

Consolidated financial report as at 30 June 2022

Parent company
Digital360 S.p.A

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Share Capital euro 2.029.113,7 i.v.

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Business register (REA) no MI 2000431



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Composition of the corporate bodies of Digital360 S.p.A.

Board of Directors

Chairman of the Board of Directors
ANDREA RANGONE

Managing Director
GABRIELE FAGGIOLI

Managing Director
RAFFAELLO BALOCCO

Independent director
GIOVANNI CROSTAROSA GUICCIARDI

Director and Honorary President
UMBERTO BERTELE'

Councillor
CARLO MOCHI SISMONDI

Councillor
PIERLUIGI NEGRO

Board of Auditors

Chairman of the Board of Auditors
MARCO GIUSEPPE ZANOBIO

Acting auditor
VINCENZO MARIA MARZUILLO

Acting auditor
CARLO PAGLIUGHI

Auditing Company

BDO Italia S.p.A.

The three-year mandates of the Board of Directors and the Board of Statutory Auditors, appointed by the Shareholders' Meeting of 30 April 2020, will expire at the same time as the Shareholders' Meeting approving the financial statements for the year ending 2022.



Consolidated Financial Report as at 30 June 2022

Foreword

DIGITAL360 S.p.A. is an innovative SME and benefit company, listed on the Euronext Growth Milan Market (formerly AIM Italia) of Borsa Italiana since June 2017. It was born from university research - from a group of professors at the Politecnico di Milano who are passionate about technology and innovation - integrating in its growth path some of the most prominent figures in the world of digital innovation in Italy (entrepreneurs, managers, sector experts).

Its mission is to accompany companies and public administrations in the understanding and implementation of digital innovation, facilitating their encounter with the best technology providers. It pursues this mission through two Business Units:

- the first, called *Demand Generation*, helps digital service and solution providers (tech companies) communicate more effectively and connect with new customers;
- the second, called *Advisory&Coaching*, works alongside companies and public administrations to support them in their digital transformation path.

Both Business Units share a fundamental asset of the Group: the DIGITAL360 Network, which includes all the publications and B2B portals dedicated to the themes of digital transformation and entrepreneurial innovation and is the point of reference in Italy for managers, professionals, policy makers, politicians, tech companies, start-ups and public administrations. In addition to being a direct enabler of many of the services of the 'Demand Generation' Business Unit, the Network actually also plays a key role at the go-to-market level of both business lines, allowing new prospects to be identified on an ongoing basis and the business model to be 'scaled up' to the small and medium-sized enterprise market.

Both business units follow an innovative approach, strongly based on proprietary assets (in addition to the DIGITAL360 Network, highly engineered know-how and technology platforms delivered as-a-service), which is revolutionising their markets.

As we will discuss in more detail later in this report, the structure of the DIGITAL360 group is in a phase of profound transformation: in addition to the always significant organic growth, there is the growth resulting



from new acquisitions, in Italy and abroad. Compared to the first six months of 2021, eight new companies have joined the perimeter, the result of as many acquisitions, half of which were acquired in the second half of last year and the other half in the first half of 2022.

As will be better presented below, DIGITAL360's growth strategy has always relied heavily on acquisitions, aimed primarily at consolidating highly fragmented markets in order to gain market leadership positions.

Despite the uncertain economic context of reference, DIGITAL360 continues to grow: in addition to the acquisitions already formalised and consolidated in the half-yearly report, others have been contracted with preliminary purchase agreements during the first six months of the year (and finalised after 30 June), and others are still under negotiation at the date of drafting this report, with the aim of reaching the end of the year with a perimeter that has grown significantly compared to the beginning of the year, in terms of size, numbers and, above all, prospects.

The following chart outlines the current structure of the DIGITAL360 Group, showing only controlling interests, aggregated by Business Unit.



For a detailed description of the Group's activities, please refer to the relevant section (Appendix 1) later in this report.

As of the date of preparation of this report, the share capital of DIGITAL360 S.p.A. amounted to Euro 2,029,113.70, consisting of 20,291,137 ordinary shares, 28% of which are freely traded on the Euronext Growth Milan secondary market of Borsa Italiana.

Please note that in the consolidated financial statements of DIGITAL360, since international accounting

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standards (IAS-IFRS) are not currently adopted, amortisation of consolidation differences arising from the acquisitions made are amortised. The '*adjusted*' figures shown in this report are therefore intended to represent the economic results without taking these amortisations into account.

Reference scenario

The economic environment in the first half of 2022 appears to be strongly influenced by several critical phenomena, such as the Russian-Ukrainian conflict, the energy and gas crisis, rising inflation, and rising interest rates.

Against this backdrop, the Italian economy, which had shown strong signs of recovery in 2021 with a GDP growth of 6.6%, will slow down sharply in 2022, and the International Monetary Fund revises downwards its estimates for Italian growth to +2.2% in 2022 and +1.7% in 2023.

In spite of this picture, the digital market continues to grow, supported also by the huge investments from the PNRR, which aims to boost the pandemic-induced digital transformation of businesses and public administrations.

According to the latest Anitec- Assinform report on digital in Italy (July 2022), the digital market in Italy, which in 2021 had grown strongly (albeit a little less than GDP) with +5.3%, will settle at +3.6% growth in 2022 and 4.2% in 2023, to then return to faster growth in the two-year period 2024-2025 (around 6%). In this market, there are also some specific areas growing at double-digit rates, such as cybersecurity, artificial intelligence, martech, etc.

The overall scenario therefore, although characterised by difficult situations (which in the second half of the year will predictably be fuelled by the instability of the political framework), nevertheless offers several opportunities for DIGITAL360, also opened up by the pandemic that has accelerated the market's adoption of many services that the group has been offering for years and on which many resources have been invested - such as digital events, online communication, digital *lead generation*, *remote (remote) advisory* - and has increased the perception of the importance of topics such as *smart working*, *cybersecurity*, *Industry 4.0*, digital skills development, *digital marketing*, *remote selling*. The health emergency in particular has fostered the evolution towards a model that has been in the making for some time, accelerating its effects due to the increased digital awareness of the market and the greater need for innovative services.

And it is precisely the opportunities that have emerged from the growth of the digital innovation market that have prompted DIGITAL360, even in such a difficult context as the current one, to broaden its scope of action, growing in Italy with new acquisitions and laying the foundations, as will be discussed in more detail below,



for development abroad, especially in those countries where growth prospects appear to be better.

Key economic and financial data

The first six months of the year were full of important news, with a significant acceleration of DIGITAL360's strategic expansion plan in Italy and abroad, a strong organisational strengthening, and growth in numbers and prospects.

Compared to the first six months of last year, the half-yearly financial statements as at 30 June 2022 were enriched with new companies: CT Mobi, ICT LAB PA, Imageware and HI-Comm, acquired in the second half of 2021 (and referred to extensively in the financial statements as at 31 December 2021), and Digital Sales, Business Publications Spain, Del Monte and Corecube, acquired in the first six months of 2022 and referred to extensively in the following report.

The new acquisitions have significantly changed the scope of consolidation, making it more complex to read the economic and financial data in their comparison with the first half of 2021. The acquisitions finalised in the first half of this year are economically consolidated in the financial statements on a *pro rata temporis basis* and still have a limited impact on the Group's results, while those contracted in the first half of the year (with binding contracts) but finalised subsequently, have not yet had any impact on the reported figures.

For these reasons, the half-yearly report that has just closed, while highlighting growth and very positive figures, shows only part of the economic and business dynamics underway, which will gradually become more explicit with the progressive consolidation in the Group not only of the economic-financial data of the companies acquired and being acquired, but also of the organisational, product and commercial synergies that may arise from these: the evolution and growth of DIGITAL360 are driven, therefore, on the one hand by favourable market dynamics and impetus, and on the other by the ability to be able to seize, especially in a context undergoing profound transformation, valid aggregative solutions to improve its strategic and competitive positioning. For the Group, aggregations represent an enormous potential for development and have always had a twofold purpose, in addition to that of accelerating growth: consolidating highly fragmented markets and acquiring, along with the companies, valid co-entrepreneurs with the same vision and culture as DIGITAL360.

Due to the lack of homogeneity of the data for the two half-year periods being compared, the changes have been highlighted and commented on on a like-for-like basis, but the pro-forma figures of the income statement have also been highlighted alongside the balance sheet values, simulating the effect of the consolidation as if it referred to the entire half-year, even for the companies acquired after the end of the



half-year period, but whose purchase contract had already been formalised before 30 June 2022. The pro-forma data, shown for information purposes only in the Report on Operations and not subject to audit, are therefore useful to better represent the management effects of the acquisitions on the Group's business and the overall dimensional impact of costs and revenues, as well as to facilitate the comparison with the results that will come in the following half-year.

The total revenues of the consolidated financial statements for the six months ended 30 June 2022 amounted to EUR 24.5 million, an increase of 51% compared to the same period of 2021, when they amounted to EUR 16.2 million. The increase totalling EUR 8.3 million was due, for approximately EUR 3.4 million, to the organic growth in revenue on a like-for-like basis (+21% compared to the first half of 2021), and for the remainder (EUR 4.9 million) to the contribution from the newly consolidated companies.

At EUR 33.8 million, pro-forma revenues increased by 110% compared to those booked in the previous half-year, and are already over 80% of the pro-forma revenues booked in the first six months of the year alone.

The total pro forma value of production amounted to EUR 35.3 million, an increase of EUR 18.4 million (+110%), of which EUR 9.4 million was related to the expansion of the perimeter.

As a result of the significant growth in revenue, EBITDA in the consolidated financial statements reached EUR 5 million, an increase of 34% compared to the EBITDA recorded on 30 June 2021, when it was worth EUR 3.7 million. Gestionally, even on a like-for-like basis, EBITDA shows organic growth of around 10%, despite the significant strengthening of the management structure and corporate staff units to effectively cope with the significant growth in size.

With regard to pro-forma figures, EBITDA amounted to EUR 7.1 million and increased by a good EUR 3.4 million (+90%) compared to the result of the previous half-year.

EBIT in the consolidated financial statements amounted to EUR 3.1 million as at 30 June 2022, an increase of 36% compared to the same period in 2021 (when it was worth EUR 2.3 million), while Adjusted EBIT¹ amounted to EUR 3.8 million, an increase of 35% compared to the value recorded as at 30 June 2021 (it was EUR 2.8 million).

¹ *Adjusted figures are reclassified to neutralise the effect of amortisation of consolidation differences*



With reference to pro-forma figures, Adjusted EBIT reached EUR 5.6 million at the end of the half-year, and thus doubled compared to EUR 2.8 million in the previous year.

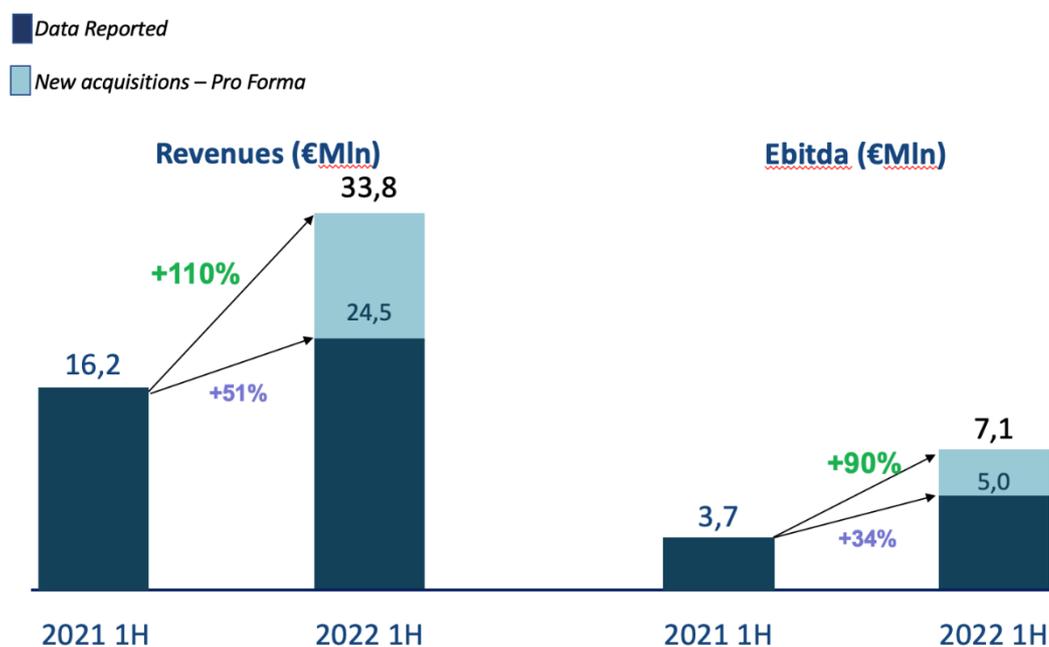
Consolidated net profit increased to EUR 1.8 million (it was EUR 1.4 million in 2021).

Adjusted net profit, measured on a six-month pro-forma basis, amounted to EUR 3.8 million, again double the previous six-month period (when it was EUR 1.9 million).

The Group's financial performance was also positive, with a NFP that, despite the investments made, the 2021 vendor loans paid and the acquisitions completed, remains creditworthy for about EUR 2.4 million (compared to 3.1 creditors as of 31 December 2021).

Details of the changes are set out later in this report, in the commentary on the Group's balance sheet figures.

1H 2022 / 1H 2021 : Key Economic Indicators (€ Mln)



The table below provides a summary of the most significant financial statement figures as of 30 June 2022 compared to the previous year. With reference to the Adjusted figures shown in the table, reference is made to the Ebit and Earnings figures net of amortisation of consolidation differences, as already highlighted in the introduction to this report. As already mentioned, the 2022 pro-forma figures are also shown, which represent the overall effect of the consolidation of the new equity investments acquired during the six months (according to the methods described above) and not *pro rata temporis*. Finally, it is reiterated that these pro-forma figures were not subject to audit.

Operational results	Consolidated 30.06.21	Consolidated 30.06.22	Growth 22 vs. 21	Pro Forma 30.06.22	Growth 22PF vs. 21
values in mln euro					
Value of Production	16,9	25,9	53%	35,3	109%
TOTAL REVENUES	16,2	24,5	51%	33,8	108%
EBITDA	3,7	5,0	34%	7,1	89%
% Ebitda / Total revenue	23,1%	20,5%		20,9%	
EBIT	2,3	3,1	36%	4,9	114%
% Ebit / Total revenue	14,1%	12,6%		14,5%	
Adjusted EBIT	2,8	3,8	35%	5,6	99%
% Adjusted Ebit / Total revenue	17,5%	15,6%		16,6%	
Net profit	1,4	1,8	34%	3,1	125%
% Net profit / Total revenue	8,4%	7,5%		9,1%	
Adjusted net profit	1,9	2,6	34%	3,8	99%
% Adjusted net profit / Total revenue	11,8%	10,5%		11,3%	

* Adjusted figures are reclassified without taking into account the amortisation of consolidation differences.

Balance Sheet Indicators	31.12.21	30.06.22	Δ
Shareholders' Equity	16,4	19,1	16%
Net Financial Position	-3,1	-2,4	-22%



Below is a breakdown of revenue trends in the two business units as at 30.06.2022 and 30.06.2021 (pro forma):

valori in mln di euro	30.06.21	30.06.22	Delta 22 -21
TOTALE RICAVI	16,2	24,5	52%
Ricavi Demand Generation	9,2 57%	15,2 62%	66%
Ricavi Advisory	7,0 43%	9,3 38%	32%

Revenues increased in both business units, although more markedly in Demand Generation, due to both organic growth and significant acquisition activity. The acquisitions made in the latter part of the 2021 financial year, of which the Imageware group is undoubtedly the most significant part by value, contribute to shifting the weight of Demand Generation revenues from 57% to 62% of the total.

The Advisory Business Unit also showed significant growth of 32%.

Annual Recurring Revenue from subscription services (Annual Recurring Revenue) from services called "Digital-As-A-Service", amounted to approximately 10.2 million, 296 customers as at 30 June 2022, up by 33% compared to 30 June 2021 also due to new acquisitions.

These subscription services represent the tip of the iceberg of the strategic infrastructure developed in recent years by DIGITAL360 thanks to the continuous investments made, which is opening up a true Blue Ocean for the Group, consisting of an innovative, unique offer aimed at supporting small and medium-sized Italian companies in their digital transformation path. Italian SMEs, in fact, despite representing the heart of Italy's economic-productive fabric, are still far behind in this modernisation path, partly because the traditional offer of consultancy and software services clashes with their lower digital culture, lack of specific skills, and very high fragmentation and dispersion throughout the country.

The new strategic space identified by DIGITAL360, its Blue Ocean, seeks to address precisely these shortcomings, innovatively interpreting three neighbouring markets: that of consulting to SMEs for digital transformation, that of software as a service (SAAS) packages to support digital transformation, and that of online portals and digital content.

DIGITAL360 has developed an innovative business model that enables: (i) simplify the advisory services for digital transformation offered to SMEs, by engineering the know-how developed by working together with



large companies in custom projects and developing standard packages offered on a subscription basis (digital as-a-service); (ii) integrate these advisory packages with as-a-service software platforms specifically designed to support them and make their delivery to SMEs effective and efficient; (iii) exploiting the online portals and digital content of the DIGITAL360 Network as a powerful go-to-market channel towards SMEs; it is the entrepreneurs themselves, their managers, who come to the Network's portals optimally positioned on search engines and social networks, and who, appropriately profiled, are then contacted for the offer of services.

Main events of the reporting period

We report here the main events that occurred in the first half of 2022, grouped in the following paragraphs:

- investments;
- acquisitions;
- other events.

Investments

The total expenditure for investments in innovation and facilities incurred during the first half of 2022 amounted to EUR 1.9 million, mainly consisting of intangible assets. The main expenditure was incurred for investments in technological innovation and the development of new digital services.

Below are the main investments, aggregated at the level of:

- Business Unit Demand Generation;
- Business Unit Advisory&Coaching;
- Corporate Structure.

Business Unit Investments Demand Generation

- **The Spaceconomy360** portal was launched in March 2022 and focuses on the 'space economy' market with specific insights into connectivity, infrastructure and applications beyond the boundaries of terrestrial use cases.
- Development of the Techflix360 portal; the development of the Techflix360 portal, which aggregates the more than 1,000 webcasts and whitepapers produced over the last few years within the Demand Generation BU, was started. Visitors to the portal will be able to access these contents by searching them by topic, category or tech company, and a specially developed algorithm will make it possible to propose contents in line with their interests. It will also be possible to create vertical channels per



individual tech company, which can be offered on a subscription basis. The portal will be launched during the second half of 2022.

