

**STAR**



# **FINANCIAL STATEMENTS**

as at 31 December 2022

STAR-7.COM



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## Dear Shareholders,

The 2022 results confirm the validity of the strategy we presented at the IPO in December 2021, which we have successfully implemented over subsequent months. Despite a macroeconomic scenario that was profoundly different to what we had forecast at the end of 2021, we managed to meet our targets, demonstrating the solidity of our business model.

We have reached and exceeded the 15 million EBITDA threshold (+87% compared to 2021 FY, with an EBITDA margin of 18.6%), below which we were committed to cancelling the PAS, the special shares held by key shareholders; The Group's revenues reached € 83.3 million, showing an increase of 41.1% compared to the 2021 FY figures and pro-forma revenues also registered an increase of 14.3%. In addition, we were able to take the Debt/EBITDA ratio from 3.9x at the end of 2021 to 2.3x at the end of 2022, which gives us the appropriate financial flexibility to support the external growth that we intend to continue to pursue.

"As far as the performance of our Service Lines is concerned, Global Content services substantially maintained its market share, while growing significantly in absolute value, thanks to the expansion in the US market. Printing services increased their proportion of the Group's total revenues, mainly due to the acquisition of major new customers in the educational publishing sector in Brazil, which has proved to be an excellent diversification opportunity." Engineering, Experience and Product Knowledge posted a slight increase in revenues, in absolute terms, compared to the previous year, and will be further strengthened in 2023.

These good results are the result of our ability to integrate our recent acquisitions, of organic growth - driven by the acquisition of new customers in every market in which STAR7 is present - and of the cross-selling of services according to our Integrale<sup>7</sup> business model. But that's not all.

In 2022, we carried out our M&A projects with the acquisition of Vertere, an Italian company active in Global Content services (translation and localisation) and, at the end of the year, with the rental of the CAAR-STI business unit, specialised in engineering solutions (mainly process engineering) for the Aerospace & Defence, Railway, Agriculture, Energy, Logistics, Infrastructure and Electronics sectors.

The latter, in particular, represents a new opportunity to make an important leap as a Group, both in terms of size and strategic positioning. In fact, we are confident that this transaction will help to rebalance the distribution of revenues from the three service lines as early as the beginning of 2023, making Engineering a top service in our portfolio and increasing cross-selling opportunities, especially in relation to Product Knowledge services.

The results obtained allow us to look with satisfaction at what has been achieved so far and push us to reconfirm our growth strategy with well-founded optimism. We will continue our search for strategic targets to acquire, especially internationally and with particular focus on Engineering, Experience and Product Knowledge services, with the aim of continuing to increase the quality and value of our offer.

I conclude by noting that all this is possible only thanks to the people who work at STAR7 every day with commitment and dedication, to the customers who choose our services and continue to place their trust in us, to the shareholders who believe in our business model and in our growth potential, and to all the stakeholders who support us and push us to do better and better.

**Lorenzo Mondo**  
**Chairman and Chief Executive Officer of STAR7 S.p.A.**

# Corporate Governance

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On 4 May 2021, the Board of Directors and the Board of Statutory Auditors were appointed, and will remain in office until the shareholders' meeting to approve the Financial Statements as at 31 December 2023.

The independent auditors will remain in office until the approval of the Financial Statements as at 31/12/2023.

## Board of Directors

**Lorenzo Mondo:** Chairman of the Board of Directors and Chief Executive Officer

**Josef Zibung:** Director

**Isabella Mondo:** Director

**Maria Luisa Vada:** Director

**Andrea Farina:** Director

**Roberto Manzoni:** Director

**Paolo Rebaudengo:** Independent director

## Board of Statutory Auditors

**Fabio Venegoni:** Chairman of the Board of Statutory Auditors

**Alberto Bodiglio:** Standing auditor

**Vincenzo Gambaruto:** Standing auditor

**Cristiano Lenti:** Alternate auditor

**Stefano Cernuschi:** Alternate Auditor

## Independent Auditors

**BDO Italia S.p.A.**

## Supervisory Board

pursuant to Legislative Decree 231/2001

**Giordano Balossi**

**Paolo Sarzanini**

**Vincenzo Gambaruto**

# REPORT ON OPERATIONS

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**Consolidated Financial Statements  
as at 31/12/2022**

Dear Shareholders,  
the Consolidated Financial Statements  
as at 31.12.2022 show a profit of:

**€ 3,425,494**  
(€ 2,470,920 as at 31/12/2021)

# 1

## Operating conditions and business development

The STAR7 Group operates in the fields of translation and interpreting, automation of translation processes and language technologies, technical editing and content *engineering*, dedicated IT development, and print *on demand*. Pursuant to art. 2428, we inform that the Parent Company's activities are carried out at the head office in Alessandria, hamlet of Valle San Bartolomeo, and at the local units in Asti, Turin, Pistoia, Maranello and La Spezia. As of January 2023, following the finalisation of the business lease agreement between C.A.A.R S.p.A. and STI S.r.l. on 31/12/2022, two additional offices in Turin and Bolzano are operational. In legal terms, the Parent Company STAR7 S.p.A. directly or indirectly controls the following companies, which carry out activities that are complementary to and/or functional for the Group's core business:

