be noted that during 2019 the audit firm EY S.p.A. was appointed by all Group companies to perform the regulatory audit of annual financial statements.

14. Significant events occurring after the reporting period

In February 2023, notice was forwarded to four banking institutions with which Cedacri maintains current account relationships, pursuant to art. 2800 of the civil code, regarding the execution of a contract dated January 31, 2023 between Cedacri S.p.A. and KROLL TRUSTEE SERVICES LIMITED through which pledge rights of the current accounts outstanding in the identified Institutions have been established to guarantee the full performance of the bond loan subscribed by Cedacri Mergeco S.p.A. and inherited in Cedacri S.p.A. as a result of the Reverse Merger on December 1, 2022.

The Parent Company, as a result of this constitution, retains the right to use the amounts deposited in the Current Account, until, a Declared Default, communicated by Kroll to the aforementioned banks, may occur. If such condition could arise, Cedacri may not use the credit balance in the Current Account without the prior consent of the Agent.

15. Other information

NEXI arbitration

On January 22, 2019 Cedacri S.p.A. completed the purchase of shares representing the entire share capital of Oasi S.p.A from Nexi S.p.A.

Following this acquisition, a dispute arose with Nexi S.p.A. concerning both Nexi's request for payment from Cedacri to the seller of the earn-out provided for in the Sales Purchase Agreement (SPA), and Cedacri's request for compensation from the seller for breach of representations and warranties.

The dispute is still pending before the arbitration court, during 2022, the court-appointed technical consultant, who has requested the production of documentation from both sides. The dispute is estimated to be closed by the end of 2023.

Milan, April 6, 2023

For the Board of Directors

The Executive Chairman
Dott. Luca Peyrano