- Development of the **CRM and marketing automation platform for FPA**; during the first half of the year, a major migration of the CRM of the subsidiary FPA (from Sugar CRM to Salesforce) was completed, and the marketing automation platform Hubspot, already used for the management of other portals of the Digital360 Network, was implemented. The two platforms - Salesforce and Hubspot - were integrated with other applications in use, including Mailchimp, Google Analytics, Ungerboek, etc.
- Experiments with the **use of Artificial Intelligence for the automated drafting of articles**; several platforms on the market were analysed and tested to experiment with the drafting of articles on the Network's newspapers using Artificial Intelligence.
- **Engineering of processes related to the Digital Marketing & Sales Engine**; during the first half of 2022, the development and engineering of processes supporting the delivery of Digital Marketing & Sales Engine services continued. In particular, pre-sales, sales and service delivery processes were further automated, specific tools were developed to support the management of the various activities, and dashboards of indicators were developed to monitor performance.
- **Development of the Event360 platform**; the development of an innovative platform for the management and delivery of online events and webinars continued, which will be used both by DIGITAL360 group companies for the delivery of their digital events and by customers in self-service mode. The platform is based on scalable AWS technology and integrates the following main components: registration management module, with the possibility for the user to create their own customised agenda; streaming module for the online delivery of the event; back office platform for the management of the event, integrated with the other applications currently used (e.g. CRM, CMS etc.).

Business unit investments Advisory&Coaching

- Launch of the service "**Support for compliance with the DORA (*Digital Operational Resilience Act*) Regulation**" through which credit institutions and financial companies will be supported in the process of adapting to the European regulation that aims to strengthen the cybersecurity of the banking and financial ecosystem.



- Launch of the service '**Adaptation to the National Cybersecurity Perimeter and Compliance Management**', which focuses on supporting the process of adaptation and management of regulatory compliance with a special focus on the cybersecurity certification process of Information and Communication Technology (ICT) products, services and processes. This is a highly multidisciplinary service that, in addition to being delivered through employees, is partly based on the Advisory360 technology platform.
- Elaboration and launch of the multi-practice and multi-disciplinary '**Cloud Transformation**' service, which leveraging DIGITAL360's legal, IT-Governance and cybersecurity skills, aims to propose to public and private companies a cloud migration project model based on a strategic approach that aims to implement all the main corporate dimensions impacted by the cloud (organisation and processes, financial management, application modernisation, legal & compliance, security).
- Launch of the '**Patient Experience framework**' service, which aims to support the digitisation of services in the health sector, with particular reference to the creation of new methods of data exchange between hospital and territorial structures on the one hand and patients on the other, where digital leverage is fundamental for the detection of key metrics, the collection and integration of different types of information and the automation of procedures and processes.

Corporate Investments

- Development of dashboards **for the analysis of the Network's KPIs and the creation of EDWH (EnterpriseDataWareHouse)**; work continued on the development of indicator dashboards that make it possible to greatly improve the information content of the Network's KPIs, monitoring and analysing their dynamics. Specifically, a number of dashboards were developed to facilitate the monitoring of the performance of customer campaigns and to enable editors to check the number of conversions generated by each piece of content. More generally, the development of an Enterprise DataWareHouse has begun. The solution will allow historical data from different sources to be interpreted by business intelligence applications. Data security measures will be implemented, thus enabling a wider deployment of business intelligence in an increasingly data-driven group.
- **HR system** upgrade; a project has begun that will lead to a complete upgrade of the company's HR system, enriching it with new functions and processes and improving existing ones. Dedicated business intelligence will be available, enabling reporting and statistics. Finally, the new system will allow for integrations with other systems.



- Experimentation of **Robotic Process Automation (RPA)**; a robot capable of automated validation of CRM contacts was implemented. In addition, a portal monitoring solution was implemented with real-time alert functions to automatically highlight security, regulatory compliance, SEO and user experience issues, with the creation of dedicated monitoring dashboards.
- Development of the **Project Management Information System**; development of a system (called TaskPro360) aimed at supporting the economic and executive management of projects began. The application was modelled with the aim of building a database of managed projects that would make it easy for all project managers to take them back and re-use them as a template for new work.
- **Supplier database for events**; an application was purchased to have on a single database the main suppliers used in events, enriching their master data with useful contacts, photos, internal evaluations and other useful information for the Digital360 group. It is expected to preserve within the group the experience gained with suppliers and to shorten the search time when organising a new event.
- Launch of the **27001 Certification** project; a project has begun that will lead the various Group companies (starting with ICT&Strategy) to achieve ISO 27001 Certification. The project involves the complete overhaul of processes, policies and procedures and represents an interesting opportunity for the group to strengthen itself internally, with positive repercussions on its quality and market perception.

In addition to what will be discussed below with regard to the acquisitions made during the financial year, DIGITAL360 made investments in the first half of the year to develop its operations in Spain and Latam.

In 2022, DIGITAL360 has in fact launched an important international expansion project aimed primarily at the geopolitical area of Latam and Spain, which had already been prepared last year with the launch of InnovacionDigital360.com, a Spanish-language portal dedicated to digital transformation. This huge geopolitical area, which shares the same language and a very similar cultural matrix to Italy, offers opportunities particularly relevant for the company's business, as it also presents a market and competitive environment with similar characteristics to that of our country; in that area there is also a strong acceleration of digital innovation, driven by the pandemic and the arrival of public funds to boost the economy.

In particular, Latin America and Spain, as anticipated, are huge markets with great development potential, characterised by multiple factors of interest to the Group a similarity of the local digital market with the Italian one (on the one hand, a delay in the digitisation of businesses and public administrations and a



presence of many SMEs, on the other hand, the central role on the market of the same technology vendors); a strong expected growth in digitisation, thanks to the cultural impulse resulting from the pandemic and the arrival of substantial public funds to relaunch the economy; a favourable competitive environment, highly fragmented and lacking operators with significant market shares. Multiple countries share the Spanish language, thus enabling the creation of a single shared team and platform.

In the first half of 2022, two new companies were established: Digixem360 S.r.l. in Italy and Digital360 Iberia S.L. in Spain, whose purpose is to acquire and govern (directly or through subsidiaries) the participations acquired in Spanish companies and in the Latam region.

In order to be in the best position to take advantage of the opportunities that arise in these markets, DIGITAL360 has been collaborating with Simone Battiferri since the beginning of the year. Since February, he has taken on the role of Business Development Manager in Latin America (LATAM) at DIGITAL360: the new executive has extensive international experience in his CV, with a particular focus on the Latam area, and a strong specialisation in ICT, digital innovation and M&A, and therefore guarantees strong managerial and cultural supervision of expansion in Latin American countries. During the first half of the year, collaboration relations were also established with Tommaso Prennushi and Massimo D'Angelo, Managing Director and Managing Director of Digital360 Iberia S.L., with the aim of guaranteeing a strong supervision of activities in the Iberian peninsula. The two are Italian managers who have been in Spain for years, with a deep knowledge of the country and its dynamics, and who have gained a long and consolidated experience in the world of online content and digital marketing.

The Group's commitment in 2022 in resources and facilities for business development abroad was very important, and the most significant results of this investment will be reasonably visible as early as the second half of the year.

Acquisitions

- In January 2022, DIGITAL360 signed a binding agreement to acquire a 51% stake in **EMPREDIMIENTOS AEREOS S.R.L. ("XONA")**, a Buenos Aires-based marketing agency with a specific focus on the *Tech* market. XONA, whose financial statements close on 31 March of each year, recorded revenues of approximately USD 1.3 million in the last financial year with an EBITDA of approximately USD 0.1 million. XONA's activities, despite the continuing pandemic, are continuing very well in 2022.



- Also in January 2022, DIGITAL360 finalised the acquisition of a 75% stake in the company **Corecube S.r.l.** ("Corecube"), which specialises in designing training courses for professionals who also need to update their skills in accordance with the obligations of their orders. The entry into the capital of Corecube makes it possible to expand DIGITAL360's offer of microlearning services dedicated to the development and updating of skills and aptitudes, with particular reference to digital skills, of employees of companies and public administrations.
- In February 2022, DIGITAL360 acquired a 51% stake in **Digital Sales S.r.l.**, a start-up company specialising in digital solutions to support B2B marketing and sales (MarTech and SalesTech), one of Italy's leading experts in this field. With the entry of Digital Sales into DIGITAL360 there is thus a strengthening and expansion of the services offered to B2B companies for the digitalisation of all marketing and sales activities: from online positioning to the interception of online buyers, from the generation of leads to the management of all sales force prospects.
- In April 2022, DIGITAL360 finalised the purchase of a 25.5% share of the share capital of **ICT LAB PA S.r.l.** ("ICT LAB"), in which it had already acquired an initial 25.5% stake in October 2021, thus becoming the majority shareholder. ICT LAB, which offers consultancy services aimed at accompanying the innovation paths of Public Administrations (PAs), closed its 2021 financial statements with excellent results, a value of production of EUR 1.6 million, up 14% compared to the previous year, and an EBITDA of EUR 0.46 million, up 70% compared to 2020. The 2021 results would be even more positive if read in light of the acquisition of a business unit finalised by ICT LAB during the course of the year (and whose results have only been recognised in the financial statements for six months), improving the results to around EUR 2m in revenue and as much as EUR 0.6m in EBITDA (with an EBITDA margin of 30%). The acquisition of ICT LAB's majority shareholding takes place in a context of great market opportunities, thanks to the significant public investments expected from the PNRR, which will enable a profound digital transformation of the Italian public administration.
- In June 2022, DIGITAL360 acquired, through its Spanish subsidiary Digital360 Iberia S.L., a 70% stake in the Madrid-based company **Business Publications Spain S.L.** (BPS). BPS is a company specialising in the production of content on digital innovation and information and communication technologies (ICT) and owns a number of portals that represent an important reference in Spain for managers, entrepreneurs and professionals dealing with these issues from a professional point of view. BPS closed its 2021 financial statements with EUR 1.4 million in revenues and around EUR 0.25 million in Ebitda, and has a positive Net Financial Position (credit) of around EUR 0.3 million.



- Also in June 2022, DIGITAL360 S.p.A. signed a binding agreement to acquire 51% of the **Methodos Group**, the closing of which took place on 5 July 2022. Methodos is a long-established company with a well-known brand and a prominent position in organisational consulting, with a focus on the management of organisational and cultural change in companies. Founded in 1979 in Milan, Methodos has recently expanded its business perimeter through its subsidiaries Digital Attitude and Accompany, which are active in the market of software platforms supporting behavioural changes (Digital Coach and Digital Adoption Platform) and in supporting digital transformation, respectively. With this acquisition, DIGITAL360 expands its presence in the advisory market, also based on technology platforms (so-called Consultech), to support organisational change and digital transformation in organisations, a market that is growing strongly also as a result of the impetus given by the pandemic and post-emergency economic recovery and renewal plans (PNRR). The acquisition of Methodos will also help accelerate the growth path of the most innovative subscription-based consulting services, which are strongly based on the use of proprietary technology platforms (Consultech). In 2021, the Methodos Group generated revenues of approximately EUR 9.0 million, with an EBITDA of more than EUR 1.5 million (EBITDA margin of 17%). The Group's net financial position as of 30 April 2022 is almost break-even.
- Also in June 2022, DIGITAL360 S.p.A. acquired a 51% stake in the company **Del Monte & Partners Comunicazione s.r.l.** ('Del Monte'). Delmonte is a company specialising in digital solutions to support B2B marketing and sales (MarTech and SalesTech), one of Hubspot's first Italian partners. With Del Monte's entry into DIGITAL360, the largest Italian hub focused on Martech and Salestech B2b based on the Hubspot platform is born, significantly strengthening the entrepreneurial team of DIGITAL360's Martech and Salestech area. The company posted revenue of EUR 1m in 2021, with a positive Ebitda of EUR 0.1m and a NFP of EUR 0.5m (debt).
- Also in June 2022, DIGITAL360 signed a binding agreement to acquire 75% of the company **CryptoNet Labs s.r.l.** ('CryptoNet'), the closing of which took place on 13 July 2022. CryptoNet is active in the field of the implementation of active and passive systems for cybersecurity, with an offering that includes services, consulting and technology platforms for the monitoring and defence of corporate data and information. Thanks to this acquisition, a service hub dedicated to cybersecurity will be established at DIGITAL360, with total revenues expected to grow strongly in 2022, almost half of which will be recurring revenue (Annual Recurrent Revenue). In particular, with the acquisition of CryptoNet, DIGITAL360 strengthens its more innovative, subscription-based consulting services based on as-a-service software platforms ('Consultech'). CryptoNet generated revenues of approximately EUR 2.8 million in 2021 (an increase of over 60% on the previous year), with an EBITDA



of approximately EUR 1.35 million (EBITDA margin of 47%), and the net financial position was creditworthy by approximately EUR 1.5 million.

The following table summarises the financial outlays incurred in the first half of 2022 and related to both transactions concluded in the period and those concluded in the previous year (vendor loan payments), which is useful to understand the financial impact of M&A investments in the period under review.

List of expenses and M&A transactions 2022

Values in millions of euro

<u>Month</u>		<u>Quota acquired</u>	<u>Value</u>
January	Vendor Loan S.pro	==	625,0
	Acq. Corecube	75%	7,5
February	ICT Lab Price Adjustment for NFP	first 25.5%	160,0
	Acq. Digital Sales	51%	150,0
		<i>and its NFP</i>	95,0
April	Acq. ICT Lab	second 25.5%	375,0
		<i>and its NFP</i>	241,7
	ICT Lab Vendor loan	==	500,0
May	Vendor Loan S.pro	==	625,0
June	Vendor loan Innovation Post	==	90,0
	Acq. Del Monte	35%	240,0
	Acq. BPS Spain	70%	790,0
TOTALS			3.899,2

In order to support the acquisition process planned for the year, DIGITAL360 entered into several medium- and long-term financing agreements (directly and through its subsidiaries) during the first half of the year (from four to six years in total duration): in addition to Bancobpm and Credem, which financed the Group for a total of EUR 4.8 million, DIGITAL360 signed three financing agreements in June with Illimity Bank S.p.A, a young Italian bank led by Corrado Passera and listed on the Star segment of the Italian Stock Exchange (now Euronext STAR Milan). The loans will provide the Group with an additional EUR 14 million to support the acquisition programme mentioned above, which includes the use of the Group's own resources in addition to the use of third-party financial resources.



All loans were granted at variable rates, the company is considering hedging to minimise the risk of rising interest rates.

Other Events

Conversion of the Convertible Bond 2017 - 2022

On 31 May 2022, the fifth and last of the periods envisaged for the exercise of the convertible bonds relating to the bond issued for an original amount of EUR 2 million in 2017 and named "DIGITAL360 CONVERTIBLE 4.5% 2017 - 2022" closed, as provided for in the relevant regulation. At the end of this period, 661 convertible bonds of the 687 remaining were exercised for a nominal value of EUR 1,057,600.00 and 661,000 shares were consequently assigned.

The unconverted remainder of the 26 bonds, with a nominal value of EUR 41,600.00, was reimbursed to the bondholders as provided for in the loan regulations.

At the end of the five-year term of the Loan, 98% of the bonds issued were thus converted into shares; the conversion in the latter period allowed holders, in addition to the coupon yield of 4.5% per annum, an overall capital gain, for the entire period, of almost 300%.

Buy Back

In April 2021, the Shareholders' Meeting approved the proposal for the purchase and disposal of treasury shares submitted by the Board of Directors.

The purpose of this resolution was to allow the Company to purchase and dispose of its own shares for the following purposes:

- meet obligations arising from debt instruments convertible into equity instruments; or
- purchase treasury shares from the beneficiaries of any incentive plans resolved by the competent corporate bodies, whether present or future; or
- meet the need to support the liquidity of the shares themselves so as to facilitate the smooth conduct of trading in accordance with the market practices in force at the time identified by the Supervisory Authority; or
- to dispose of and/or use treasury shares, in accordance with the strategic lines that the Company intends to pursue, within the scope of extraordinary transactions, including, by way of example but not limited to, exchange, contribution or at the service of capital transactions, as well as within the scope of exchange and/or sale transactions of shareholdings, companies or company branches



and/or for the conclusion of commercial and/or strategic alliances or for other uses deemed to be of financial and/or management interest for the Company; or

- use the shares as consideration in extraordinary transactions, including those involving the exchange of shareholdings, with other parties in the context of transactions of interest to the Company itself in accordance with the market practices in force at the time identified by the Supervisory Authority;
- where necessary, reduce the share capital.

The authorisation, valid for 18 months, was granted in order to give the Board of Directors the power to purchase, in one or more *tranches*, in an amount freely determinable by the Board, up to a maximum total amount of EUR 1,500,000 and up to a maximum number of shares not exceeding 3% of the share capital (taking into account the shares already in the company's portfolio).

During the first half of 2022, the company purchased 67,039 treasury shares for a countervalue of EUR 290,291.62, at a weighted average price of EUR 4.33 per share. As of 30 June 2022, the company held a total of 120,809 treasury shares equal to 0.60% of the share capital, with an average carrying price of EUR 3.22.

Stock performance and minimum trading lot

The stock closed the last trading day of the first half of 2022 at a price of EUR 4.17, down about 15% compared to the values at the beginning of January, but performing slightly better than the FTSE ITALIA Growth Index (which lost just over 20% during the period). In general, the stock was affected by the scenario of uncertainty related to the macroeconomic expectations of the period and the outbreak of the conflict between Russia and Ukraine, which characterised the stock markets in the half-year period.



DIGITAL360 share price performance from listing (June 2017) to 30.06.22. Source: Teleborsa



Key Balance Sheet and Financial Data

Below is a summary of the main balance sheet figures as of 30 June 2022, compared to those as of 31 December 2021. Some useful comments are provided in the Notes to the Financial Statements to better understand the dynamics of the balance sheet indicators presented.

With reference to the balance sheet figures, unlike the income statement figures, the preparation of the pro-forma figures is not particularly significant, since those as at 30 June already represent the new Group boundaries, including in full the balance sheet balances as at 30 June 2022 of the equity investments acquired during the year up to the date of preparation of the financial statements, with the exception of the companies whose acquisition was contracted in the half-year (with binding contracts) but finalised afterwards (Xona, Cryptonet, Methodos).

In equity, the result of the subsidiaries achieved prior to the acquisition was deducted from the consolidated group result and allocated to retained earnings (losses). For the sake of clarity, the last column of the following table shows the contribution of the enlarged scope of consolidation to the changes in equity.