Name	Registered office	Currency	Share capital in foreign currency	Shareholding	Share held in %	Interest in %	Activities
STAR7 PRINTING S.R.L.	ASTI - ITALY	Euro	10,000	Direct	60%	60%	printing & logistics
VERTERE S.R.L.	PIACENZA - ITALY	Euro	20,000	Direct	100%	100%	translation
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE - BRAZIL	Real	1,448,205	Direct	75%	75%	printing, logistics, technical authoring
CAL COMUNICAÇÃO LTDA	BELO HORIZONTE - BRAZIL	Real	500,000	Direct	75%	75%	logistics
STAR USA LLC	DOVER - DELAWARE - USA	USD	5,000	Direct	100%	100%	translation, technical authoring
TECHWORLD LANGUAGE SERVICES INC.	TROY - MICHIGAN - USA	USD	890	Indirect	100%	100%	translation
THE GEO GROUP CORPORATION	MADISON - WISCONSIN - USA	USD	2,000	Indirect	100%	100%	translation
STAR7 ALBANIA SHPK	TIRANA - ALBANIA	Lek	500,000	Direct	100%	100%	translation, technical authoring
STAR7 GMBH	LINZ - AUSTRIA	Euro	35,000	Direct	100%	100%	translation, technical authoring
LOCALEYES LTD	CORK - IRELAND	Euro	-	Direct	100%	100%	translation
LOCALEYES TIRANA	TIRANA - ALBANIA	Lek	-	Indirect	100%	100%	translation
LOCALEYES MADRID	MADRID - SPAIN	Euro	-	Indirect	100%	100%	translation
LOCALEYES - AMSTERDAM	AMSTERDAM - NETHERLANDS	Euro	-	Indirect	100%	100%	translation
LOCALEYES HELSINKI	HELSINKI - FINLAND	Euro	-	Indirect	100%	100%	translation
LOCALEYES USA	SAN FRANCISCO - CALIFORNIA - USA	USD	-	Indirect	100%	100%	translation

## 2

# Operating performance

The 2022 financial year saw a continuation of the growth path that has always characterised STAR7's history, driven both the organic component – increasingly through cross-selling activities – and M&A activity through targeted strategic acquisitions. During the financial year, two important transactions for STAR7 were realised, but of a different nature. The first saw STAR7 acquire the entirety of Vertere srl in July. The rationale for this acquisition was, on the one hand, obtaining an important customer in the packaging sector and, on the other hand, the acquisition of specific technical expertise in the integration and optimisation of IT systems related to the Global Content service line. One of Vertere's former owners was appointed head of language systems integration and automation, given his history of important activities in this area also for LocalEyes, acquired by STAR7 in November 2021, which will bring significant efficiencies and margin improvements.

The second transaction, completed on 31/12/2022, which has therefore not yet had any effect on this financial year, saw STAR7 realise an important step in strengthening its activities in the field of process engineering in the Automotive, Aerospace & Defence, Railway, Agriculture, Energy, Logistics, Infrastructure and Electronics sectors both in Italy and abroad.

STAR7 signed a Lease Agreement for the Business Unit comprising CAAR S.p.A., based in Turin, rights similar to real rights of enjoyment over the Foreign Subsidiaries in Brazil and Serbia, as well as another Lease Agreement for the Business Unit of the subsidiary STI s.r.l., based in Bolzano, which is controlled by CAAR S.p.A.

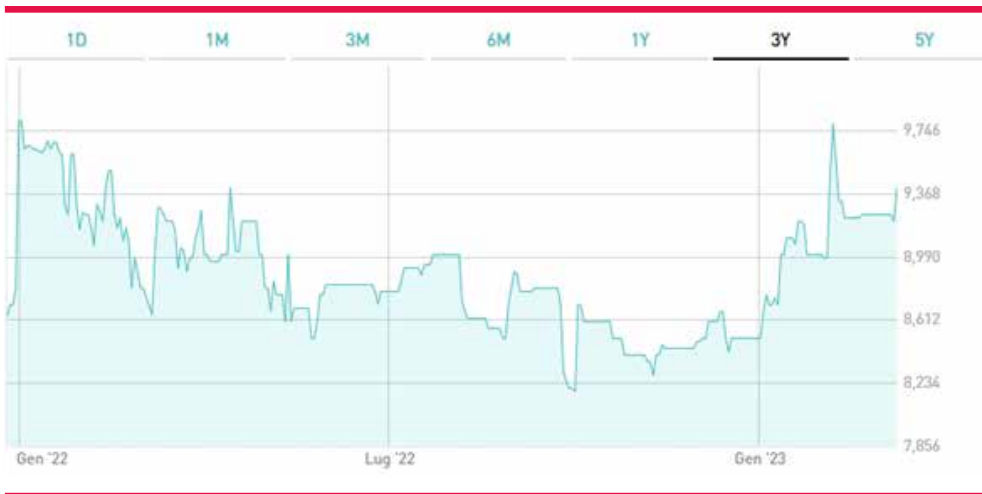
Both leases took effect on 1 January 2023 and include activities for customers (of primary standing, in the Automotive, Defence and Agriculture sectors) with an estimated turnover of approximately €15 million in 2022 and the employment contracts of approximately 320 employees, the vast majority of whom are engineers. This acquisition will enable Engineering activities to become a leading service line in STAR7's portfolio of offerings, laying the groundwork for developing a business that, in terms of revenue, can match that of the Global Content division.