Reclassified Balance Sheet	31.12.2021	30.06.2022	Variaz.	Change %	Δ perim.
values in mln euro					
<i>Fixed assets</i>					
<i>Material activities</i>	0,6	0,7	0,1	11%	0,1
<i>Intangible Assets</i>	14,3	16,0	1,7	12%	0,9
<i>Financial assets</i>	1,3	1,4	0,0	1%	0,0
Total Fixed Assets A	16,3	18,0	1,8	11%	0,9
<i>Net Working Capital (NWC)</i>					
<i>Trade receivables</i>	13,8	17,1	3,2	23%	1,4
<i>Trade payables</i>	-6,7	-8,0	-1,3	20%	-0,4
<i>Other assets/liabilities</i>	-7,6	-7,8	-0,1	2%	-1,4
Total Net Working Capital (NWC) B	-0,5	1,3	1,8	-364%	-0,4
Net Capital Invested (CNI) A+B	15,8	19,3	3,5	22%	0,5
<i>Own and third-party means</i>					
<i>Shareholders' Equity</i>	16,4	19,1	2,7	16%	1,7
<i>Net Financial Position</i>	-3,1	-2,4	0,7	-22%	-1,2
<i>Other funds</i>	2,5	2,6	0,2	6%	0,1
Total equity and debt	15,8	19,3	3,5	22%	0,5



The value of fixed assets shows an increase of 11% due to the net effect of: i) investments in innovation during the period amounting to €1.9 million, ii) an increase in consolidation differences following the aforementioned acquisitions during the period amounting to €0.9 million, iii) an increase in the consolidation scope amounting to €0.9 million, and iv) amortisation and depreciation for the period amounting to €1.9 million, of which €0.7 million related to consolidation differences. Approximately 50% of the total value of fixed assets, amounting to approximately €9 million, is represented by consolidation differences; the remainder is mainly attributable to investments in R&D, technological development and the launch of new services on the market that have been made or are in the process of being made, as mentioned above.

In particular, the overall change in fixed assets during the year can be summarised as follows:

Fixed assets as at 31/12/2021	16,3
Investment in innovation and facilities 2022	1,9
Consolidation Differences	0,9
Delta perimeter	0,9
Diff. depreciation Consolidation	-0,7
Depreciation of other fixed assets	-1,2
Fixed assets as at 30/06/2022	18,0

The total investment paid for the participations in the period, including the payment of tranches of vendor loans from previous transactions, amounting to EUR 3.9 million was settled entirely in cash.

Of the above amount of EUR 3.9 million, a portion (EUR 0.9 million) generated an increase in consolidation differences in the Group's consolidated financial statements (as the difference between the price paid and the corresponding share of the net assets of the acquired companies); the difference was instead directly consolidated in the Group's assets and liabilities.

A special mention should be made of fixed assets in financial assets: these essentially consist of minority interests in other companies - the legacy of previous investment activity in digital start-ups. As also anticipated in the reports on previous years, for some investee companies, extraordinary transactions have recently taken place, consisting of capital increases and/or the entry of industrial partners in the share capital, which suggest that the current balance sheet values, measured at historical cost, may include some significant 'value reserves'. An initial assessment of the fair value of these assets would lead to a valuation of the portfolio that would certainly be higher than the current book value.



Details of minority interests can be found in the notes to the financial statements.

Trade receivables grew by 23% compared to 31 December 2021 and with a total amount of EUR 17.1 million exceeded those of the previous year by EUR 3.2 million. Slightly less than half of this increase - 1.4 million - is attributable to the newly consolidated companies, while the other half must be attributed to the organic growth in receivables (+13%), which, compared with an organic growth in turnover of 21%, shows a very positive trend in collections.

The increase in receivables is counterbalanced by an increase in trade payables of EUR 1.3 million. Here again, a significant portion of the increase (about one third) is attributable to the newly consolidated companies, while the remainder (EUR 0.9 million) is related to expenses accompanying the higher volumes of services sold.

Other working capital assets and liabilities are practically in line with the year-end figure, in fact the slight increase is due to the combined effect of several factors: (i) the change in the scope of consolidation, with the inclusion of the assets and liabilities of the companies acquired for €1.4 million (ii) the decrease in *vendor loans* for the payment of the tranches contractually due on the acquisitions made during the past financial years, which totalled €1.8 million and (iii) the increase in other short-term liabilities of the group to be attributed mainly to tax, social security and personnel payables for the remainder.

Details of the individual items and their changes can be found in the Notes to the Financial Statements.

The Group's Net Financial Position is summarised in the following table:

Consolidated Net Financial Position as at 31.12.21 and 30.06.22

values in mln euro	<u>31.12.21</u>	<u>30.06.22</u>
Net bank debt	-4,2	-2,4
Payables to Bondholders	1,1	0,0
<u>TOTAL NET FINANCIAL POSITION</u>	<u>-3,1</u>	<u>-2,4</u>

Negative net bank debt of EUR -2.4 million resulted from the positive balance (credit) between net cash on bank accounts and other financial assets totalling about EUR 26.5 million, and the medium- and long-term



loans taken out to support the Group's investments in the second half of the year, and amounting to EUR 24 million at the end of the half-year.

At the end of the year, the short-term credit lines, which were still fully available, were not utilised.

Also with reference to the NFP, it should be noted that in June, the last tranche of the conversion exercise of the residual portion of the convertible bond (POC) issued by the company at the IPO was exercised. The remaining portion of €1.1 million was converted practically in full given the more than favourable conversion ratio of €1.60 per share; redemptions amounted to only €41,000.

The components that generated the net improvement in NFP can be summarised as follows:

NFP as at 31.12.2021	-3,1	
Cash flow from operations	3,4	
Investment in Innovation	-1,9	OK
Expenditure on acquisitions (M&A)	-3,9	OK
Change in the scope of consolidation	0,6	OK
Conversion of the bond loan into capital		OK
Tot Change 1 H 2022	-1,8	
NFP as at 30.06.2022	-1,3	-2,7

The generation of operating cash flow in the year amounted to EUR 3.4 million, which was entirely absorbed by investments to drive the Group's innovation (R&D, development of technology platforms, launch of new digital services) and for acquisitions paid in the year.

The acquisitions made during the half-year and the consequent change in the scope of consolidation made a positive contribution of EUR 0.6 million to the NFP.

No dividends were paid during the period.

Related Party Transactions

During the period, transactions with related parties were conducted at normal market conditions and in the interest of the company and the Group.

Economic transactions mainly relate to relations of a commercial nature, defined on the basis of market conditions similar to those for transactions with third parties, and mainly refer to transactions deriving from the provision of services of a technological, administrative, financial and commercial nature.



As of 30 June 2022, DIGITAL360 S.p.A. directly and indirectly controlled the following companies:

- ICTandStrategy S.r.l. ('ICT& " or ICT&Strategy), 100% share;
- Partners4Innovation S.r.l. ('P4I'), 100% share;
- FPA S.r.l. ('FPA'), 100% share;
- IQ Consulting S.r.l. ('Iqc'), 100% share
- ServicePro S.r.l. ('Spro'), 100% share
- CTMobi S.r.l. ('CTMobi'), 100% share
- Imageware S.r.l. ('IMW'), 51% share
- Hi - Comm S.r.l. (HIComm'), 51% share
- ICTLAB PA S.r.l. ('ICTLAB'), 51% share
- Core Cube S.r.l. ('Core Cube'), 75% share
- Digital Sales S.r.l. ('Digital Sales'), 51% share
- Del Monte & Partners Comunicazione S.r.l. ('Del Monte'), 35.3% share (dominant influence, votes in shareholders' meeting over 50%)
- Digital360 Iberia S.L. ('D360 Iberia'), 100% share
- Business Publications Spain S.L. ('BPS'), 70% share through D360 Iberia
- Digixem S.r.l. ('Digixem'), 100% share
- Digital360 Uruguay SA ('D360 Uruguay'), 100% share through Digixem S.r.l.

The following table, prepared on the basis of the Parent Company's accounting data, shows the main intercompany transactions of an equity nature existing between DIGITAL360 and Group companies as at 30 June 2022.

Digital360 S.p.a.													
Description	P4I	ICT	Spro	Iqc	IMW	HiCom	CT Mobi	Digital Iberia	Core Cube	Digital Sales	ICT LAB	FPA	Total
Receivables from financial subsidiaries	-	-	-	-	-	-	-	-	70.257	-	-	-	70.257
Receivables from commercial subsidiaries	(2.696.275)	934.475	284.289	36.600	12.963	12.963	35.380	-	9.150	6.100	2.034	246.440	(1.115.882)
Receivables from subsidiaries for group VAT	473.411	156.009	-	-	-	-	-	-	-	-	-	19.474	648.894
Receivables from subsidiaries for tax consolidation	534.958	32.564	336.329	-	-	-	-	-	-	-	-	236.704	1.140.555
Receivables from subsidiaries for dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Invoices to be issued intercompany	-	-	12.618	-	-	-	-	-	-	-	-	-	12.618
Payables to financial subsidiaries	(58.218)	-	(757.913)	-	-	-	-	-	-	-	-	-	(816.131)
Payables to commercial subsidiaries	(536.346)	(42.940)	-	-	-	-	(198.797)	-	-	-	-	-	(778.083)
Payables to subsidiaries for group VAT	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables to subsidiaries for tax consolidation	-	-	-	(87.322)	-	-	-	-	-	-	-	-	(87.322)
Invoices to be received intercompany	(73.081)	(121.258)	-	-	-	-	(46.516)	-	-	-	-	-	(240.855)
TOTAL	(2.355.550)	958.849	(124.676)	(50.722)	12.963	12.963	(209.933)	-	79.407	6.100	2.034	502.618	(1.165.948)



For the sole purpose of facilitating comprehension of the table, an example is provided: as at 30.06.2022, DIGITAL360's financial payables to its subsidiary P4I amounted to EUR 58,218.

The following table, again prepared on the basis of the Parent Company's accounting data, shows the main intra-group transactions of an economic nature concluded between DIGITAL360 and Group companies in the first half of 2022.

Digital360 S.p.a.													
Description	P4I	ICT	Spro	Iqc	IMIW	HiCom	CT Mobi	Digital Iberia	Core Cube	Digital Sales	ICT LAB	FPA	Total
Intercompany services revenue	808.873	1.974.799	173.029	60.000	7.500	7.500	25.000	-	7.500	5.000	1.667	207.827	3.278.694
Intercompany serv/acq costs	(73.080)	(121.258)	-	-	-	-	(69.133)	-	-	-	-	-	(263.471)
Interest income vs. group	-	1.430	-	-	-	-	-	-	257	-	-	-	1.687
Interest expenses vs. group	(309)	-	(6.939)	-	-	-	-	-	-	-	-	-	(7.248)
TOTAL	735.484	1.854.971	166.089,76	60.000	7.500	7.500	(44.133)	-	7.757	5.000	1.667	207.827	3.009.663

Revenues earned by the parent company DIGITAL360 S.p.a. for services rendered to subsidiaries refer almost entirely to services rendered as operating parent company and specifically to (i) general services of Administration Finance and Control, Personnel Management, Legal Affairs; (ii) technological support for the development of online portals, technological platforms and software for the digitalisation of internal processes; (iii) strategic and market analyses conducted for the definition of development plans of subsidiaries and for the launch of new services.

Interest income and expenses refer to intra-group loans between the Parent Company and affiliated companies settled at normal market conditions.

Environmental and personnel information

Given the specific activity of the company, there are no significant elements: no damage caused to the environment, no inherent sanctions or charges. There was no non-compliance with the security measures necessary to contain the effects of the Covid-19 virus, also due to the almost total use of smart working, even after the lockdown, which made it possible to limit the risk of contagion among the company population.

There were no work-related events that resulted in injuries of any kind to employees, and more generally, relations with staff did not reveal any particular problems.

The table below summarises the number of employees at the end of the two periods:

Qualification	31.12.2021	30.06.2022
Managers	1	2
Quadri	27	30
Employees	190	240
Others (fixed-term employees)	75	83
TOTAL	293	355



The increase in headcount as at 30 June 2022 compared to the end of the previous year was 62, of which 41 were attributable to the consolidation of the companies acquired during the year and 21 to the growth of the workforce on a like-for-like basis (+9%). The growth in the workforce testifies to the ability to create real job opportunities even in such a difficult period as the one, still in progress, which is still strongly affected by the pandemic and the ongoing war events between Russia and Ukraine.

Main risks and uncertainties to which the company is exposed

Risks associated with the sector in which the Company operates

The Digital Innovation market is characterised by its large size and is undergoing a strong development phase. The fact, however, that it operates in a highly innovative context exposes the Group to the risk that innovation and the development of new technologies may not be as rapid as expected, also due to the uncertainties that generally characterise the prolonged health emergency that began over two years ago and that, although in a weak phase of regression, still has many uncertainties for the future, especially in the second half of the year, when a resurgence in the circulation of the virus is normally expected in the autumn period.

There are several components of uncertainty linked to the outcome of the conflict in Ukraine, and the amplification that it entails on the increase in production costs and on the final prices of products and services. These have led to a significant increase in inflation (around 8% in Italy), which can lead to a reduction in business and family spending, and therefore in consumption and investments, with a consequent contraction in national wealth and disposable income. But these increases have also reduced margins in some sectors (particularly the more energy intensive ones), with the possible risk of a slowdown or even a halt in production activities. At the monetary level, all this has led to the start of an upward trend in interest rates, which makes capital more expensive. Finally, the instability of the political framework and the uncertainties related to the implementation of development policies in our country before and after the general elections scheduled for October, contribute to creating a climate that is not favourable to the confidence and development of our economy.

At present, all these factors have had no significant effect on the Group's business activities, customers and procurement policies. But the company is constantly monitoring the situation in order to prepare for possible corrective measures.



Credit risk in relation to trade relations with customers

The Group has a solid portfolio characterised by primary customers that do not give rise to solvency concerns. The value of receivables shown in the balance sheet in any case takes into account the risk of non-collection, with appropriate write-downs. The revival in the autumn of the health emergency in relation to the spread of the Corona Virus should not have any particular impact on the solidity of the counterparties.

However, it cannot be ruled out that a possible worsening of the economic and financial environment in our country, also as a result of the elements outlined in the previous paragraph, could increase the difficulty of collecting receivables with the same timeframe as in 2021. In general, the amount of loan losses and writedowns has so far always been characterised by wholly insignificant amounts, which leads to the risk in question being considered very limited overall.

Interest rate risks

It is the Group's policy not to make speculative investments in financial products.

Current financial market conditions are such that a rise in interest rates is also favoured as a monetary policy to counteract the effects of inflation.

As mentioned in the report, the current acquisition plan has led to a level of debt that in the second half of the year will reverse the sign of the Net Financial Position (from credit to debt). Due to the consequent growth in financial expenses, potentially increased also by the growth in short-term (Euribor) and medium- and long-term (IRS) rates, the contracting of derivatives to hedge the risk of rising interest rates is currently being evaluated.

Exchange rate risks

To date, the Group has operated almost entirely in the euro area. Transactions settled in currencies other than the euro were very limited and related to sales of services abroad. Therefore, no significant exchange rate risks have been identified to date. The impact of the dollar's appreciation against the euro in the first six months of the year has so far been very limited.

On the other hand, for the future, the development of business in Latin American countries - where the company is evaluating acquisition operations - will expose the Group more to possible exchange rate risks between the euro and the currencies of the countries where the acquisitions will be finalised. The Group intends to implement exchange rate risk monitoring processes in order to implement all possible, if necessary, corrective actions.



Liquidity risks

The Group currently has a bank NFP in credit and has several deliberated and undrawn credit lines. The financial effort for the acquisitions undertaken in the semester and for those planned in the coming months is very important and will certainly reverse the sign of the NFP in the second half of the year: even in light of the use of resources from the financial system, the leverage ratio (third-party funds compared to total equity plus financial debt) is still estimated to remain very balanced, with liquidity risks on the whole contained.

Outstanding disputes

There were no disputes outstanding as at 30 June 2022.

Main events after 30/06/2022 and expected evolution of operations

In July, the acquisitions of the Methodos group and the company Cryptonet Labs S.r.l. were formalised (with the purchase of shares), which were discussed in detail in this report.

In July 2022, DIGITAL360 signed an agreement to acquire a 51% stake in **Meridiana Italia s.r.l.** ('Meridiana'). The transaction is expected to close in November 2022. Meridiana operates in the field of specialised services for the Public Administration ("PA"), supporting entities and institutions in the management of European programmes in Italy and the EU. The acquisition of Meridiana strengthens the presence of DIGITAL360 in the world of consulting services supporting innovation and digital transformation of PA, an area already covered by the Group through the companies FPA, ICT LAB PA and some practices of Partners4Innovation. Meridiana's entry into the DIGITAL360 Group allows Meridiana to pursue more quickly a twofold objective: to seize the opportunity of a fast-growing market, thanks also to the important financial resources arrived through the PNRR, and to provide its own contribution to the transformation and renewal of the PA, a goal of extraordinary importance for the entire country. Meridiana closed the financial statements as at 31 December 2021 with a value of production of EUR 4.7 million, an adjusted Ebitda of EUR 0.8 million, and a net financial position (NFP) in debt of about EUR 0.8 million. The half-yearly report for 2022 (not subject to external audit) shows a further increase in business, with revenues of about EUR 2.8 million, an Ebitda of over EUR 600,000, and an improvement in the NFP for the half-year of about EUR 1 million, mainly due to the operating cash flow generated.



At Group level, in addition to the good sales performance, commercial orders also showed signs of growth compared to the second half of 2021, which points to an overall positive trend for the full year 2022 and in line with the planned budget for the current year.

The company's activities and efforts in the second half of the year are largely aimed at finalising agreements to consolidate the Group's growth by external lines, with acquisitions in Italy and abroad.



APPENDIX 1 - Reference Market and Group Activities

DIGITAL360's entrepreneurial project stems from the awareness that digital innovation is the main driver of economic growth and modernisation for businesses and public administrations. The ongoing health crisis is helping to spread this awareness across all parts of our country: politicians, entrepreneurs, managers, civil servants, etc.

In this scenario, the mission of DIGITAL360, which is to accompany companies and public administrations in understanding and implementing digital innovation by facilitating encounters with the best technology providers and has been enriched with the purposes associated with its status as a Benefit Company, becomes even more important and urgent.

DIGITAL360 achieves this mission through an innovative business model, centred on an ecosystem involving all the main players in the world of Italian innovation: first and foremost, the companies and public administrations that need to invest more and more in digital transformation (tech buyers) and the suppliers of digital technologies, solutions and services (tech companies and start-ups), but also policy makers, institutions, scholars and politicians, who are increasingly understanding the strategic importance of digital innovation.

The Group's activities are divided into two business units that are profoundly innovating their respective markets:

- the 'Demand Generation' Business Unit, which supports digital innovation providers in making themselves known and getting in touch with new customers;
- the 'Advisory&Coaching' Business Unit, which works alongside companies and public administrations to help them in their digital transformation process.

Business Unit 'Demand Generation'

The Demand Generation Business Unit addresses all suppliers of digital innovation (over 90,000 in Italy, including vendors, software houses, system integrators, start-ups, etc.), supporting them in marketing and generating business opportunities.

The Demand Generation business unit is based on three service lines:

- Custom Services;
- Marketing & Sales Engine;
- Catalogue Services.



Custom services

This category includes services designed 'ad hoc' and customised on the basis of the specific needs of customers, usually medium to large-sized ones. These are projects, sometimes particularly articulated, that integrate:

- communication services, such as storytelling, content marketing, digital advertising plans, social plans, etc.
- public relations (PR) services
- organisation of physical or digital events, such as round tables and workshops, summits, large conventions, webinars, etc.
- lead generation services, such as profiling, business meeting generation, etc.
- open innovation projects, such as Call4ideas, Hackathons, etc.

The commercial strategy within this area is strongly oriented towards customer accounting, with the aim of positioning itself as the single point of contact for all customer marketing and lead generation activities, thereby maximising up-selling and cross-selling opportunities.

Marketing & Sales Engine

The approach called Digital Marketing & Sales Engine was launched at the end of 2018 and is the basis of the Demand Generation As-A-Service offer, which integrates DIGITAL360's editorial and technological assets together with its multi-disciplinary competences, to manage in an end-to-end logic all the online marketing and lead generation activities of client companies.

More specifically, the Engine allows

- generate an effective continuous flow of communication, integrating storytelling, SEO positioning, social amplification and digital PR for customers, leveraging content marketing based both on DIGITAL360 Network portals (outbound) and on customers' web properties (inbound);
- generate - on an ongoing basis - profiled contacts and concrete sales opportunities, leveraging Marketing Automation and 'gated content', such as white papers, reports, infographics, webinars, accessible to users only through registration.

Thanks to the acquisitions of Digital Sales and Delmonte & Partners made during the first half of 2022, the offer of this line of services was strengthened and expanded, including, in particular, technological services for the digitalisation of marketing and sales activities of B2b companies, through Marketing Automation and



CRM solutions based on the Hubspot software platform. Specifically, services were introduced and enhanced to enable the sales force to effectively use digital solutions, in particular CRM (*sales enablement*), services for analysing and improving the User Experience of client company sites, system integration services, etc.

This enables end-to-end management of all marketing and sales activities of client companies: from online positioning to the interception of online buyers, from lead generation to the management of all sales force prospects.

The Marketing & Sales Engine approach is able to guarantee greater revenue recurrence, greater scalability and, in perspective, higher margins. Thanks to the Engine, the strategy of this Business Unit is oriented towards an "As-A-Service" model, positioning DIGITAL360 as a true strategic partner that provides technological assets and a multidisciplinary team (consisting of experts in content, digital communication, SEO, social media, marketing automation and lead generation), which operates as if it were an "extension" of the client company's marketing department. This strategy aims at generating for customers a service with recurring revenue streams, with recurring pricing, and is particularly well suited to scale to multiple small- and medium-sized technology providers that are unable to internalise the specialised human resources required to perform online marketing and lead generation activities.

Catalogue services

These are 'standard' services, both from the point of view of the packages on offer and from the point of view of the results that can be achieved, and - for this reason - offered on the basis of a real catalogue. These services are occasionally purchased by customers who are - often - of low growth potential.

They fall within this category:

- 'standard' communication services, such as digital advertising packages (e.g. banners, buttons, direct eMailing, etc.), or content packages (e.g. online advertisements, videos, etc.);
- physical or digital events with predefined formats and targets, e.g. webinars, round tables, multi-sponsor events, etc;
- bundled lead generation services with pre-defined targets and results, both online and based on telephone marketing.

The strategy for catalogue services is based, on the one hand, on minimising the sales effort by leveraging marketing campaigns to push specific services and generate sales opportunities, and on the other hand, on a high level of attention in the pre-sales phase to verify the real 'standardisation' of the requested service and, thus, the marginality.



The Business Unit Demand Generation incorporates the services of several Group companies: ICT&Strategy, ServicePro, Imageware Group, CTmobi, Digital Sales, Spain's BPS, Del Monte and, for the part of services related to it, FPA.

Business Unit 'Advisory&Coaching'

The 'Advisory&Coaching' Business Unit addresses companies and public administrations through a unique service model, strongly based on methodologies, data and engineered and partly tool-based knowledge assets, which aims at overcoming the scalability and cost limits of classical consulting models.

In particular, the services provided can be divided into three types:

- Custom projects, which use distinctive competencies to offer customers, typically medium-sized and large companies and public administrations, projects characterised by a high level of customisation with regard to their needs to implement digitisation processes; these projects also allow the development of methodologies and data that can be easily reused even with smaller or less innovative companies;
- Engineered services, characterised by a high level of standardisation and based on the use of structured methodologies, tools and data. Due to their low cost and reduced complexity, these services can also be made accessible to small and medium-sized customers;
- Subscription Services (Advisory As-A-Service), which allow highly specialised digital-related activities of corporate clients to be taken over on an ongoing basis. These services are based on annual renewable or multi-year contracts and enable recurring revenue generation with periodic pricing. These services, which are also provided using tools to a considerable extent, as they are conceived and designed, can be rendered to medium-sized and large companies as well as to smaller customers.

Engineered Services and, above all, Subscription Services were given a major boost during the semester.

More precisely, strategic action was developed along three main directions:

- the acceleration of the development of engineered and tool-based services with particular reference to certain core competence areas (first and foremost Cybersecurity, but also GDPR, Audit&Compliance, Smart Working, Industry 4.0, Digital Capability, etc.), thanks also to the engineering of know-how developed in custom projects with large customers, which made it possible to standardise working methods and support tools;
- the further development and evolution of a number of 'Subscription' Services (Advisory As-A-Service) of annual or multi-year duration with periodic pricing (also these in the area of information security,



but in particular also the DPO - Data Protection Officer - services of GDPR 'As-A-Service' of CISO - Chief Information Security Officer as-a-service) and the related software-as-a-service tools to support them;

- the further development of the 360DigitalSkills and FPA Digital School platforms, two smart learning platforms on digital transformation topics, aimed at enterprises and public administrations respectively.

The 'Advisory&Coaching' Business Unit incorporates the services of several Group companies, Partners4Innovation, IQ Consulting, ICT LAB, Corecube and, for activities in this area, FPA. Since July, the group companies Methodos and CryptoNet have also been part of this BU.

Synergies between the two Business Units

The synergies between the two business units are important and two-fold, and are enriched by the expansion of the perimeter, and the new customers, markets, services and competencies acquired by the group:

- on the one hand, the 'Demand Generation' can rely on the experts and expertise of 'Advisory&Coaching' to produce more specialised content (articles, white papers, videos, etc.) and to animate events and workshops;
- on the other hand, the Business Unit 'Advisory&Coaching' can exploit the Digital Marketing&Sales Engine to generate new prospects on an ongoing basis (especially among small and medium-sized enterprises) and its key resources can enjoy high visibility on the Group's portals and events, positioning themselves as opinion leaders.



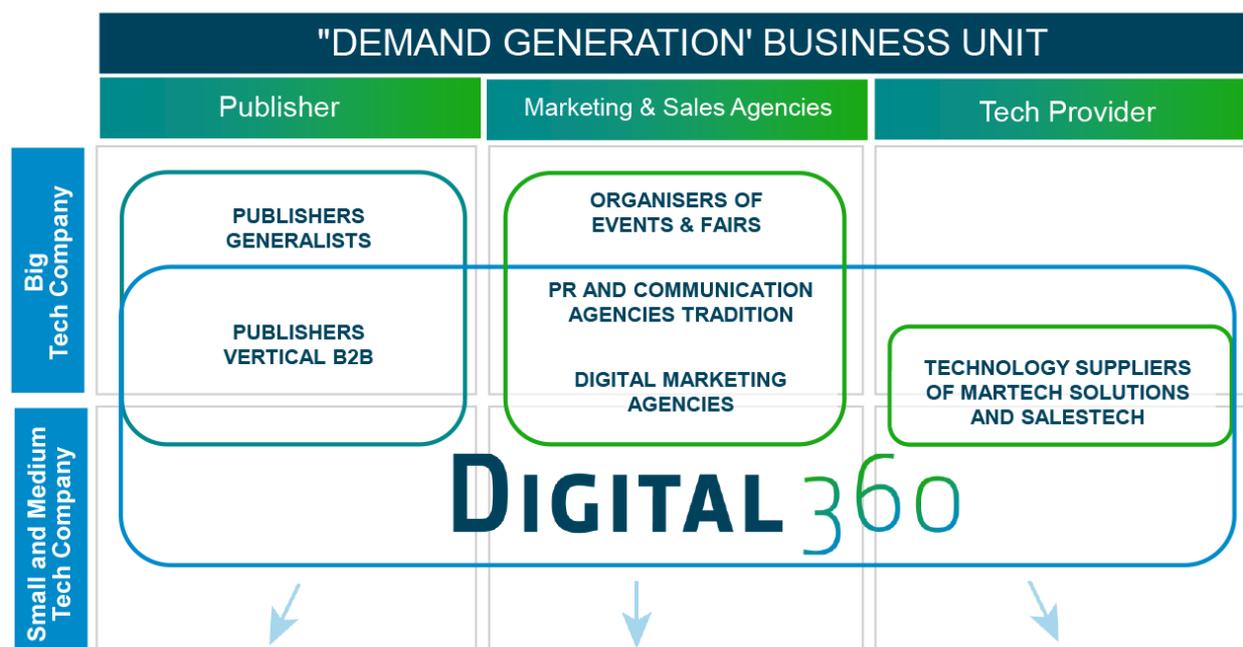
APPENDIX 2 - Competitive Positioning

Below is a concise representation, according to the Business Unit of reference, of DIGITAL360's competitive positioning, with an indication of the evolution underway.

Business Unit 'Demand Generation'

Competitors in the Demand Generation Business Unit can be classified on the basis of two main variables (see figure below):

- the type of customers served, distinguishing between large providers of digital innovations and smaller tech companies;
- the type of 'player' on the basis of the services offered, i.e. content providers (*Publishers*), marketing & sales agencies both 'traditional' and focused on digital services (*Marketing & Sales Agencies*), technology providers supporting Marketing & Sales activities (*Tech Providers*).



Three main distinctive elements of the Group can be highlighted in this scenario:

- digital publishing assets, constituting the largest online network focused on digital transformation and business innovation topics: 65 portals and newsletters, with a half-year average of 2.4 million unique visitors/month (and a peak of 3.0 million in January 2022), 100,000 keywords on the first page of Google and more than 620,000 followers on social media;
- the technological assets developed over years of investment, which constitute an integrated technological platform, capable of combining multiple solutions (content management system, marketing automation, customer relationship management, etc.) in a single environment;
- integrated positioning across the entire range of services, thanks to a critical mass that allows the coexistence of specialised teams in the different service lines (editorial content, events, lead generation and digital marketing).

These distinctive elements not only form the basis of DIGITAL360's competitive advantage, but also enable the Group to extend its offer more and more to smaller customers (including start-ups), thus penetrating a market that has a much higher cardinality than that of the large supplier sector, on which most of its competitors focus their offerings.

Advisory&Coaching' Business Unit

The competitive environment in which the Advisory&Coaching Business Unit operates can also be analysed on the basis of two dimensions (see figure below):

- the type of consultancy services offered;
- the type of customers served.

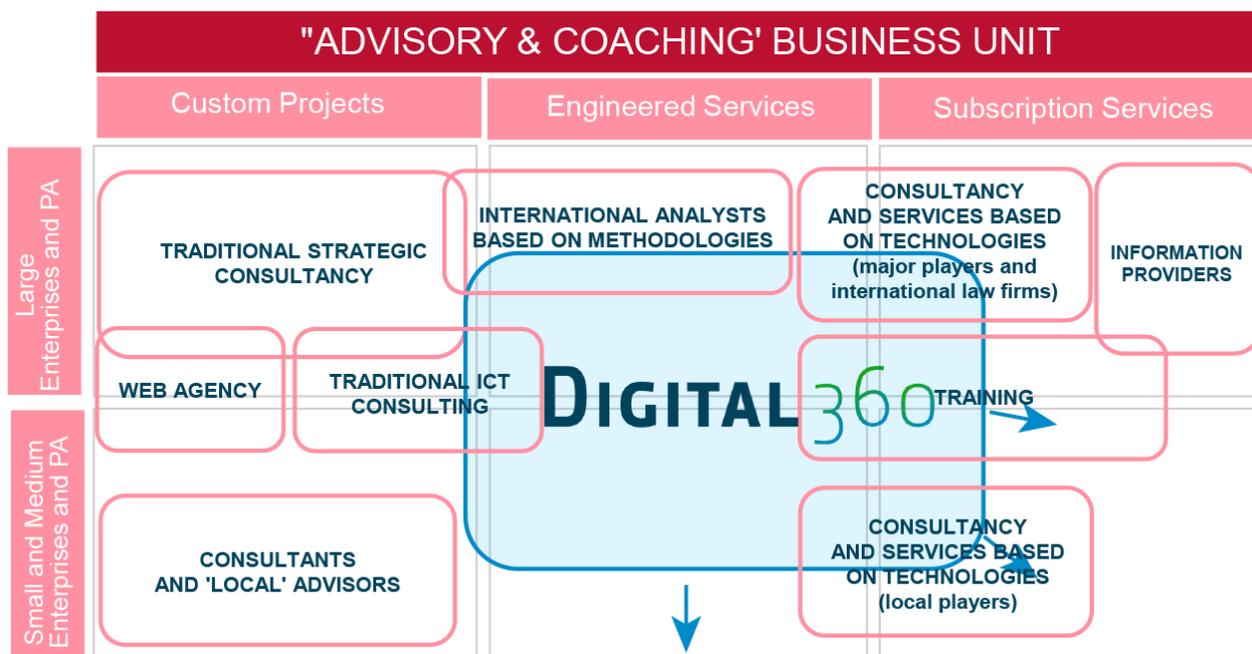
The type of consultancy services offered can in turn be classified into:

- customised projects, highly dependent on the effort in terms of people involved and characterised by a high level of customisation based on specific customer requirements;
- engineered services, characterised by a higher level of standardisation and based on the use of methodologies and data, which, in some cases, can also be delivered partially remotely through the use of digital technologies and channels and in a logic of recurring services with monthly charges;
- subscription services also based on technological tools that allow highly specialised activities relating directly or indirectly to the digital business of corporate clients to be taken over on an ongoing basis. These services are based on annual renewable or multi-year contracts and enable recurring revenue generation with periodic pricing.

The type of customers served can be classified into:



- small and medium-sized enterprises and public administrations;
- large enterprises and public administrations.



DIGITAL360's advisory model is based on three distinctive pillars, overcoming the scalability and cost limitations of traditional models.

- methodological assets and 'engineered' knowledge derived from the university matrices of some of the founding members of DIGITAL360;
- software tools that make it possible to base certain advisory services also on a technology platform delivered as-a-service;
- the Group's network of online portals and events, which represent a privileged channel for positioning and market access.

Thanks to these elements, the Group already has access to the market of medium-sized companies and public administrations, and will be able to further expand its position in this vast market by increasing its penetration also in smaller companies that today do not purchase - or purchase only marginally - consulting services for their digital transformation.



Balance Sheet Assets

DIGITAL360 S.p.A. Registered office: Milan Via Copernico 38 Share Capital: Euro 2,029,113.7 Milan Company Register No. 08053820968 REA No. 2000431 CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2022		
BALANCE SHEET - ASSETS	30.06.2022	31.12.2021
A) RECEIVABLES FOR PAYMENTS		
B) FIXED ASSETS		
I. Fixed Assets. Intangibles:		
1) start-up and expansion costs	46.010	9.872
2) development costs	3.286.970	3.182.514
3) industrial patent and intellectual property rights	1.168.011	940.854
4) concessions, licences, trade marks	90.479	17.284
5) Start-up	1.029.683	479.114
5a) Consolidation difference	8.991.416	8.786.776
6) Imm. in progress	266.101	85.250
7) other assets	1.110.252	818.348
Total intangible fixed assets	15.988.922	14.320.010
II. Tangible Assets		
1) land and buildings	300.513	290.204
2) Plant and machinery	26.044	11.172
3) industrial and commercial equipment	29.416	1.046
4) other assets	311.881	300.939
Total	667.854	603.360
III. Financial Fixed Assets		
1) participations in:		
(a) subsidiaries	9.117	
(b) affiliated companies	17.155	17.155
(d) other companies	109.858	109.858
IV. Credits		
(d) to others	1.226.035	1.217.252
Total participations	1.362.165	1.344.264
Total	1.362.165	1.344.264
TOTAL FIXED ASSETS (B)	18.018.941	16.267.635
II. Inventories		
1) Raw, ancillary and consumable materials	617	-
5) Advances	2.880	-
II. Credits		
1) towards customers	17.064.945	13.845.746
of which payable after ex.	-	-
4a) Tax Credits	480.357	442.053
of which payable after ex.	-	-
4b) Deferred tax assets	166.516	133.592
of which payable after ex.	-	-
5) towards others	344.588	408.817
of which payable after ex.	-	-
III. Financial assets not constituting fixed assets		
4) other participations	1.300	-
Total	18.061.203	14.830.208
IV. Liquid assets		
1) bank and postal deposits	25.721.119	12.695.951
3) cash and valuables on hand	1.322	4.783
Total	25.722.441	12.700.734
TOTAL CURRENT ASSETS (C)	43.783.644	27.530.942
D) ACCRUALS AND DEFERRALS		
(a) accrued income and prepaid expenses	780.206	691.572
TOTAL ACCRUALS AND DEFERRALS (D)	780.206	691.572
TOTAL ASSETS (A+B+C+D)	62.582.791	44.490.149

Consolidated Financial Report as at 30.06.2022 - DIGITAL360 S.p.A.