The operating margin of the CAAR Group's business can be improved through efficiencies and synergies that can be realised quite easily since there are several customers in common.

By moving upstream in the product information value chain and embracing strategic engineering activities even more strongly from now on, the Integrale7 approach will be further enhanced, consolidating the partnership with our customers as a single provider of a range of closely related services. The need to carry out this acquisition by leasing the two business units was to allow the CAAR Group to finalise its debt restructuring operation.

The lease of the Business Units signed with STAR7 is therefore aimed at providing continuity, guaranteeing both supply to customers and employment for all employees. Concurrently with the signing of the leases, STAR7 sent an Irrevocable Purchase Proposal, which will become operative following the closing of the CAAR Group's debt restructuring transaction.

Just over a year after STAR7 joined the Euronext Growth Milan market, the stock's performance has been more than satisfactory, as can be seen in the following graph.



The stock, which was placed on 23 December 2021 at a price of €8.25 per share, closed on 31/12/2022 at € 8.50 per share, but with an upward trend in early 2023. The escalation of the conflict in Ukraine had no particular effect on STAR7's activities. On the contrary, translation activities into that language increased in some areas. The range of services offered and growing international presence confirm STAR7's resilience, allowing it to continue on its growth path.

It is important to emphasise that this growth trend was realised across the board at both regions and service line level. The newly acquired LocalEyes increased its turnover and confirmed the expected EBITDA level, the Brazilian subsidiary further increased its turnover to close to R\$ 40 million, and the US subsidiaries achieved almost US\$ 6 million in turnover. In terms of sales distribution, Italy was the first market with 58% (76% in 2020) followed by the USA with 28% (8% in 2020) and Brazil with 6% (7% in 2020).

STAR7 has increasingly taken on the structure and configuration of a multinational company, positioning itself as a solid partner in offering its services to large international groups.

Margins (EBITDA) also remained at 2 digits in percentage terms reaching 18.6% (it was 14.0% in 2021) as a result of internal reorganisation activities, the growth of the offshoring business realised by STAR Albania and the contribution related to the LocalEyes acquisition.

Financial performance, which still includes the total debt related to the acquisition of LocalEyes whose repayment plan will start in 2023, saw stable NFP in absolute terms but significantly improved leverage considering EBITDA growth. The company is in a balanced situation, having the liquidity available to continue its development path, which includes both internal growth but certainly also further activities in the M&A area, for which possible target companies have already been identified. STAR7's research and development activities in the field of Virtual, Immersive and Augmented Reality received official recognition following its participation, as a guest on the IVECO stand, for the first time at the IAA Transportation - Europe's largest trade fair



dedicated to commercial transport, which took place in Hannover, Germany, from 20 to 25 September 2022 - presenting two virtual training experiences dedicated to the sales and after-sales world. Today, the STAR7 Group is able to deliver state-of-the-art solutions in the areas of Virtual Training, Virtual Showrooms and Product Experience, by making the most of its technical information management skills acquired over time through engineering and technical authoring. Following the significant activities carried out during 2022 and the results obtained, STAR7, despite the international context complicated by the events linked to the escalation of the Russian-Ukrainian conflict, began 2023 by confirming its growth path, also strengthened by the opportunities linked to the acquisition of CAAR's business units. In September, STAR7 Engineering S.r.l. and AD Studio S.r.l. were merged by incorporation with retroactive effect from 1 January 2022. These consolidated Financial Statements therefore include the costs and revenues of the two merged companies from 01/01/2022 to 31/08/2022.

### 3

## Research and development activities

Pursuant to Article 2428, paragraph 3, number 1 of the Civil Code, the following disclosures are made:

During 2022, as well as in the previous five-year period, as in part already formally explained in the Report on Operations in the Parent Company's previous individual Financial Statements, the Group carried out research and development projects, eligible for subsidies pursuant to article 3 of Decree no. 174 of 29 May 2015 of the Ministry of Economy and Finance (pursuant to Law Decree 145/2013 converted into Law 190/2014).

As a leading Group in the field of language and translation services, both on the national and international geographic market, we have in fact implemented Experimental Development Projects, where the development activity consisted in the conceptual definition and implementation of new products, processes or services. The Group has developed high value-added editorial technologies in the various Business Areas (Authoring, Language Services, After Sales), succeeding in developing innovative ideas and applications of already existing services, as well as co-developing - also with dedicated internal resources - and increasing the potential and integration of already available software and creating new integrated platforms.

It is the Group's intention to continue to boost, also in subsequent years, the development of new activities characterised by a degree of innovation with respect to its reference market, through a series of initiatives that will primarily involve human resources, external consultants and technical equipment

### Operating review of the sectors in which the Parent Company and the investee companies operate

As far as both the parent company and the investee companies are concerned, the past financial year must be considered positive. The Parent Company and its investee companies increased their market share in both the translation and print/authoring sectors and significantly increased revenues in the defence sector.

## 4

## Summary of the Consolidated Report (figures in Euros)

	31/12/2022	31/12/2021	CHANGE	% CHANGE
Net sales revenues	83,251,178	58,992,426	24,258,752	41.1%
Gross operating margin (M.O.L. or EBITDA)	15,456,603	8,264,051	7,192,552	87.0%
Operating income (EBIT)	7,670,967	3,990,782	3,680,185	92.2%
Consolidated net income	3,425,494	2,470,920	954,574	38.6%
Consolidated net income attributable to the Group	3,094,552	2,183,084	911,468	41.8%

	31/12/2022	31/12/2021	CHANGE	% CHANGE
Fixed assets	46,906,517	47,814,979	-908,462	-1.9%
Total net equity	29,493,367	25,505,057	3,988,310	15.6%
Net equity attributable to owners of the Parent	28,302,091	24,600,741	3,701,350	15.0%
Net financial position	35,095,011	31,908,255	3,186,756	10.0%

The change in the net financial position reflects the year's performance, which saw a significant increase in turnover.

### Key consolidated income data

The reclassified consolidated income statement compared with the income statement for the same period of the previous year is shown below (in Euros):

	31/12/2022	31/12/2021	CHANGE	% CHANGE
Net revenues	83,251,178	58,992,426	24,258,752	41.1%
Other income	1,588,134	1,003,507	584,627	58.3%
Changes in inventories and increases in fixed assets	145,499	28,824	116,675	404.8%
External costs	-40,298,974	-28,767,306	-11,531,668	40.1%
<b>VALUE ADDED</b>	<b>44,685,837</b>	<b>31,257,451</b>	<b>13,428,386</b>	<b>43.0%</b>
Personnel costs	-29,156,658	-22,977,581	-6,179,077	26.9%
<b>EBITDA</b>	<b>15,529,179</b>	<b>8,279,870</b>	<b>7,249,309</b>	<b>87.6%</b>
Amortisation, depreciation, write-downs and other provisions	-7,858,212	-4,289,087	-3,569,125	83.2%
<b>OPERATING PROFIT (LOSS)</b>	<b>7,670,967</b>	<b>3,990,783</b>	<b>3,680,184</b>	<b>92.2%</b>
Financial income and charges	-2,298,841	-632,967	-1,665,874	263.2%
<b>PROFIT (LOSS) BEFORE NON-RECURRING ITEMS</b>	<b>5,372,126</b>	<b>3,357,816</b>	<b>2,014,310</b>	<b>60.0%</b>
Revaluations and write-downs	-	751	-751	-100.0%
<b>PROFIT BEFORE TAX</b>	<b>5,372,126</b>	<b>3,358,567</b>	<b>2,013,559</b>	<b>60.0%</b>
Income Taxes	-1,946,632	-887,647	-1,058,985	119.3%
<b>NET PROFIT (LOSS)</b>	<b>3,425,494</b>	<b>2,470,920</b>	<b>954,574</b>	<b>38.6%</b>

The M&A transactions carried out to date have generated goodwill in the amount of € 33.6 million, resulting in amortisation of € 4.0 million, as better detailed in the Notes to the Financial Statements (section B). In order to give a similar representation to that adopted by other European companies, we point out that the result for the financial year 2022, before depreciation and amortisation, would be € 7.4 million. In order to provide a clearer picture of the Group's earnings performance, the following table shows certain profitability indicators compared with the same indicators for previous years' Financial Statements.

	31/12/2022	31/12/2021
ROE	11.6%	9.7%
ROI	11.9%	7.0%
ROS	9.2%	6.8%

## Key consolidated balance sheet data

The reclassified balance sheet compared with the previous year's figures is as follows (in Euros):

	31/12/2022	31/12/2021	CHANGE	% CHANGE
Net intangible fixed assets	39,248,910	41,085,421	-1,836,511	-4.5%
Net property, plant and equipment	6,906,497	6,468,229	438,268	6.8%
Equity investments and other financial fixed assets	751,110	261,329	489,781	187.4%
<b>CAPITAL ASSETS</b>	<b>46,906,517</b>	<b>47,814,979</b>	<b>-908,462</b>	<b>-1.9%</b>
Inventories	2,468,151	1,414,322	1,053,829	74.5%
Trade receivables	29,485,759	23,599,347	5,886,412	24.9%
Receivables due from associated and unconsolidated subsidiaries	683,938	1,564,767	-880,829	-56.3%
Other receivables	5,845,649	4,661,684	1,183,965	25.4%
Accrued income and prepaid expenses	2,003,290	1,632,214	371,076	22.7%
<b>SHORT-TERM OPERATING ASSETS</b>	<b>40,486,787</b>	<b>32,872,334</b>	<b>7,614,453</b>	<b>23.2%</b>
Trade payables	-8,574,855	-7,216,649	-1,358,206	18.8%
Payables to associated companies and unconsolidated subsidiaries	-669,672	-548,416	-121,256	22.1%
Payments on account	-	-	0	0.0%
Tax and social security payables	-2,278,916	-2,481,535	202,619	-8.2%
Other payables	-2,995,946	-5,503,030	2,507,084	-45.6%
Accrued expenses and deferred income	-2,437,357	-3,124,301	686,944	-22.0%
<b>SHORT-TERM OPERATING LIABILITIES</b>	<b>-16,956,746</b>	<b>-18,873,931</b>	<b>1,917,185</b>	<b>-10.2%</b>
<b>NET WORKING CAPITAL</b>	<b>23,530,041</b>	<b>13,998,403</b>	<b>9,531,638</b>	<b>68.1%</b>
Employee severance indemnity	-4,716,159	-3,900,178	-815,981	20.9%
Taxes and social security payables (after one year)	-	-	0	0.0%
Other medium- and long-term liabilities	-1,132,021	-499,892	-632,129	126.5%
<b>MEDIUM/LONG-TERM LIABILITIES</b>	<b>-5,848,180</b>	<b>-4,400,070</b>	<b>-1,448,110</b>	<b>32.9%</b>
<b>INVESTED CAPITAL</b>	<b>64,588,378</b>	<b>57,413,312</b>	<b>7,175,066</b>	<b>12.5%</b>
Net equity	-29,493,367	-25,505,057	-3,988,310	15.6%
Short-term net financial position	-366,809	10,813,184	-11,179,993	-103.4%
Medium/long-term net financial position	-34,728,202	-42,721,439	7,993,237	-18.7%
<b>EQUITY AND NET FINANCIAL DEBT</b>	<b>-64,588,378</b>	<b>-57,413,312</b>	<b>-7,175,066</b>	<b>12.5%</b>