Balance Sheet Liabilities

0

DIGITAL360 S.p.A. Registered office: Milan Via Copernico 38 Share Capital: Euro 2,029,113.7 Milan Company Register No. 08053820968 REA No. 2000431 CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2022		
BALANCE SHEET - LIABILITIES	30.06.2022	31.12.2021
A) NET WORTH		
I. Group capital	1.963.646	1.897.546
II. Share Premium Reserve	11.876.040	10.884.540
IV. Legal Reserve	105.835	16.897
V. Reserve Own Shares in Portfolio	-388.982	-113.239
Merger surplus reserve	20.964	20.964
Expected cash flow hedge reserve	-2.217	-4.654
Other reserves	26.706	26.706
VIII. Reserve arr.to Euro	-6	-6
IX Reserve for capital increase		-
X. Retained earnings (losses) of the group	1.823.003	108.108
XI. Group profit (loss) for the year	1.463.637	1.803.835
TOTAL NET ASSETS of the group	16.888.625	14.640.696
Capital and reserves of third parties	1.825.275	1.581.597
Profit (loss) for the year pertaining to minority interests	375.532	165.368
TOTAL NET ASSETS of third parties	2.200.807	1.746.965
TOTAL NET ASSETS (A)	19.089.432	16.387.661
B) PROVISIONS FOR RISKS AND CHARGES		
1) for retirement benefits and similar obligations	699.291	699.291
3) Others	29.640	6.124
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	728.931	705.415
C) SEVERANCE PAY EMPLOYMENT (C)	2.591.507	2.355.347
D) DEBTS		
2) convertible bonds	-	1.099.200
of which payable after ex.	-	-
3) payables to shareholders for loans	123.123	-
of which payable after ex.	-	-
4) bank debts	22.791.595	8.522.367
of which payable after ex.	19.725.524	6.214.044
5) to other financiers	436.440	76
of which payable after ex.	-	-
6) advance payments	782.323	652.986
of which payable after ex.	-	-
7) payables to suppliers	8.013.374	6.690.168
of which payable after ex.	-	-
12) tax debts	2.262.856	1.152.501
of which payable after ex.	-	-
13) Due to social security institutions	912.562	657.221
of which payable after ex.	-	-
14) other payables	3.525.111	4.169.412
of which payable after ex.	-	-
TOTAL DEBTS (D)	38.847.384	22.943.931
E) ACCRUALS AND DEFERRALS		
(a) accruals and deferred income	1.325.537	2.097.795
TOTAL ACCRUALS AND DEFERRALS (E)	1.325.537	2.097.795
TOTAL LIABILITIES AND NET A+B+C+D+E	62.582.791	44.490.149



Profit and Loss Account

DIGITAL360 S.p.A. Registered office: Milan Via Copernico 38 Share Capital: Euro 2,029,113.7 Milan Company Register No. 08053820968 REA No. 2000431 CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2022		
PROFIT AND LOSS ACCOUNT	30.06.2022	30.06.2021
A) VALUE OF PRODUCTION		
1) revenues from sales and services	24.511.186	16.204.537
3) Changes in contract work in progress	-	-
4) Increases in fixed assets for internal work	1.405.823	705.961
5) other revenues and income	31.574	26.913
TOTAL PRODUCTION VALUE (A)	25.948.583	16.937.410
B) PRODUCTION COSTS		
6) for raw materials, consumables and goods	11.675	5.271
7) for services	11.992.348	7.001.924
8) for use of third party assets	396.854	302.429
9) for staff:		
(a) wages and salaries	6.120.332	4.266.692
(b) social security contributions	1.617.048	1.144.234
(c) severance pay	450.409	264.155
(e) other costs	38.404	859
Total personnel costs	8.226.193	5.675.940
10) depreciation and amortisation:		
a) amortisation of intangible assets	1.846.960	1.415.244
b) depreciation of tangible fixed assets	43.790	37.953
(c) write-down of receivables recorded as current assets	6.485	6.839
Total depreciation and amortisation	1.897.235	1.460.036
12) provision for risks	20.000	-
14) other operating expenses	307.286	208.159
TOTAL COSTS OF PRODUCTION (B)	22.851.591	14.653.758
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	3.096.992	2.283.652
C) FINANCIAL INCOME AND EXPENSES		
15) Income from participations		
- others	-	34
16) Other Financial Income		
- others	1.134	156
Total financial income	1.134	190
17) interest and financial charges:		
- towards others	213.279	131.042
Total interest and other financial expenses	213.279	131.042
17a) Foreign Exchange Gains and Losses	-1.437	1.771
TOTAL FINANCIAL INCOME/EXPENSES	213.582	129.080
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS	#N/D	#N/D
18) Revaluations:	-	-
Total revaluations	-	-
19) Write-downs:		
(a) of participations	-	6.851
Total write-downs	-	6.851
Profit before tax (A - B + - C + - D + - E)	2.883.410	2.147.721
22) Current, Deferred and Prepaid Income Taxes for the Year		
current taxes	322.677	138.000
deferred tax assets	58.764	93.424
income (expenses) from joining the tax consolidation scheme	662.800	548.223
Previous years' taxes	-	-816
Total income taxes for the year, current, deferred and prepaid	1.044.241	778.831
23) Profit (loss) for the year	1.839.169	1.368.890
About the group	1.463.637	1.368.890
Pertaining to third parties	375.532	-

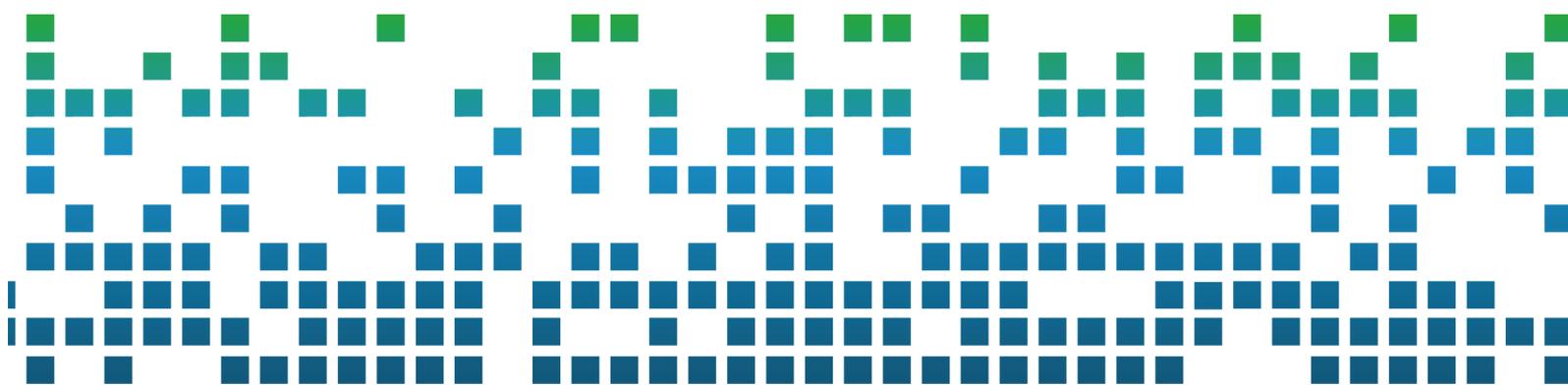


Notes to the consolidated financial statements for the year ended as at 30 June 2022

Parent company
Digital360 S.p.A

Registered office - Milan - Via Copernico, 38
Share Capital euro 2.029.113,7 i.v.

Tax Code 08053820968
Business register (REA) no MI 2000431



Notes to the consolidated financial statements for the year ended 30 June 2022

Members,

the consolidated financial statements for the year ended 30 June 2022, of which these notes form an integral part, have been prepared on the basis of the accounting records duly kept and in accordance with statutory regulations.

Introduction

As at 30 June 2022, DIGITAL360 S.p.A., the parent company of the group, controlled the following companies:

- **ICTandStrategy S.r.l.** (or ICT&, wholly owned), which offers communication and marketing services, lead generation, events and webinars, in the area of digital transformation. ICT&Strategy addresses the B2B market of all providers of digital solutions and technological innovation, offering them multiple services to make themselves known and get in touch with their customers (enterprises and PA).
- **Partners4Innovation S.r.l.** (or P4I, wholly owned), which, through professionals highly specialised in the different areas of digital transformation, provides advisory and coaching services to companies and public administrations that want to understand and evaluate the opportunities offered by digital to improve their processes, products and services;
- **FPA S.r.l.** (or wholly owned FPA), which promotes the meeting and collaboration between public administration, enterprises, the research world and civil society. FPA in particular assists public administrations, both central and local, in their paths of technological, institutional and organisational innovation and addresses all suppliers of digital solutions and technological innovations interested in such paths. FPA performs this accompanying role through multiple services: from the organisation of events and exhibitions to communication, from research to advisory and training;
- **ServicePro Italy S.r.l.** (or ServicePro wholly owned), which operates as a 'full service' marketing agency specialising in the realisation of complex events and the management of demand and lead generation campaigns. It caters in particular to large vendors of technology solutions and for some of them acts as preferred agency, managing important components of their marketing budgets;
- **IQ Consulting S.r.l.** (or IQC, wholly owned), an academic spin-off company active in the field



of Industry 4.0 and Supply Chain Management. IQC supports the innovation and strategic management of supply chains that design, supply, produce and distribute products and services by providing integrated logistics, technological, organisational and IT expertise.

- **CTMobi S.r.l.** (or wholly-owned CTMobi), which is mainly active in the development of Cloud-based software solutions, User Interface & Experience Design services and IT architecture development.
- **Imageware S.r.l.** (or Imageware) and **Hi-Comm S.r.l.** (or Hi-Comm) both 51% owned, together referred to as the 'Imageware Group'. The Imageware Group is one of the most prestigious and competent PR, marketing and communication agencies on the Italian scene. It operates in three main areas of activity: (i) Public Relations and Social Media; (ii) implementation of creativity and communication projects; (iii) organisation of physical and digital events. The Imageware Group is characterised by a strong specialisation in the Information & Communication Technology market and boasts important clients from different sectors, both private companies and organisations and institutional entities.
- **ICT LAB PA S.r.l.** (or ICT LAB 51% owned). The company, established in 2015, is based in Rome and offers consulting services aimed at accompanying the innovation paths of Public Administrations (PA). ICT LAB is controlled by virtue of agreements between the parties that allow DIGITAL360 to exercise a dominant influence over the company. In April 2022, as per previous agreements and as more accurately described in the acquisitions section of this same document, D360's stake in the company increased from 25.5% to 51%.
- **Corecube S.r.l.** ("Corecube" 75% owned), acquired in January 2022, the company specialises in the design of training courses for professionals who also need to update themselves in accordance with the obligations of their orders. The entry into the capital of Corecube makes it possible to expand DIGITAL360's offer of microlearning services dedicated to the development and updating of skills and attitudes, with particular reference to digital skills, of employees of companies and public administrations.
- **Digital Sales S.r.l.** ('Digital Sales', 51 % owned), the company is a start-up specialising in digital solutions to support B2B marketing and sales (MarTech and SalesTech). Digital Sales supports companies in the effective use of Marketing Automation and Customer Relationship Management (CRM) technology solutions.
- **Business Publications Spain S.L.** ('BPS' held 70 per cent through its subsidiary Digital Iberia SL, a wholly-owned subsidiary of D360), based in Madrid, acquired at the end of June. BPS is a company specialising in the production of content on digital innovation and information and communication technology (ICT). BPS offers technology companies a wide range of services



including events, webinars, content, communication campaigns, and lead generation programmes.

- **Del Monte & Partners Comunicazione s.r.l.** ('Del Monte' 35.3% owned). Acquired in June 2022, Delmonte is a company specialising in digital solutions to support B2B marketing and sales (MarTech and SalesTech)
- **Digixem S.r.l.** ('Digixem', wholly owned). The company was established by Digital360 to be the vehicle through which to acquire the holdings in the Latam region. As at 30 June 2022, the company includes only one equity investment in the sub-holding Digital360 Uruguay SA (formerly Rometa SA), a company incorporated under Uruguayan law, which will represent the hub of the Latam activities and will take care of their commercial, editorial and operational coordination, maximising synergies with the activities carried out in Italy and guaranteeing the acquired companies the full fungibility of the technological platforms developed by Digital360.

Consolidation Perimeter

The companies included in the scope of consolidation and consolidated on a line-by-line basis as at 30 June 2022 are shown in the table below:

Name and registered office	Capital Social	Quota owned %
DIGITAL360 S.p.A. Via Copernico, 38 - Milan	Euro 1,963,646.40	
ICTandStrategy S.r.l. Via Copernico, 38 - Milan	Euro 29,697	100%
Partners4Innovation S.r.l. Via Copernico, 38 - Milan	Euro 14,286	100%
FPA S.r.l. Via Ostiense, 92 - Rome	Euro 58,000	100%
ServicePro S.r.l. Via Mazzini, 5 - Cernusco Sul Naviglio (MI)	Euro 50,000	100%
IQ Consulting S.r.l. Via Copernico, 38 - Milan	Euro 10,000	100%
CT Mobi S.r.l. Via G.F. Ingrassia 22 - Catania	Euro 10,000	100%
Imageware S.r.l. Via Moretto da Brescia, 22 - Milan	Euro 10,400	51%

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Hi - Comm S.r.l. Via Moretto da Brescia, 22 - Milan	Euro 10,400	51%
ICTLAB PA S.r.l. Viale Europa, 140 - Rome	Euro 625,000	51%
Core Cube S.r.l. Via Copernico, 38 - Milan	Euro 10,000	75%
Digital Sales s.r.l. Via Salvatore Cutroni, 28 - Barcellona Pozzo di Gotto	Euro 10,000	51%
Del Monte & Partners Comunicazione s.r.l. Piazza Cavour, 3 - Milan	Euro 15,455	35,3%*
Digital360 Iberia S.L. Alcala, 93 - Madrid, Spain	Euro 10,000	100%
Business Publications Spain S.L. Camino de Valdenigrales, 6 - Pozuelo de Alarcón, Madrid	Euro 900,000	70%
Digixem S.r.l. ** Via Copernico, 38 - Milan	Euro 50,000	100%

* de facto control, majority of votes in the assembly.

** Digixem S.r.l. wholly owns Digital360 Uruguay SA (formerly Rometa SA), the latter company was not included in the consolidated financial statements as at 30 June 2022 due to insignificance. Assets USD 1,633, Share Capital USD 2,381. Revenue USD 150, loss for the year USD 1,197.

Please refer to the section 'Acquisitions' in the Report on Operations for details on the transactions.

Where deemed necessary, the effects of the change in the scope of consolidation have been disclosed in the notes to the financial statements.

Principles of Consolidation

The main consolidation criteria adopted for the preparation of the Consolidated Financial Statements are as follows:

- The carrying value of investments in consolidated subsidiaries is eliminated against the



corresponding portion of shareholders' equity, at the date of acquisition, against the assumption of the assets and liabilities resulting from the respective financial statements according to the line-by-line method. Any positive differences arising at the date of acquisition are allocated to individual asset items, where possible, or to the item 'Consolidation difference', which is amortised on a straight-line basis over a period deemed to be appropriate in view of its foreseeable future usefulness. Any negative differences are allocated to the item 'Consolidation reserves'; this means that the results of the subsidiary after the acquisition of control will be recognised in the income statement of the consolidated financial statements. In equity, the subsidiary's pre-acquisition results have been deducted from the consolidated group results and allocated to retained earnings (losses).

- Unrealised gains and losses arising from transactions between consolidated companies are eliminated, as are debit and credit entries and all other transactions between companies included in the scope of consolidation;
- the amount of capital and reserves of subsidiaries corresponding to third-party holdings is recorded under the equity heading 'Capital and reserves of third parties';
- the portion of the consolidated profit or loss corresponding to non-controlling interests is recorded under the caption 'Profit or loss for the year attributable to non-controlling interests'.

Accounting Principles and Valuation Criteria

The Consolidated Financial Statements as at 30 June 2022 have been prepared in accordance with the provisions of the Italian Civil Code.

The valuation of balance sheet items is in line with the general criteria of prudence and accrual, with a view to the continuity of the company's business.

The application of the principle of prudence entailed the individual valuation of the elements comprising the individual items of assets or liabilities, in order to avoid offsetting losses that had to be recognised and income that had not to be recognised as unrealised. In particular, gains were included only if realised by the end of the period, while risks and losses pertaining to the period were taken into account, even if known after the end of the period.

The application of the accrual principle meant that the effect of transactions was recognised in the accounts and attributed to the period to which these transactions related and not to the period in which the relevant receipts and payments were made.



During the period, there were no exceptional cases that made it necessary to depart from the valuation criteria prescribed by law. There were also no revaluations of assets during the period pursuant to special laws on the subject.

The preparation of financial statements requires estimates to be made that affect the values of assets and liabilities and related disclosures. Actual results may differ from these estimates. Estimates are reviewed periodically and the effects of changes in estimates, where not resulting from faulty estimates, are recognised in the income statement for the period in which they are found to be necessary and appropriate, if those changes affect only that period, and also in subsequent periods if the changes affect both the current and subsequent periods.

Where deemed necessary for greater understanding, the effect of the change in the scope of consolidation following the acquisitions completed during the year has been included.

Intangible fixed assets

They are valued at purchase or production cost, including any incidental expenses, and amortised systematically on a straight-line basis over their expected useful life.

Industrial patent and intellectual property rights, licences, concessions and trade mark registration fees are amortised over a period of five years.

Deferred charges that include development costs are capitalised when their future usefulness is demonstrated, there is an objective correlation with the related future benefits to be enjoyed by the Group, and their recoverability can be estimated with reasonable certainty. These costs are amortised over a period of five years. Acquisitions made during the period are amortised by applying the rate of one half.

The 'Consolidation difference' consists of the residual portion of the higher value paid with respect to the book equity of the consolidated companies resulting at the date of their acquisition, after taking into account the capital gains allocable to the specific asset items. The 'Consolidation Difference' is shown net of depreciation allowances determined according to the period of expected future usefulness. The expected future usefulness is determined by taking into account the specific characteristics of the sector in which the acquired companies operate and which supported the economic-financial motivations underlying their acquisition.

Leasehold improvements are depreciated over the period of future usefulness of the expenditure incurred or the remaining lease term, whichever is shorter.



Tangible fixed assets

They are recorded at purchase or production cost, including directly attributable expenses, and adjusted by the respective accumulated depreciation.

Tangible fixed assets are systematically depreciated in each period on a straight-line basis at economic-technical rates determined in relation to the remaining useful life of the assets.

Purchases made during the period are depreciated at the rate of half.

Type of tangible fixed assets	Rate %
Buildings	3%
Electronic office machines	12%
Furniture and furnishings	15%

Maintenance costs of an ordinary nature are charged in full to the profit and loss account.

No discretionary or voluntary revaluations were carried out and the valuations made are limited to the objectively determined value in use of the fixed asset itself.

If there are indicators of impairment of intangible and tangible assets at the balance sheet date, their recoverable value is estimated.

If their recoverable amount, meaning the higher of value in use and *fair value* less costs to sell, is less than the corresponding net book value, the fixed assets are written down. When it is not possible to estimate the recoverable amount of an individual fixed asset, this analysis is performed with reference to the so-called 'cash-generating unit' (hereafter 'CGU'), i.e. the smallest identifiable group of assets that includes the fixed asset being measured and generates independent cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

In the presence of an impairment loss, it is first allocated, if any, to reduce the value of the goodwill/consolidation difference allocated to the same UGC and recognised in the balance sheet, and then to the other assets, in proportion to their net book value.