The reclassified balance sheet shows the Group's financial strength (i.e. its ability to maintain a financial balance in the medium/long term).

In order to provide a better description of the Group's financial solidity, the table below shows some balance sheet ratios concerning both (i) the methods of financing medium/long-term loans and (ii) the composition of the sources of funding, compared with the same ratios for the previous year.

	31/12/2022	31/12/2021
Primary structural margin (net equity - fixed assets)	-17,413,150	-22,309,922
Primary structure quotient (net equity / fixed assets)	0.63	0.53
Secondary structure margin (shareholders' equity + long-term liabilities - fixed assets)	23,163,232	24,811,587
Secondary structure quotient (shareholders' equity + long-term liabilities / fixed assets)	1.49	1.52

## Financial highlights

The net financial position at 31/12/2022 is as follows (in Euros):

	31/12/2022	31/12/2021	CHANGE
Bank deposits	18,475,779	23,478,324	-5,002,545
Cash and other valuables on hand	10,533	7,214	3,319
<b>CASH ON HAND</b>	<b>18,486,312</b>	<b>23,485,538</b>	<b>-4,999,226</b>
<b>CURRENT FINANCIAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>
Due to banks (within one year)	-12,765,435	-10,230,468	-2,534,967
Payables due to other financial institutions (within one year)	-1,921,019	-2,441,886	520,867
Bonds (within one year)	-4,166,667	-	-4,166,667
Financial receivables	-	-	-
<b>SHORT-TERM FINANCIAL PAYABLES</b>	<b>-18,853,121</b>	<b>-12,672,354</b>	<b>-6,180,767</b>
<b>SHORT-TERM NET FINANCIAL POSITION</b>	<b>-366,809</b>	<b>10,813,184</b>	<b>-11,179,993</b>
Due to banks (beyond the next financial year)	-10,666,122	-12,867,995	2,201,873
Due to other financial institutions (after one year)	-3,228,747	-4,853,444	1,624,697
Bonds (after one year)	-20,833,333	-25,000,000	4,166,667
Financial receivables	-	-	-
<b>MEDIUM AND LONG-TERM NET FINANCIAL POSITION</b>	<b>-34,728,202</b>	<b>-42,721,439</b>	<b>7,993,237</b>
<b>NET FINANCIAL POSITION</b>	<b>-35,095,011</b>	<b>-31,908,255</b>	<b>-3,186,756</b>

In order to provide a better description of the financial situation, the table below shows some balance sheet ratios, compared with the same ratios for the previous year.

	31/12/2022	31/12/2021
Primary liquidity	1.58	1.74
Secondary liquidity	1.65	1.79
Indebtedness (Financial debt / Equity)	1.82	2.17
Primary coverage rate of fixed assets	0.63	0.53
Secondary coverage rate of fixed assets	1.49	1.52
Net financial debt/equity	1.19	1.25
EBITDA/net financial expense	6.72	13.06
Net financial debt / EBITDA	2.27	3.86

## Information

The primary liquidity ratio (not counting inventories) is 1.58. The Group's current financial situation can be regarded as good. The secondary liquidity ratio is 1.65. The value assumed by the net working capital is certainly satisfactory in relation to the amount of current payables. The debt ratio is 1.82. The amount of debt is considered appropriate in relation to existing equity. The previous three ratios are improved over last year. The coverage ratio of fixed assets of 1.49 shows that the amount of consolidated equity and debt is appropriate in relation to the amount of fixed assets. Shareholders' equity together with consolidated payables are considered to be of an appropriate amount in relation to the amount of fixed assets. The last ratio means that EBITDA would theoretically be able to reduce net debt to zero in about 2.2 years.

## Environmental and personnel information

In view of the Company's social role, as highlighted in the document on Report on Operations issued by the Italian Accounting Profession, it is deemed appropriate to provide the following information regarding the environment and personnel.

### Environment

The company does not carry out any polluting industrial processes and, for the first time is currently drawing up a Sustainability Report.

### Staff

No on-the-job deaths occurred during the year among personnel listed in the register. During the year, there were no serious occupational accidents that resulted in serious or very serious injuries to personnel on the payroll, not even as a result of Covid-19. During the year there were no charges relating to occupational illnesses on employees or former employees and mobbing cases.

## 5

## Investments

During the first half of the year, investments were made in the following areas:

FIXED ASSETS	ACQUISITIONS DURING THE YEAR
Land and buildings	544,688
Plant and machinery	574,865
Industrial and commercial equipment	3,245
Other assets	896,536
<b>TOTAL</b>	<b>2,019,334</b>

The most significant item of capital expenditure was plant and machinery purchased by the subsidiary Star7 Printing S.r.l. and the acquisition by STAR7 S.p.A. of the office building in Valle San Bartolomeo adjacent to the management building.

### Relations with associated, parent and sister companies

"STAR Comunicação e Serviços – SCP" is an equal partnership between "STAR Comunicação e Serviços Ltda" and "STAR do Brasil" (controlled by STAR AG), valued using the equity method at € 43,822 already in the separate Financial Statements of the subsidiary "STAR Comunicação e Serviços Ltda" (€ 40,625 as at 31/12/2021).

At the end of 2020, a 33% stake was acquired in IAMDEV STP a r.l., a strategic company operating in software production.

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital	Profit (loss) for the last financial year	Net equity	Share held	Value in the Financial Statements*
STAR Comunicação e Serviços - SCP	Brazil	-	-	not avail.	81,250	50%	40,625
IAMdev S.t.p. s.r.l	Montacchiello (PI)	02173930500	10,000	not avail.	not avail.	33%	120,000
							<b>160,625</b>

\*Book value or corresponding receivable

The Group had the following transactions with the following associated companies:

ASSOCIATED COMPANY	RECEIVABLES	PAYABLES	REVENUES	COSTS
STAR AG	54,342	206,487	223,964	361,631
DANTE SRL	317		260	478,130
IAMDEV S.t.p. s.r.l.		26,238		
STAR SL		175,300		
TOTH COMUNICAÇÃO E LOGISTICA LTDA	434,959			
STAR DEUTSCHLAND GMBH	31,790	10,468	134,165	11,042
STAR PARIS	21,887		65,625	1,000
STAR COMUNICAÇÃO E SERVIÇOS - SCP				
STAR SERV.LINGUISTICOS LDA		19,793		108,934
STAR SERVICIOS.LINGUISTICOS BARCELONA		1,182		
STAR Software, Translation, Artwork, Recording GmbH	23,618		14,517	
STAR SOFTWARE SHANGHAI CO. LTD		6,665		32,597
STAR JAPAN TOKYO	891	8,606	13,878	77,654
STAR PREVAJALSKE STORITVE D.O.O Ljubljana	411	47,607		222,802
STAR CZECH S.R.O.	964	40,265	8,318	234,990
STAR POLAND		32,589		184,779
STAR INFORMATION ENGINEERING S.L.		14,935		65,822
STAR UK LIMITED		4,576	3,394	43,779
STAR GROUP SCANDINAVIA AB	3,125	6	26,870	6,843
STAR EGYPT MIDDLE EAST LTD CAIRO		2,978		11,230
STAR HUNGARY KFT		13,866		60,880
STAR Information Services Ltd. Sti.				
STAR Information Services & Tools S.R.L.		7,625		79,301
STAR SERVICIOS LINGUISTICOS SLU			220	
STAR AG TAIWAN BRANCH		4,186		16,048
STAR SERVICIOS LINGUISTICOS				10,302
STAR GROUP AMERICA LLC		8,563	42,710	3,497
STAR TURKEY INF.SERVICES LTD STI		2,049		4,148
STAR KOREA AG		30,885		41,176
STAR SPB - RUSSIA				3,276
STAR SOFTWARE INDONESIA		197		6,000
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA		1,593		15,619
STAR GMBH		893		
GRAFICA E EDITORA STARCOM LTDA				
STAR J&M FINNLAND OY		1,237		5,309
STAR TECHNOLOGY SOLUTIONS	8,224	698	24,933	383
STAR SA	8,080	36	44,407	-
STAR CO., LTD				210
SCP STAR E FELIPE CAPUTO	433			
STAR TECH SRL				
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD		149		7,587
	<b>589,041</b>	<b>669,672</b>	<b>603,261</b>	<b>2,094,969</b>

These transactions, which do not include any atypical and/or unusual operations, are conducted on an arm's length basis. There are no receivables or payables of a financial nature.

## 6

# Information on risks and uncertainties pursuant to Article 2428, paragraph 3, point 6-bis of the Civil Code

### Credit risk

Receivables from customers are carefully monitored, and therefore credit risk is deemed to be adequately covered by the relevant allowance for doubtful accounts.

### Liquidity risk

Note:

- There are adequate lines of credit to meet liquidity needs;
- group companies hold deposits with credit institutions to meet liquidity requirements;
- there are no significant concentrations of liquidity risk on either the side of financial assets or sources of funding.
- the terms of collection are adjusted to those of payment

### Market risk

The effects of possible changes on the income statement in relation to relevant risk variables are limited and acceptable for each of the following components:

- interest rate risk
- price risk
- exchange rate risk

Given the extent of the risks, the Group companies do not have any hedging activities in place.