The write-down made is not maintained in subsequent periods if the reasons for the adjustment cease to apply. The reversal of an impairment loss is made to the extent of the value that the asset would have had if the impairment loss had never been recognised, i.e. taking into account the depreciation that would have been incurred in the absence of the impairment loss. A reversal of an impairment loss recognised on goodwill/consolidation difference and deferred charges is not possible.



Financial Fixed Assets

Equity investments in non-consolidated subsidiaries and equity investments in other companies are valued at acquisition or subscription cost including incidental expenses, adjusted downwards for any impairment losses. The original value is reinstated in subsequent periods if the reasons for the write-down no longer apply. Receivables in the nature of financial fixed assets are valued at cost. Financial fixed assets include security deposits.

Investments in associates are valued according to the equity method. Associated or controlling interests in non-operating or non-significant companies are stated at acquisition or subscription cost adjusted for any impairment losses.

Credits

They are stated at estimated realisable value. The nominal value of receivables is adjusted to the estimated realisable value by means of a special allowance for doubtful accounts, to take account of already manifest, feared or latent uncollectability situations and general economic conditions, sector conditions and also country risk.

For these receivables, the company did not measure them at amortised cost, nor did it discount them to present value as all the receivables recognised have maturities of less than 12 months.

Cash and cash equivalents

Cash in hand is valued at nominal value, while bank and postal accounts receivable are valued at estimated realisable value.

Financial Assets Not Constituting Fixed Assets

Securities, participations and other financial assets not constituting fixed assets are recorded at the lower of purchase cost including incidental expenses and realisable value based on market trends.



Accruals and deferrals

Accruals and deferrals relate to portions of costs and income common to two or more consecutive periods, the extent of which is determined on an accrual basis.

Provisions for risks and charges

Provisions are set aside to cover losses or debts of a definite nature and of certain or probable existence, the amount or date of occurrence of which could not be determined at the end of the period. Provisions are quantified on the basis of estimates that take into account all information available at the date of preparation of these financial statements.

Derivative financial instruments

Derivative financial instruments are financial assets and liabilities recognised at fair value and are mainly used as hedging instruments to manage risks arising from exchange rate and interest rate fluctuations.

Derivatives are classified as hedging instruments only when, at the inception of the hedge, there is a close and documented correlation between the characteristics of the hedged item and those of the hedging instrument and this hedging relationship is formally documented and the effectiveness of the hedge, verified periodically, is high.

When derivatives hedge the risk of changes in the future cash flows of the hedged instruments (cash flow hedges), the effective portion of any gain or loss on the derivative financial instrument is suspended in equity. Gains and losses associated with a hedge for the ineffective portion are recognised in profit or loss. At the time the related transaction is realised, the cumulative gains and losses, recognised up to that time in equity, are recognised in profit or loss at the time the related transaction is realised (as an adjustment or addition to the income statement items impacted by the hedged cash flows). Therefore, changes in the relative fair value of hedging derivative financial instruments are recognised:

- in the income statement in items D18 or D19 in the case of a fair value hedge of a recognised asset or liability, as well as changes in the fair value of the hedged items (where the change in fair value of the hedged item is greater in absolute value than the change in fair value of the hedging instrument, the difference is recognised in the income statement item hedged);
- in a separate equity reserve (under item AVII "Reserve for expected cash flow hedges") in the case of cash flow hedges that offset the effects of the hedged cash flows (the ineffective component is classified in items D18 and D19).



For derivative financial instruments classified as trading, because they do not meet the requirements for hedge accounting, changes in fair value are recognised in the balance sheet and are charged to the income statement in items D18 or D19.

Severance Pay

The termination indemnity corresponds to the total of the individual indemnities accrued in favour of employees at the balance sheet date, net of advances paid, and is equal to the amount that would be payable to employees in the event of termination of employment on that date.

The accrued severance indemnity liability as of 30 June 2022 represents the actual liability accrued to employees in accordance with the law and current employment contracts, considering all forms of remuneration of an ongoing nature.

Debts

They are recognised at their nominal value, which is considered representative of the redemption value.

It should be noted that the company has not measured financial payables over 12 months at amortised cost as transaction costs, commissions and any other differences between initial value and maturity value are insignificant.

Foreign Currency Transactions and Items

Receivables and payables originally denominated in foreign currencies, recorded at the exchange rates prevailing on the date they arose, are aligned with the exchange rates prevailing on the balance sheet date. In particular, assets and liabilities not constituting fixed assets, as well as fixed financial receivables, are recorded at the spot exchange rate at the end of the period. Gains and losses resulting from the translation of receivables and payables are respectively credited and debited to the Profit and Loss Account under item 17a), "Foreign Exchange Gains and Losses".

Revenues and Costs

They are shown in the financial statements in accordance with the principles of prudence and accrual, with recognition of the relevant accruals, net of any returns, discounts and rebates.

Revenues and costs from the provision of services and financial income and expenses are recognised on an accrual basis as the service provision progresses.



The sale and purchase of goods are recognised when the exchange has taken place or the transfer of title has occurred.

Income Taxes

Taxes for the period are determined on the basis of a realistic forecast of the tax burden to be paid, in application of current tax legislation.

Deferred and prepaid taxes are determined on the temporary differences between the asset and liability values determined according to statutory criteria and the corresponding values determined for tax purposes. In particular, deferred tax assets, in accordance with the principle of prudence, are only recognised if there is reasonable certainty of their future recovery.

Any changes in estimates (including rate changes) are allocated to taxes for the period. No provision for taxes is made against taxable provisions or reserves in the event of distribution if such distribution is not probable.

As of the 2019 financial year, the parent company DIGITAL360 S.p.A. has adhered to the national tax consolidation regime, together with its subsidiaries ICT& S.r.l., P4I S.r.l., IQC S.r.l., FPA S.r.l. and ServicePro S.r.l..

As a result of this option, the IRES is determined on a tax base corresponding to the algebraic sum of the positive and negative taxable amounts of the individual participating companies.

The economic relations, as well as the mutual responsibilities and obligations, between the consolidating company and the subsidiaries are defined in the Consolidation Agreement signed between the Group companies.

Comments on items in the consolidated balance sheet

Activities

A) Receivables from shareholders for payments still due

This item had no value as at 30 June 2022.

B) Fixed assets, with separate indication of leased assets

As at 30 June 2022, this item amounted to €18,018,941 (€16,267,635 as at 31 December 2021), of which €15,988,922 was intangible fixed assets, €667,854 tangible fixed assets and €1,362,165 financial fixed assets.



Item B III 2) of financial fixed assets includes receivables for TFR and TFM insurance policies taken out by certain group companies, as required by the Civil Code.

B I - Intangible fixed assets

Intangible assets as of 30 June 2022 amounted to €15,988,922 (€14,320,010 as of 31 December 2021) and are broken down as follows:

- start-up and expansion costs: EUR 46,010;
- research, development and innovation costs: €3,286,970;
- industrial patent and intellectual property rights: €1,168,011;
- concessions, licences, trade marks: EUR 90,479;
- goodwill: €1,029,683;
- difference from consolidation: €8,991,416;
- Assets under construction: EUR 266,101;
- other intangible fixed assets: €1,110,252.

Changes in intangible assets during the year are shown below:

The consistencies of the major items are detailed below.

Description	31/12/21	Increases	Change in perimeter	Decreases	Other movements	30/06/22
1) start-up and expansion costs						
Original Cost	9.872		3.071		39.680	52.623
Depreciation	-			6.613		6.613
Net value	9.872					46.010
2) research and development costs						
Original Cost	8.418.881	675.577				9.094.458
Depreciation	5.236.368			571.121		5.807.488
Net value	3.182.514					3.286.970
3) industrial patent and intellectual property rights						
Original Cost	1.942.156	417.985	98.139		(39.680)	2.418.601
Depreciation	1.001.302			249.287		1.250.590
Net value	940.854					1.168.011
4) Licences and trademarks						
Original Cost	23.561	22.430	54.493			100.484
Depreciation	6.277			3.728		10.005
Net value	17.284					90.479
5) Start-up						
Original Cost	502.908	-	567.148			1.070.056
Depreciation	23.794			16.579		40.373
Net value	479.114					1.029.683
5a) Consolidation Differences						
Original Cost	13.865.083	841.037	87.413			14.793.532
Depreciation	5.078.306			723.809		5.802.116
Net value	8.786.776					8.991.416
6) Assets under construction						
Original Cost	85.250	157.696	23.155			266.101
Depreciation	-			-		-
Net value	85.250					266.101
7) other assets						
Original Cost	2.620.995	524.234	43.493			3.188.722
Depreciation	1.802.647			275.823		2.078.470
Net value	818.348					1.110.252
Total	14.320.011	2.638.960	876.912	1.846.960	-	15.988.922



Details of the main items that make up intangible assets are provided below.

2) Development and innovation costs

The item as at 30 June 2022 amounted to €3,286,970 (€3,182,514 as at 31 December 2021) and showed a net increase of 3% (€104,456 net of depreciation) compared to 31 December 2021.

Confirming its vocation strongly focused on development and innovation, during 2022 the company continued to make important investments, which are described in more detail in the Report on Operations - in the section on Group investments - with significant involvement also of its own structure and with the aim of preparing and enhancing the Company's service offer.

3) Industrial Patent and Intellectual Property Rights

The item as at 30 June 2022 amounted to euro 1,168,011 (euro 940,854 as at 31 December 2021) and consisted of software licences and the newspaper 'Corriere delle Comunicazioni'. The net increase for the period (euro 227,157) is due to both investments made during the period, using both internal and third-party resources, and to the different scope of consolidation for euro 98,137.

4) Concessions, licences and trade marks

The item as at 30 June 2022 amounted to €90,479 (€17,284 as at 31 December 2021), the balance is entirely due to costs incurred for the filing and registration of certain trademarks related to the new services offered including: "ENGINE360 marketing & sales as a service", "CISO360 cybersecurity as a service" and "DPO360 data protection as a service".

The increases for the period are due to both the registration of new trademarks - including DIGIXEM360, also related to the new operations in LATAM - for about Euro 20,000, and to the different scope of consolidation for about Euro 54,000.

5) Start-ups

As of 30 June 2022, this item amounted to €1,029,683 (€479,114 as of 31 December 2021), the increase is entirely due to the change in the scope of consolidation arising from the acquisition, through Digital Iberia SL, of the company BPS SL, which includes among its intangible assets the goodwill related to previously contributed branches of business. The remainder derives from the subsidiary ICT LAB acquired last year (also the subject of a previous business unit contribution transaction).

Goodwill is generally amortised over a period of 10.

The valuations made at the time of acquisition, as well as the results of the subsidiaries, do not necessitate any adjustments to the net value recorded in the balance sheet.



5a) Consolidation difference

As at 30 June 2022, this item amounted to €8,991,416 (€8,786,776 as at 31 December 2021) and related to the following companies:

Company	Amount
ICTandStrategy S.r.l.	968.221
Partners4Innovation S.r.l.	170.283
FPA S.r.l.	552.481
IQC S.r.l.	271.259
ServicePro S.r.l.	3.878.445
CT MOBI S.r.l.	339.716
Imageware S.r.l.	780.574
Hi-Comm S.r.l.	718.859
ICT Lab PA S.r.l.	890.187
Digital Sales S.r.l.	160.789
BPS SL	87.413
Del Monte & Prtns S.r.l.	173.189
Total	8.991.416

Movements for the period are given below:

Company	Balance as at 31 December 2021	Increases	Decreases	Adm.	Balance as at 30 June 2022
ICTandStrategy S.r.l.	1.089.073	12.480	-	133.332	968.221
Partners4Innovation S.r.l.	213.795	-	-	43.513	170.283
FPA S.r.l.	633.389	-	-	80.908	552.481
IQC S.r.l.	293.036	-	-	21.777	271.259
ServicePro S.r.l.	4.147.016	-	-	268.571	3.878.445
CT MOBI S.r.l.	359.699	-	-	19.984	339.716
Imageware S.r.l.	793.642	32.656	-	45.725	780.574
Hi-Comm S.r.l.	761.145	-	-	42.286	718.859
ICT Lab PA S.r.l.	495.979	443.961	-	49.753	890.187
Digital Sales S.r.l.	-	169.251	-	8.463	160.789
BPS SL	-	87.798	-	385	87.413
Del Monte & Prtns S.r.l.	-	182.304	-	9.115	173.189
Total	8.786.776	928.450	-	723.809	8.991.416

The consolidation difference is amortised over a period of 10 years, in the belief that the companies listed can manifest their profitability over a period of no less than this duration. In fact, these are either companies that have already been present in their respective sectors for several years and have an established position in the market, or more recently established companies with excellent medium- and long-term potential due to the skills they have acquired and the products/services they offer.

The increases for the period are almost exclusively attributable to the aforementioned extraordinary transactions that took place during the year and are described in more detail in the Report on Operations. The net increase in the period is attributable to new acquisitions, or increase in quotas, in the period and net of depreciation for the year.

As at 30 June 2022, no impairment indicators were identified.



It is therefore believed that the amount of the consolidation difference is reflected in the true economic value of the participations held and recoverable over the coming periods, given the expected profitability of the consolidated companies. In support of this, the following table summarises, for each company, (i) the balance as of 30 June 2022 of the consolidation difference, (ii) the net profit achieved in the first half of the year and (iii) equity as of 30 June 2022.

Company	Balance as at 30 June 2022	Net profit 2022 (Group share)	NP as at 30.06.2022 (Group share)
ICTandStrategy S.r.l.	968.221	214.661	1.574.122
Partners4Innovation S.r.l.	170.283	837.572	5.051.256
FPA S.r.l.	552.481	414.891	1.233.637
IQC S.r.l.	271.259	18.578	461.391
ServicePro Italy S.r.l.	3.878.445	691.663	2.213.706
CT MOBI S.r.l.	339.716	42.081	374.805
Imageware S.r.l.	780.574	141.889	814.139
Hi-Comm S.r.l.	718.859	99.892	266.516
ICT Lab PA S.r.l.	890.187	120.137	764.993
Digital Sales S.r.l.	160.789	35.469	112.920
BPS SL	87.413	-	702.732
Del Monte & Prtns S.r.l.	173.189	-	144.552
Total	8.991.416	2.616.833	13.714.769

It should be noted that the group's share of the profit for the current year is determined on the basis of the date of acquisition of the equity investment: as mentioned in the Report on Operations, the economic results of newly acquired companies are consolidated on a pro-rata temporis basis.

6) Assets under construction

The item as at 30 June 2022 was EUR 266,101 (EUR 85,250 as at 31 December 2021).

The increase is due, for about EUR 23,000, to the different scope of consolidation, and for the remainder to increases in the period for the company ICT LAB, above all, which has an internationalisation project underway, the expenses of which have not yet generated profits for the company.

7) Other Intangible Assets

As at 30 June 2022, this item amounted to €1,110,252 (€818,348 as at 31 December 2021).

This item includes, among others, the expenses related to the listing on the AIM Italia market (now Euronext Growth Milan) of DIGITAL360 S.p.A., which took place during the 2017 financial year, now almost at the end of their amortisation process, and the expenses related to the implementation and development of the unprotected ERP software used by the Group companies.

The increase, in addition to the development of the ERP, is related to the multi-year charges incurred for



the Group's internationalisation process, capital expenditures (in both cases more fully described in the report) and the development and updating of the CRM system.

The different scope of consolidation only affects the increase for the period by about EUR 43,000.

B II - Tangible fixed assets

Tangible fixed assets as at 30 June 2022 amounted to €667,854 (€603,360 as at 31 December 2021) and are broken down as follows:

Description	31/12/21	Increases	Change in perimeter	Decreases	Adm.	30/06/22
1) land and buildings						
Original Cost	415.028		15.324			430.352
Depreciation	124.824				5.015	129.839
VN	290.204					300.513
2) Plant and machinery						
Original Cost	12.453		26.412			38.865
Depreciation	1.282				11.540	12.822
VN	11.172					26.044
2) Industrial and commercial equipment						
Original Cost	1.046		28.856			29.902
Depreciation	-				486	486
VN	1.046					29.416
4) other assets						
Original Cost	852.308	14.995	22.697			890.000
Depreciation	551.370				26.749	578.119
VN	300.938					311.881
Net value	603.360	14.995	93.289	0	43.790	667.854

The item land and buildings refers almost entirely to the building owned by ServicePro S.r.l., where the company's business is conducted.

The remaining tangible assets mainly refer to electronic machines and furniture and fittings owned by Group companies. Movements for the period almost entirely concern the purchase of personal computers and, above all, increases related to the change in the scope of consolidation.

B III - Financial fixed assets

This item as at 30 June 2022 amounted to EUR 1,362,165 (EUR 1,344,264 as at 31 December 2021).

The balance as at 30 June 2022 is broken down as follows:

- Euro 9,117 for shareholdings in non-consolidated subsidiaries due to insignificance and valued at cost. As already mentioned, the cost represents the equity investment in the company Digital360 Uruguay (formerly Rometa SA), wholly owned through the company Digixem S.r.l., which in turn is wholly owned by D360;



- Euro 17,155 for investments in affiliated companies, no change from 31.12.2021;
- Euro 108,858 for investments in other companies, no change from 31.12.2021;
- Euro 1,226,035 (Euro 1,217,252 as of 31 December 2021) representing other receivables mainly for severance indemnity insurance and directors' TFM.

Below is a list of the participations held:

a) *Associated companies*

Name and location	Share Capital	Net assets	Profit/loss for the year	Share held	Balance sheet value
Solvo S.r.l. in liquidation	n.d	6.299	(4.776)	50,00%	3.150
Sparkling Lab Sagl (CH)	30,000 CHF	55.091	449	40,00%	14.005
Total					17.155

The figures of Shareholders' Equity and Profit/Loss for the year of Solvo S.r.l. refer to the final liquidation balance sheet

The figures for Shareholders' Equity and Profit/Loss for the year of Spakling Lab Sagl refer to 31/12/2021

b) *Other enterprises*

Name and location	Share Capital	Net assets	Profit/loss for the year	Share held	Balance sheet value
AppQuality S.r.l.	18.954	2.022.273	-1.692.129	5,79%	1.547
Club Italia investimenti S.p.A.	5.640.821	4.904.443	332.868	0,003%	300
Eurofidi	n.d	n.d	n.d	n.d	300
Digital Magics S.p.A.	9.834.677	24.776.328	-3.297.220	0,07%	37.500
Idri S.r.l.	1.057.324	6.025.532	549.436	1,25%	14.923
Ridemovi S.p.A.	120.026	11.796.648	-353.457	0,88%	2.438
First Round S.r.l.	14.286	46.295	10.989	15,00%	28.018
SATA S.r.l.	125.613	2.096.625	664.177	3,08%	6.832
Consortium EHT SCPA	2.500.000	4.580.507	1.166.519	0,40%	18.000
Total					109.858

a) Balance Sheet Data as at 31.12.2021

b) The figures of Shareholders' Equity and Profit/Loss for the year of Club Italia Investimenti S.p.A. are referred to 30/06/2021, the closing date of the company's fiscal year.

c) Balance sheet data as at 31.12.2020

As also mentioned in the reports on previous years, extraordinary transactions have recently taken place for some investee companies, consisting of capital increases and/or the entry of industrial partners in the share capital, which suggest that the current balance sheet values, measured at historical cost, may include some significant 'value reserves'.

An initial assessment of the fair value of these assets would lead to a valuation of the portfolio that would certainly be higher than the current book value.



C) Current assets

As at 30 June 2022, this item amounted to €43,783,644 (€27,530,942 as at 31 December 2021) and consisted of €3,497 in inventories, €18,056,406 in receivables, €1,300 in non-current financial assets, and €25,722,441 in cash and cash equivalents.

C II - Credits

Receivables in current assets amounted to €18,056,406 and are composed as follows:

Credits	30/06/22	31/12/21
1) Towards customers	17.064.945	13.845.746
4-bis) tax credits	480.357	442.053
4-ter) Deferred tax assets	166.516	133.592
5) towards others	344.588	408.817
Total	18.056.406	14.830.208

The change in receivables from the beginning of the period is mainly attributable to:

- the increase in trade receivables of €3,219,199 (+23%). The increase compared to the end of the previous year is due for €1,413,114 to the different consolidation perimeter, for the remainder it is connected to the increase in revenues during the year; more specifically, with the same consolidation perimeter, the increase would have been 13% against a 20% increase in revenues. All this demonstrates a particularly effective debt collection action, which did not show any significant slowdown even considering the economic context characterised by uncertainty;
- the increase in tax receivables, due to the net effect of the increase related to the new perimeter, euro 70,452, and the decrease mainly in the VAT receivable for about euro 47,000 as a result of its use in offsetting.
- The increase in deferred tax assets in the amount of €32,924, due to the net effect of the increase in the scope of consolidation in the amount of €94,572, on the one hand, and on the other hand, due to the utilisation of deferred tax assets on previous losses of the company ICT&, used to offset the IRES taxable income for the period of the same company.
- a decrease in other receivables of approximately 64,229, the combined effect of an increase related to the scope of consolidation for €18,964 and a decrease in other receivables, particularly personnel and credit card receivables, for the remainder.



The breakdown by maturity date of receivables as at 30 June 2022 is as follows:

Credits	Within 12 months	Over 12 months	30/06/22
1) Towards customers	17.064.945	-	17.064.945
4-bis) tax credits	480.357	-	480.357
4-ter) Deferred tax assets	166.516	-	166.516
5) towards others	344.588	-	344.588
Total	18.056.406	-	18.056.406

The breakdown of receivables by geographic area as at 30 June 2022 is shown below:

Credits	Italy	Foreign	30/06/22
1) Towards customers	16.739.503	325.442	17.064.945
4-bis) tax credits	480.357	-	480.357
4-ter) Deferred tax assets	166.516	-	166.516
5) towards others	344.588	-	344.588
Total	17.730.964	325.442	18.056.406

The stocks and changes in the items are detailed below:

1) Receivables from customers

Trade receivables, which totalled €17,064,945, are adjusted by means of an allowance for doubtful accounts of €304,885 (€298,400 as at 31 December 2021) in order to bring their nominal value down to their estimated realisable value.

The change in the provision during the period is entirely due to the provision to cover certain non-significant positions considered to be at risk of collection; no utilisation was recorded during the year.

Receivables from foreign customers amounted to EUR 325,442.

4-bis) Tax Credits

They amount to EUR 480,357 (EUR 442,053 as at 31 December 2021). Details are given below:

Description	30/06/22	31/12/21
IRES	17.254	1.760
IRAP	72.010	47.075
VAT	124.772	171.744
Super ACE Tax Credit	90.221	90.221
Other credits	176.099	131.253
Total	480.357	442.053



The increase in this item has already been commented on above.

Other receivables mainly include tax credits accrued on R&D activities related to 2021, as well as a residual 2020 still to be used for offsetting in subsequent years.

4-ter) Deferred tax assets

The item includes deferred tax assets totalling €166,516. This value refers to the recognition of deferred tax assets calculated on temporary differences for costs deductible in future years and on tax losses. For further details, please refer to the specific table attached to comment on taxes.

5) Receivables from others

They amounted to a total of €344,588 (€408,817 as at 31 December 2021) and are composed as follows:

Description	30/06/22	31/12/21
Security Deposits	65.101	59.800
Ant. A suppliers	268.516	245.485
Other credits	10.971	103.532
Total	344.588	408.817

The change has already been commented on above.

C IV - Cash and cash equivalents

Cash and cash equivalents amounted to €25,722,441 and were made up as follows:

Description	30/06/22	31/12/21
Bank and postal deposits	25.721.119	12.695.951
Case	1.322	4.783
Total	25.722.441	12.700.734

The balance as at 30 June 2022 shows a significant increase compared to 31 December 2021, as a result of: the new scope of consolidation for euro 1,286,261, the cash flow generated in the period and, above all, the new loans taken out in the first half of the year to support the acquisition plans.

The commentary on this individual item of the NFP appears to be of little significance because it should be examined as a whole together with financial payables: for a more complete analysis of this item, please refer to the more detailed discussion of the Group's Net Financial Position in the Report on Operations.



D) Prepayments and accrued income

They amounted to €780,206 (€691,572 as at 31 December 2021) and mainly refer to deferrals for costs pertaining to future periods.

In particular, this item includes, among others, prepaid expenses for rented office space and the cost of software licences whose duration straddles the year.

The increase is related to the effect of a perimeter differential of euro 42,747 and to a higher incidence, compared to December, of invoicing for services whose utilisation straddles the period. Details are shown in the table below:

Accrued income and prepaid expenses	30/06/22	31/12/21
Accrued income	91	10.762
Prepaid expenses	780.115	680.810
Total	780.206	691.572



Liabilities

A) Net assets

Consolidated shareholders' equity is made up as follows:

Description	30/06/22	31/12/21
I. Group capital	1.963.646	1.897.546
II. Share Premium Reserve	11.876.040	10.884.540
III. Revaluation Reserve	-	-
IV. Legal Reserve	105.834	16.897
V. Reserve Own Shares in Portfolio	(388.982)	(113.239)
VI. Statutory Reserves	-	-
VII. Other reserves:	-	-
Consolidation reserve	-	-
Merger Surplus Reserves	20.964	20.964
Expected cash flow hedge reserve	(2.217)	(4.654)
Other reserves	26.706	26.706
Reserve Arr.to Euro	(6)	(6)
VIII. Retained earnings (losses) of the group	1.823.003	108.108
IX. Group profit (loss) for the year	1.463.637	1.803.835
TOTAL NET ASSETS of the group	16.888.625	14.640.696
Capital and reserves of third parties	1.825.275	1.581.597
Profit (loss) for the year pertaining to minority interests	375.532	165.368
TOTAL NET ASSETS of third parties	2.200.807	1.746.965
Total NET ASSETS	19.089.432	16.387.661

The sum of items VIII and IX in 2021 does not coincide with item VIII in 2022 for the portion of profit allocated to the legal reserve, as better shown in the table below.

The reconciliation statement between the parent company's equity and result and the values in the Consolidated Financial Statements can be found in Appendix 2.

The following table summarises the changes that occurred in the DIGITAL360 Group's equity accounts during the year 2022.



Description	Balance as at 31/12/21	Destination result exer. prec.	Aucap conv PO (a)	More movements	Effects of changes in the consolidated scope	Result of the exercise.	Balance as at 30/06/22
Share Capital	1.897.546	-	66.100	-	-	-	1.963.646
Share premium reserve	10.884.540	-	991.500	-	-	-	11.876.040
Legal reserve	16.897	88.937	-	-	-	-	105.834
Merger Surplus Reserve	20.964	-	-	-	-	-	20.964
Reserve neg. For acq. Own companies	(113.239)	-	-	(275.743)	-	-	(388.982)
Expected cash flow hedging risk	(4.654)	-	-	2.438	-	-	(2.217)
Other reserves	26.706	-	-	-	-	-	26.706
Reserve Arr.to Euro	(6)	-	-	-	-	-	(6)
Profits (Losses carried forward)	108.108	1.714.898	-	(3)	-	-	1.823.003
Result for the year	1.803.835	(1.803.835)	-	-	-	1.463.637	1.463.637
Total	14.640.696	-	1.057.600	(273.308)	-	1.463.637	16.888.625
Profits (Losses carried forward)	1.581.597	165.368	-	-	78.310	-	1.825.275
Result for the year	165.368	(165.368)	-	-	-	375.532	375.532
Total third-party equity	1.746.965	-	-	-	78.310	375.532	2.200.807
Total Shareholders' Equity	16.387.661	-	1.057.600	(273.308)	78.310	1.839.169	19.089.432

(a) Capital increase by conversion of the convertible bond loan

I - Share Capital

As of 30 June 2022, the fully paid-up share capital of the parent company DIGITAL360 S.p.A. amounted to €1,963,646. The increase with respect to 31 December 2021 is determined by the exercise of 661 Convertible Bonds (of the 687 remaining), for a nominal value of euro 1,057,600, which allowed, according to the existing regulations, the subscription of 661,000 shares, on the occasion of the fifth, and last, conversion period from the Convertible Bond Loan (POC).

II - Share Premium Reserve

As at 30 June 2022, the Share Premium Reserve of the parent company DIGITAL360 S.p.A. amounted to €11,876,040, the increase was again due to the conversion of the POC that generated the share capital increase mentioned in the previous paragraph.

IV - Legal Reserve

As at 30 June 2022, the Legal Reserve amounted to €105,834, following the allocation of the legal portion of the profit resulting from the approval of the parent company's 2021 financial statements.



IV - Negative reserve for purchase of own shares

As at 30 June 2022, the (negative) reserve for the purchase of treasury shares amounted to EUR (388,982) and consisted of the equivalent value of 120,809 DIGITAL360 shares purchased between 2018 and 2022. The carrying value of the securities, EUR 3.22, is approximately EUR 1 lower than its current share price on the stock exchange, highlighting a potential reserve of value. For further details on the purchase plan, please refer to the Report on Operations.

VI - Merger Surplus Reserve

The item Merger Surplus Reserve of €20,964 is the result of mergers carried out in previous years. No changes occurred during the year.

VII - Other Reserves

This item is made up of (i) a cash flow hedge reserve of €(2,217), net of deferred tax assets, related to the fair value as of 30 June 2022 of a derivative instrument hedging the change in the variable interest rate of a loan taken out in February 2019 and (ii) other reserves of €26,706, which did not change during the period.

X-Profits (Losses) to new group

Retained earnings (losses) of the group amounted to €1,823,003, which increased following the allocation of the 2021 profit.

IX- Profit (Loss) for the year

The profit for the period amounted to Euro 1,839,169, of which Euro 1,463,637 pertaining to the Group and Euro 375,532 pertaining to third parties.

B) Provisions for risks and charges

Provisions for risks and charges as of 30 June 2022 amounted to euro 728,931 (euro 705,415 as of 31 December 2021) and consisted of the reserve for Directors' termination indemnity for euro 674,764, the reserve for agents' termination indemnity for euro 24,527 euros, by a provision for risks related to probable losses on an ICTLAB job order for 20,000 euros, and, for the remainder, by the provision for risks related to the fair value of the hedging derivative instrument (IRS) mentioned above; the value of the IRS is gross of deferred tax assets recognised in the balance sheet assets.



C) Severance pay

It amounts to €2,591,507 (€2,355,347 as at 31 December 2021) and represents the accrued debt to employees as at 30 June 2022. Below we provide details of the movements during the period:

Balance as at 01/01/22	2.355.347
Provision	450.409
Liquidated severance pay	-139.776
Payments to other Funds	-121.062
Changes in the scope of consolidation	46.589
Balance as at 30/06/2022	2.591.507

D) Payables

Payables amounted to €38,847,384 (€22,943,931 as at 31 December 2021) and are broken down as follows:

Description	30/06/22	31/12/21
1) due from shareholders for financing	123.123	-
2) Convertible Bonds	-	1.099.200
4) bank debts	22.791.595	8.522.367
5) payables to other lenders	436.440	76
6) advance payments	782.323	652.986
7) payables to suppliers	8.013.374	6.690.168
12) tax debts	2.262.856	1.152.501
13) Due to social security institutions	912.562	657.221
14) other payables	3.525.111	4.169.412
Total	38.847.384	22.943.931

The main reasons for the sharp increase in the balance compared to 31 December 2021 are shown below:

- Zeroing of the item 'Convertible Bonds' following the conversion into shares of the last tranche of the convertible bond (POC) in the June window, given the extreme convenience due to the share price well above the 'strike price' of EUR 1.60;
- increase in bank borrowings: this effect, totalling euro 14.3 million, is attributable in a small part to the different consolidation perimeter, euro 0.1 million, and for the difference of approximately euro 14 million to the balance of new loans obtained during the period (euro 15.3 million) net of repayments. As already illustrated in the report on operations, in order to support the process of acquisitions planned for the year, DIGITAL360 concluded several medium- and long-term financing contracts (directly and through its subsidiaries) during the half-year period (from four to six years in total duration): in addition to Banco BPM and Credem, which financed the Group for a total of 4.8 million euros, DIGITAL360 signed three financing contracts with Illimity Bank S.p.A. in June. The loans will provide the Group with an additional EUR 14 million (of which EUR 10.5 million had already been disbursed as at 30 June 2022) to support the acquisition programme, which, in



addition to the use of third-party financial resources, also includes the use of the Group's own resources.

All loans were granted at variable rates, and the company is considering hedging to minimise the risk of rising interest rates. The remainder of the new loans taken out in the period is, at the balance sheet date, largely in the company's accounts. As written in connection with the Group's cash and cash equivalents, this change should be seen in the context of the overall NFP, the changes in which are commented on in the Report on Operations;

- The increase in payables to other lenders refers for about Euro 252,000 to payables of the Spanish company BPS, and for the remainder to payables to SIMEST at ICT LAB and Del Monte;
- increase in the item advances from customers, entirely attributable to the companies Imageware and Hi-Comm. The change is closely linked to the increased turnover of the two subsidiaries;
- increase in trade payables of EUR 1,323,206 million. Approximately 30% of this change (EUR 0.4 million) is attributable to the different scope of consolidation, and the difference to the growth in expenses associated with the growth in business volumes. The like-for-like growth is, however, less than proportional to the growth in revenue;
- increase in tax payables due to both the change in the scope of consolidation, euro 394,185, and above all due to the effect of the increase in all tax payables, as commented in more detail below;
- increase in payables to social security institutions of €255,341: the change is mainly related to the increase in the number of employees compared to the previous period; the newly acquired companies contribute €50,944 to the increase in the balance. The number of employees at 30 June 22 was 355, compared to 293 at 31 December 2021;
- The item other payables shows a decrease due to the net effect of i) change in the scope of consolidation for €1,132,359, ii) maturity of part of the payables arising for the residual payment of the acquired equity investments (vendor loan), which decreased from €2,565,000 at the end of 2022 to €725,000 at 30 June 2022, and, finally iii) for the increase in payables, mainly to personnel for salaries, additional month's pay and other deferred charges.



The following is a breakdown of the maturity of payables as at 30 June 2022:

Debts	Within the next financial year	Beyond the next financial year	30/06/22
1) due from shareholders for financing	123.123	-	123.123
2) Convertible Bonds	-	-	0
4) Due to Banks	3.066.071	19.725.524	22.791.595
5) payables to other lenders	436.440	-	436.440
6) advance payments	782.323	-	782.323
7) Accounts Payable to Suppliers	8.013.374	-	8.013.374
12) Tax Payables	2.262.856	-	2.262.856
13) Payables to social security institutions	912.562	-	912.562
14) Other debts	3.525.111	-	3.525.111
Total	19.121.860	19.725.524	38.847.384

Foreign debts are of insignificant amount (about EUR 120,000).

4) Due to Banks

As at 30 June 2022, they amounted to €22,791,595 (€8,522,367 as at 31 December 2021) and are broken down by maturity as follows:

Description	Within the next financial year	Beyond the next financial year	30/06/22
Credit opening on current account	-	-	-
C/ Advances	-	-	-
Medium-term financing	3.066.071	19.725.524	22.791.595
Total	3.066.071	19.725.524	22.791.595

There are no third-party guarantees on the company's assets.

The portion of debt due beyond five years amounts to EUR 3.5 million.

6) Advances

As at 30 June 2022, this item amounted to €782,323 (€652,986 as at 31 December 2021). These are advance payments received from customers related to job orders not yet completed, the increase has already been previously commented on.

7) Accounts Payable to Suppliers

As at 30 June 2022, this item amounted to a total of €8,013,374, an increase of about 20% compared to 31 December 2021, as previously mentioned.



12) Tax Payables

They amounted to €2,262,856 as at 30 June 2022 (€1,152,501 as at 31 December 2021). The item Taxes payable includes liabilities for certain and determined taxes, for VAT and liabilities for withholding taxes as withholding agent.

Here are the details:

Tax debts	30/06/22	31/12/21
IRES	435.407	292.021
IRAP	286.549	164.550
VAT	656.620	183.882
Withholding taxes, Irpef	824.853	503.223
Other debts	59.427	8.825
Total	2.262.856	1.152.501

The increase in current tax payables is due to both the new consolidation scope of about EUR 77,000, and the increase in the IRAP and IRES payables due to the fact that the tax liability is almost the same as at year-end but netted only by the first advance payment.

The increase in the VAT debt, euro 472,738, relates to the different consolidation perimeter for euro 204,000, to the increase in the debt with respect to the end of 2021 for the remainder: it should be noted that the debt at year-end was net, and therefore benefited, from the December VAT advance.

The increase in the item withholding tax and IRPEF, euro 321,630, is a consequence of the different perimeter for approximately euro 77,000; the remainder is due to the increase in personnel costs, which increased by 45% over the same period last year.

As at 30 June 2022, there were no overdue and unpaid tax liabilities.

13) Payables to social security institutions

Payables to social security institutions as at 30 June 2022 amounted to €912,562 (€657,221 as at 31 December 2021), the item mainly refers to payables to INPS and social security funds. The increase is in line with the increase in personnel costs.

As at 30 June 2022, there were no overdue and unpaid debts.



14) Other debts

Other payables as at 30 June 2022 amounted to €3,525,111 (€4,169,412 as at 31 December 2021).