Key risks are constantly monitored by the Boards of Directors.



## 7

### Outlook

Performance in the first few months since 31/12/2022 confirms the good performance already achieved in the second half of last year, despite the national and international economic scenario affected by the conflict in Ukraine.

The outlook for the entire 2023 financial year points to the achievement of a very positive profit and loss result, plus the added effect of the leasing of the business units of C.A.A.R. S.p.A. and STI S.r.l. mentioned above.

## 8

### Fulfilments pursuant to articles 375 and 377 of Legislative Decree 14/2019 (Business Crisis Code)

On 16 March 2019, the Corporate Crisis Code, which amended Article 2086 of the Civil Code, came into force, thereby placing the onus on the Administrative Body to verify the adequacy of organisational structures in order to prevent the onset of any corporate crisis. This must be done at least every 6 months.

The Companies of the Group have an adequate organisation and adequate instruments for the constant monitoring of corporate activities, economic and financial trends and a management control system.

The indicators relating to negative or below-par shareholders' equity and the DSGR (Debt Service Coverage Ratio) do not reveal any critical aspects.

Valle San Bartolomeo (Alessandria), 28 March 2023

**Chairman of the Board of Directors**  
**Lorenzo Mondo**

# CONSOLIDATED FINANCIAL STATEMENTS

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as at 31/12/2022

**ID DATA**

Headquarters in	ALESSANDRIA
Tax ID No.	01255170050
REA Index No.	AL 208355
Vat No.	01255170050
Share capital in Euro	599,340
Legal form	JOINT-STOCK COMPANY (SPA)
Company in liquidation	no
Single member company	no
Company subject to management and coordination by another party	no
Group membership	no
Name of the parent company	STAR7 S.p.A.
Country of the parent company	ITALY

## 1

# Consolidated Balance Sheet (figures in Euros)

## Assets

	31/12/2022	31/12/2021
<b>B) FIXED ASSETS</b>		
<b>I - INTANGIBLE FIXED ASSETS</b>		
1) Start-up and expansion costs	380,134	487,947
4) Industrial patents and intellectual property rights	1,712,079	1,496,238
5) Goodwill	33,636,467	35,533,588
6) Assets under development/construction and payments on account	54,372	306,738
7) others	3,465,858	3,260,910
<b>TOTAL INTANGIBLE ASSETS</b>	<b>39,248,910</b>	<b>41,085,421</b>
<b>II - PROPERTY, PLANT AND EQUIPMENT</b>		
1) Land and buildings	2,489,824	2,050,999
2) Plant and machinery	2,950,871	3,052,019
3) Industrial and commercial equipment	16,195	38,641
4) other goods	1,449,607	1,326,569
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>6,906,497</b>	<b>6,468,228</b>
<b>III - FINANCIAL FIXED ASSETS</b>		
1) Equity investments in		
a) subsidiaries	0	0
b) associated companies	174,322	161,719
<b>Total equity investments</b>	<b>174,322</b>	<b>161,719</b>
2) receivables		
d bis) from others		
due after the next financial year	103,805	99,610
<b>Total receivables from others</b>	<b>103,805</b>	<b>99,610</b>
<b>Total receivables</b>	<b>103,805</b>	<b>99,610</b>
3) other instruments	57,115	-
4) derivative assets	415,868	-
<b>TOTAL FINANCIAL FIXED ASSETS</b>	<b>751,110</b>	<b>261,329</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>46,906,517</b>	<b>47,814,978</b>

	31/12/2022	31/12/2021
<b>C) CURRENT ASSETS</b>		
<b>I - INVENTORY</b>		
1) Raw and ancillary materials and consumables	1,018,954	825,277
2) Work in progress and semi-finished products	370,723	393,092
3) Orders-in-progress	23,841	-
4) finished products and goods	986,649	191,264
5) Payments on account	67,984	4,689
<b>TOTAL INVENTORIES</b>	<b>2,468,151</b>	<b>1,414,322</b>
<b>II - RECEIVABLES</b>		
1) from customers		
due within the next financial year	29,485,759	23,599,347
<b>Total trade receivables</b>	<b>29,485,759</b>	<b>23,599,347</b>
2) from subsidiaries		
due within the next financial year	94,897	72,120
<b>Total receivables from subsidiaries</b>	<b>94,897</b>	<b>72,120</b>
3) from associates		
due within the next financial year	589,041	1,492,648
<b>Total receivables from associated companies</b>	<b>589,041</b>	<b>1,492,648</b>
5-bis) tax receivables		
due within the next financial year	2,578,905	2,411,907
<b>Total tax receivables</b>	<b>2,578,905</b>	<b>2,411,907</b>
5-ter) Deferred tax assets/liabilities	392,055	477,315
5-quater) from others		
due within the next financial year	2,874,689	1,772,461
<b>Total receivables from others</b>	<b>2,874,689</b>	<b>1,772,461</b>
<b>TOTAL RECEIVABLES</b>	<b>36,015,346</b>	<b>29,825,798</b>
<b>IV - CASH ON HAND</b>		
1) Bank and postal deposits	18,475,779	23,478,324
3) cash and cash equivalents	10,533	7,214
<b>Total cash and cash equivalents</b>	<b>18,486,312</b>	<b>23,485,538</b>
<b>TOTAL CURRENT ASSETS (C)</b>	<b>56,969,809</b>	<b>54,725,658</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>		
	2,003,290	1,632,214
<b>TOTAL ASSETS</b>	<b>105,879,616</b>	<b>104,172,850</b>