Other debts	30/06/22	31/12/21
Payables to employees	1.954.475	1.303.572
Other debts	1.570.636	2.865.840
Total	3.525.111	4.169.412

Below is a breakdown of other debts according to maturity:

Other debts	Within 12 months	Over 12 months	Total
Payables to employees	1.303.572	-	1.303.572
Other debts	2.865.840	-	2.865.840
Total	4.169.412	-	4.169.412

Payables to employees referring to the month of June 2022 were fully paid, according to the ordinary due dates, in the days immediately following the reference date.

The increase in payables to employees is in line with the increase in personnel costs.

The decrease in other payables has already been commented on above.

E) Accrued expenses and deferred income

These amounted to €1,325,537 as of 30 June 2022 (€2,097,795 as of 31 December 2021) and mainly consisted of deferred revenue pertaining to subsequent periods. The decrease mainly refers to the different periods considered and to the seasonality of December's revenue compared to June.

Accrued expenses and deferred income	30/06/22	31/12/21
Accrued expenses	344.821	163.874
Deferred income	980.715	1.933.921
Total	1.325.537	2.097.795

Comments on the items in the Consolidated Profit and Loss Account

As a preface to any comments on the changes in the individual items of the income statement, it should be noted that the main acquisitions in 2021 - ICTLab, Imageware and Hi-Comm - had been finalised in October.

Their impact on the income statement for the first half of 2021 was therefore nil.





A) Production value

The value of production amounted to 25,948,583 euros (16,937,410 as at 30 June 2021, +53%) and was made up as follows:

Value of production	30/06/22	30/06/21
Revenues from services	24.511.186	16.204.537
Changes in contract work in progress	-	-
Increases in fixed assets for internal work	1.405.823	705.961
Other revenues and income	31.574	26.912
Total	25.948.583	16.937.410

As already commented on in the report, revenue from services for the six months ended 30 June 2022 amounted to EUR 24.5 million, an increase of 51% compared to the same period in 2021, when it amounted to EUR 16.2 million. The increase was due to both organic growth, approximately EUR 3.4 million, and new acquisitions for the remainder.

The total production value amounted to EUR 25.9 million, compared to EUR 16.9 million in the previous year, an increase of 53%.

Among others, the resumption of activities related to in-person events, which had been partly suspended last year still due to the aftermath of the Covid-19 pandemic, certainly contributed to the growth in revenues.

Annual Recurrent Revenue (Annual Recurrent Revenue) from Digital-As-A-Service services continues to represent a portion of revenue from which the Group benefits significantly.

The value of production also includes the item "Increases in fixed assets for internal work" in the amount of €1,405,823, which doubled compared to the previous year (€705,961 as at 30 June 2021) due to the combined effect of the change in the scope of consolidation for about €250,000, new projects, including the internationalisation process, and development activities shown in the report and supported to a large extent by internal work.

The item "Other revenues and income" amounted to Euro 31,574, in line with the previous year (Euro 26,913), despite the increase in the perimeter, which amounted to about Euro 26,000. It should be noted that in the corresponding period of 2021, the item included a residual portion of non-repayable grants received from the State for the Covid-19 pandemic.



B) Production costs

Costs of production as at 30 June 2022 amounted to EUR 22,851,591 (EUR 14,653,758 as at 30 June 2021).

Production costs	30/06/22	30/06/21
6) for raw materials, consumables and goods	11.675	5.271
7) for services	11.992.348	7.001.924
8) for use of third party assets	396.854	302.429
9) for staff	8.226.193	5.675.940
10) depreciation and amortisation	1.917.235	1.460.036
14) Sundry operating expenses	307.286	208.159
Total	22.851.591	14.653.758

The increase compared to the corresponding period of 2021 is 56% (EUR 8,197,833), up 2 points as a percentage of revenue, from 86% to 88%. In detail, the change consists of the following:

- Higher costs for services of approximately EUR 4.5 million, mainly related to i) the different consolidation perimeter of EUR 1.8 million, ii) higher costs related to the resumption of in-person events and their scheduling compared to 2021; in this regard, it should be noted that in the previous year, the two largest events organised by the subsidiaries FPA and Service Pro had been organised in the second half of the year due to the restrictions related to the pandemic still in place, iii) general increase in costs for consultancy, personnel recruitment and travel expenses as in-person work had resumed at some clients. All these components account for about EUR 0.4 million increase.
- increase in lease and rental costs, almost exclusively related to the new scope of consolidation;
- The increase in personnel expenses of about EUR 2.6 million is attributable to (i) the increase in the workforce (22 additional employees compared to 30 June 2021 on a like-for-like basis), necessary to support the higher production volumes and the incentives paid to personnel recognised on the results achieved, and (iii) the different perimeter, which has an impact of EUR 1.5 million;
- increase of approximately EUR 0.4 million in depreciation, amortisation and write-downs, of which EUR 0.2 million was attributable to changes in consolidation differences following the acquisitions made in the half-year.

Going into detail on the individual items that make up production costs:

6) For ancillary raw materials, consumables and merchandise Costs for the purchase of consumables and merchandise amounted to €11,675 (€5,271 as at 30 June 2021) and refer to purchases of consumables of a mainly administrative nature.



7) For services

Expenses for services amounted to EUR 11,992,348 (EUR 7,001,924 as at 30 June 2021), details and a comparison with the corresponding period of 2021 are provided below:

Cost of production for services	30/06/22	30/06/21
Expenses for professionals dedicated to projects	3.578.733	3.117.450
Direct production costs	6.519.711	2.579.818
Professional consulting	275.343	137.411
Travel expenses	247.860	138.292
Commercial costs and advertising	257.399	56.487
IT and technology costs	742.005	660.673
Directors' costs, Board of Auditors, SB	279.193	254.117
Bank charges	4.012	2.435
Other services	88.092	55.242
Total	11.992.348	7.001.924

Service costs showed an increase in absolute value of EUR 4,990,424, of which about EUR 2 million related to the delta perimeter.

The costs incurred for professionals dedicated to projects include services in the 'Advisory' area (e.g. professionals involved in consultancy projects, etc.) and in the 'Demand Generation' area (e.g. for the drafting of articles for the Group's publications, for external experts' interventions at events organised by Group companies, etc.), as well as services in the technical and technological, administrative, tax and legal areas.

The main changes have already been commented on above.

8) For use of third party assets

These expenses amounted to €396,854 (€302,429 as of 30 June 2021) and mainly related to expenses incurred for the rental of offices used by the Group in Milan, Rome and Catania (where CT Mobi is based).

The change has already been previously commented on.

9) Personnel Expenses



They amounted to €8,226,193 (€5,675,940 as at 30 June 2021). This item includes the entire expense for employees, including merit improvements, category transitions, contingency increases, the cost of untaken leave and provisions required by law and collective agreements. The reason for the increase in this cost item has been mentioned above, while the incidence on revenue remains virtually unchanged compared to the corresponding financial year 2021.

The composition of the workforce is set out in the 'Other Information' section of these Notes to the Financial Statements.

10) Depreciation and Amortisation

a) Amortisation of intangible fixed assets

These expenses amounted to EUR 1,846,960 (EUR 1,415,244 as at 30 June 2021).

The amount as at 30 June 2022 shows an increase of about EUR 457,000 compared to 30 June 2021 and includes the amortisation of consolidation differences in the amount of EUR 723,809 (about EUR 544,000 as at 30 June 2021).

Slightly less than half of the increase is therefore attributable to consolidation differences related to acquisitions made during the year, the remainder to the different scope of consolidation in the amount of about Euro 100,000 and to capital expenditure for the period for the remainder.

b) Depreciation of tangible fixed assets

Depreciation of tangible assets amounted to EUR 43,790 (EUR 37,953 as at 30 June 2021).

c) Write-down of receivables recorded as current assets

The alignment of receivables to their presumed realisable value led to a provision in the period of EUR 6,485. So far, the Group has not had any significant problems recovering its receivables, despite the pandemic and the general macro-economic trend. The company has always had primary customers as counterparties, characterised by high equity solidity and reliable solvency.

12) Provisions for risks

The provision of euro 20,000 represents a loss risk on a job order of the company ICTLAB.



14) Operating expenses

Operating expenses amounted to EUR 307,286 (EUR 208,159 as at 30 June 2021) and are broken down as follows:

Sundry operating expenses	30/06/22	30/06/21
Sopp. Passive	88.742	92.224
Liberal donations	25.100	23.333
Travel and representation	69.691	14.360
Stationery and consumables	10.452	13.651
Taxes, stamps and endorsements	21.202	8.575
Membership fees	12.527	17.213
Losses on receivables	21	-
Other charges	79.551	38.803
Total	307.286	208.159

There are no significant or abnormal changes compared to the same period last year, the item travel and representation reflects the upturn in customer visits and increased mobility in general compared to the first half of 2021.

The effect of the delta perimeter amounts to about Euro 69,000.

C) Financial income and expenses

16) Other Financial Income

This item showed a balance of EUR 1,134 as at 30 June 2022, mainly consisting of interest income on arrears (EUR 190 as at 30 June 2021).

17) Interest and Financial Charges

This item amounted to €213,279 (€131,042 as of 30 June 2021) and refers for approximately €60,000 to financial expenses related to the Convertible Bond Loan (P.O.C.) issued at the time of the IPO for the value of €2 million (fixed rate 4.50%), which expired and was fully converted in June 2022. For the remainder, to interest expenses and charges for bank loans. The bulk of the new loans for the period were taken out between the end of May and June, and therefore only partly affected the amount of interest. The delta perimeter of consolidation affects the modest amount of about EUR 11,000.



17-bis) Foreign Exchange Gains and Losses

This item showed a negative balance of EUR 324 (EUR 1,771, positive, as at 30 June 2021).

D) Value Adjustments on Financial Assets

There were no changes in the current year, the 2021 balance of 6,851 referred to the alignment to the presumed realisable value of the investment in Solvo S.r.l., in liquidation.

TAXES

22) Current, Deferred and Prepaid Income Taxes for the Year

The period under review was burdened by current taxes of EUR 985,477 (EUR 686,223 as at 30 June 2021).

The item deferred tax assets shows a utilisation of €58,764 (€93,424 as of 30 June 2021), mainly due to the utilisation of the ICT company's past losses accumulated prior to the signing of the tax consolidation option.

The table below shows deferred tax assets as at 30 June 2022.

RECOGNITION OF DEFERRED AND PREPAID TAXES AND CONSEQUENTIAL EFFECTS	Amount of temporary differences	Fiscal effect
Deferred tax assets:		
Costs deductible in subsequent years (IRES)	12.623	3.031
Costs deductible in subsequent years (IRAP)	-	-
Costs deducted from previous years (IRES)	(20.366)	(4.888)
Costs deducted from previous years (IRAP)	(1.650)	(64)
Deductible losses in subsequent years (IRES)		-
Losses recovered during the year (IRES)	(236.839)	(56.841)
Total		(58.764)



Determination of IRES taxable income		
	30/06/22	30/06/21
Profit before tax	2.883.410	2.147.724
Theoretical tax burden (24% rate)	692.018	515.454
Taxable temporary differences	15.147	11.525
Deductible temporary differences	-	-
Reversal of temporary differences from previous years	(321.587)	(400.567)
Differences that will not be reversed in subsequent years	(55.446)	(220.775)
Amortisation of consolidation difference	723.809	543.567
Taxable income	<u>3.245.333</u>	<u>2.081.475</u>
Current income taxes for the year	778.880	548.223
Effective rate	27,01%	25,53%

Determination of IRAP taxable income		
	30/06/22	30/06/21
Difference between value and cost of production	3.096.992	2.283.655
Costs not relevant for IRAP purposes	8.185.176	5.791.967
Deductible costs due to specific legal provisions	6.778.650	5.476.039
Total	<u>4.503.518</u>	<u>2.599.584</u>
Theoretical tax burden (tax rate 3.9%)	175.637	101.384
Taxable temporary differences	-	-
Deductible temporary differences	-	-
Permanent differences	1.471.903	191.809
Amortisation of consolidation difference	723.809	543.567
Reversal of temporary differences from previous years	-	-
Taxable income	<u>5.292.704</u>	<u>3.334.960</u>
Current income taxes for the year	206.415	138.000
Imputed advance DL 34/2020 Art.24	-	-
Net tax	<u>206.415</u>	<u>138.000</u>
Effective rate	6,67%	5,31%



OTHER INFORMATION

Human Resources

As at 30 June 2022, the number of employees of the Group was 355 and was composed as follows:

QUALIFY	30.06.2022	31.12.2021
Managers	2	1
Quadri	30	27
Employees	240	190
Others (fixed-term employees)	83	75
TOTAL	355	293

As already commented in the report, the increase in headcount as at 30 June 2022 compared to the end of the previous year was 62, of which 41 were attributable to the consolidation of the companies acquired during the year and 21 to the growth of the workforce on a like-for-like basis (+9%). The growth in the workforce testifies to the ability to create real job opportunities even in such a difficult period as the one, still in progress, which is still strongly affected by the pandemic and the ongoing war events between Russia and Ukraine.

Information on financial fixed assets carried at a value higher than *fair value*

(Ref. art. 2427-bis first paragraph point 2, C.C.)

There are no financial fixed assets in the Group recognised in the Consolidated Financial Statements at a value higher than their *fair value*.

Information on financial instruments issued by the Group

(Ref. art. 2427, first paragraph, no. 19, C.C.)

DIGITAL360 S.p.a., as fully described in the Report on Operations, issued the following financial instruments:

- Shares: IT0005254252
- Convertible Bonds: IT0005254484, as at 30 June this instrument closed according to its schedule.



Information on the *fair value of derivative financial instruments*

(Ref. art. 2427-bis, first paragraph, no. 1, C.C.)

In the year 2019, the company entered into an IRS (Interest Rate Swap) hedging derivative product to hedge the interest rate risk of a bank loan, at variable rate, contracted with Unicredit. The original amount of the loan was euro 500 thousand maturing in 2024, the outstanding debt as at 30 June 2022 amounted to euro 309 thousand.

The effects of changes in the market value of the instrument are recorded in the balance sheet.

Own shares and shares in parent companies

As of 30 June 2022, the company had purchased 120,809 treasury shares, equal to 0.60% of the share capital, at a weighted average price of EUR 3.22 for a total value of EUR 388,982.

Remuneration of corporate bodies for the period

The remuneration allocated for the period for the Board of Directors of DIGITAL360 S.p.A. amounts to EUR 113,900.

The remuneration allocated for the board of auditors and the auditing company totalled EUR 36,700.

For the Board of Directors

The Managing Director



Annex 1 - Financial Statement

Cash Flow Statement 30 June 2022	30/06/22	31/12/21
A. Cash flows from operations (indirect method)		
Profit (loss) for the year	1.839.169	1.969.203
Income Taxes	1.044.241	1.334.760
Interest expenses/(interest income)	213.582	312.550
(Gains)/losses on disposal of assets	-	4.790
1. Profit (Loss) for the Year Before Income Taxes, Interest, Dividends and Gains/Losses on Disposal	3.096.992	3.621.303
<i>Adjustments for non-monetary items not reflected in net working capital</i>		
Provisions for severance pay	450.409	616.617
Depreciation of fixed assets	1.890.750	3.277.084
Impairment losses	-	6.851
Other adjustments for non-monetary items	(40.717)	(44.086)
<i>Total adjustments non-monetary items</i>	<i>2.300.442</i>	<i>3.856.466</i>
2. Cash flow before ccn changes	5.397.434	7.477.769
<i>Changes in net working capital</i>		
Decrease/(increase) in receivables from customers	(3.219.195)	(3.613.340)
Increase/(decrease) in trade payables	1.323.206	3.302.135
Decrease/(increase) in accrued income and prepaid expenses	(88.634)	(610.310)
Increase/(decrease) in accrued liabilities and deferred income	(772.258)	336.567
Other changes in net working capital	3.595.130	36.492
<i>Total changes in net working capital</i>	<i>838.249</i>	<i>(548.456)</i>
3. Cash flow after ccn changes	6.235.683	6.929.313
<i>Other corrections</i>		
Interest received/(paid)	(213.582)	(312.550)
(Income taxes paid)	(702.612)	(1.291.649)
Dividends received	-	-
(Use of funds)	(214.249)	(324.652)
<i>Total Other Adjustments</i>	<i>(1.130.443)</i>	<i>(61.524)</i>
Cash flow from operations (A)	5.105.240	6.867.789
B. Cash flows from investing activities		
<i>Tangible fixed assets</i>		
(Investments)	(108.284)	(221.899)
Divestment realisation price	-	-
<i>Intangible fixed assets</i>		
(Investments)	(2.587.421)	(2.964.525)
Divestment realisation price	-	-
<i>Financial fixed assets</i>		
(Investments)	(2.059.200)	(6.053.537)
Divestment realisation price	-	1.111
<i>Financial assets not held as fixed assets</i>		
(Investments)	-	-
Divestment realisation price	-	-
<i>Acquisition or disposal of subsidiaries</i>		
Cash flow from investing activities (B)	(4.754.905)	(9.238.850)
C. Cash flows from financing activities		
<i>Third-party means</i>		
Increase (decrease) in short-term payables to banks		
Funding start-up	15.300.000	3.500.000
Other financing (delta perimeter)	436.364	-
Net proceeds (redemption) Convertible bond loan	(41.600)	-
Loan Repayments	(1.030.772)	(758.862)
Payables for the acquisition of participations (Vendor Loan)	-	-
M&A balance payment (Vendor Loan)	(1.840.000)	2.565.000
<i>Own means</i>		
Paid-in capital increase	-	3.508.323
Shareholder financing (delta perimeter)	123.123	-
Sale (purchase) of own shares	(275.743)	(73.894)
Dividends (and interim dividends) paid	-	-
Cash flow from financing activities (C)	12.671.372	8.740.567
Increase (decrease) in cash and cash equivalents (A ± B ± C)	13.021.708	6.369.506
Cash and cash equivalents as at 1 January	12.700.734	6.331.228
Cash and cash equivalents as at 30 June	25.722.441	12.700.734



Annex 2 - Reconciliation between the Statutory Financial Statements and the Consolidated Financial Statements

Reconciliation statement between the statutory financial statements as at 30 June 2022 and the consolidated financial statements
(euro)

	Heritage <u>net</u>	Result <u>net</u>
SHAREHOLDERS' EQUITY AND RESULT OF THE PARENT COMPANY	14.727.211	(413.661)
Net assets and net results of consolidated companies	16.202.100	2.966.867
Elimination of book value of consolidated participations	(20.696.948)	
Consolidation Differences	9.580.494	
Amortisation of consolidation difference	(723.425)	(723.425)
Amortisation of goodwill in ICT&		9.388
Rounding		
TOTAL EQUITY/NET PROFIT	19.089.432	1.839.169
of which third-party assets and results	2.200.807	375.532
GROUP EQUITY AND CONSOLIDATED RESULT	16.888.625	1.463.637
	19.089.432	1.839.169