## Liabilities

	31/12/2022	31/12/2021
<b>A) EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP</b>		
<b>I - CAPITAL</b>	599,340	599,340
<b>II - SHARE PREMIUM RESERVE</b>	11,728,160	11,728,160
<b>IV - LEGAL RESERVE</b>	119,868	100,000
<b>VI - OTHER RESERVES, INDICATED SEPARATELY</b>		
Special reserve	8,630,329	7,923,536
Capital contributions	2,846	2,846
Merger surplus reserve	1,105,814	-
Consolidation reserve	2,403,909	2,434,709
Reserve from translation differences	(104,314)	(736,674)
Misc. other reserves	409,324	409,324
<b>TOTAL OTHER RESERVES</b>	<b>12,447,908</b>	<b>10,033,741</b>
<b>VII - RESERVE FOR TRANSACTIONS TO HEDGE EXPECTED CASH FLOWS</b>	<b>312,263</b>	<b>(43,584)</b>
<b>IX - PROFIT (LOSS) FOR THE YEAR</b>	<b>3,094,552</b>	<b>2,183,084</b>
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>28,302,091</b>	<b>24,600,741</b>
<b>MINORITY INTERESTS</b>		
Capital and reserves attributable to minority interests	860,334	616,480
Profit (loss) attributable to minority interests	330,942	287,836
<b>TOTAL EQUITY ATTRIBUTABLE TO MINORITY INTERESTS</b>	<b>1,191,276</b>	<b>904,316</b>
<b>TOTAL CONSOLIDATED NET EQUITY</b>	<b>29,493,367</b>	<b>25,505,057</b>
<b>B) PROVISIONS FOR CONTINGENCIES AND CHARGES</b>		
1) For pensions and similar obligations	218,930	154,930
2) For taxes, including deferred taxes	370,486	237,331
3) Financial derivative liabilities	-	57,631
4) others	542,605	50,000
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>	<b>1,132,021</b>	<b>499,892</b>

	31/12/2022	31/12/2021
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>		
	4,716,159	3,900,178
<b>D) PAYABLES</b>		
<b>1) bonds</b>		
due within the next financial year	4,166,667	-
due after the next financial year	20,833,333	25,000,000
<b>Total bonds</b>	<b>25,000,000</b>	<b>25,000,000</b>
<b>4) Borrowings from banks</b>		
due within the next financial year	12,765,436	10,230,468
due after the next financial year	10,666,121	12,867,995
<b>Total due to banks</b>	<b>23,431,557</b>	<b>23,098,463</b>
<b>5) Borrowings from other lenders</b>		
due within the next financial year	1,921,019	2,441,886
due after the next financial year	3,228,747	4,853,444
<b>Total borrowings from other lenders</b>	<b>5,149,766</b>	<b>7,295,330</b>
<b>7) Trade payables</b>		
due within the next financial year	8,574,855	7,216,649
<b>Total trade payables</b>	<b>8,574,855</b>	<b>7,216,649</b>
<b>10) Payables to associated companies</b>		
due within the next financial year	669,672	548,416
<b>Total payables to associated companies</b>	<b>669,672</b>	<b>548,416</b>
<b>12) Tax payables</b>		
due within the next financial year	912,823	1,229,354
<b>Total taxes payable</b>	<b>912,823</b>	<b>1,229,354</b>
<b>13) Due to social security institutions</b>		
due within the next financial year	1,366,093	1,252,181
<b>Total payables to social security institutions</b>	<b>1,366,093</b>	<b>1,252,181</b>
<b>14) Other payables</b>		
due within the next financial year	2,995,946	5,503,029
<b>Total other payables</b>	<b>2,995,946</b>	<b>5,503,029</b>
<b>TOTAL PAYABLES</b>	<b>68,100,712</b>	<b>71,143,422</b>
<b>E) ACCRUALS AND DEFERRALS</b>		
	2,437,357	3,124,301
<b>TOTAL LIABILITIES</b>	<b>105,879,616</b>	<b>104,172,850</b>

## 2

# Consolidated Profit and Loss Account (figures in Euros)

## Income Statement

	31/12/2022	31/12/2021
<b>A) VALUE OF PRODUCTION</b>		
1) Revenues from sales and services	83,251,178	58,992,426
2) Change in inventories of work in progress, semi-finished and finished products	144,223	(125,696)
3) Changes in contract work in progress	1,276	154,520
5) other revenues and income		
grants related to income	650,973	701,750
others	937,161	301,757
<b>Total other revenues and income</b>	<b>1,588,134</b>	<b>1,003,507</b>
<b>TOTAL VALUE OF PRODUCTION</b>	<b>84,984,811</b>	<b>60,024,757</b>
<b>B) COSTS OF PRODUCTION</b>		
6) raw and ancillary materials, consumables and goods	5,677,928	4,002,824
7) for services	32,573,763	22,537,958
8) leases and rentals	1,524,627	1,322,995
9) personnel		
a) wages and salaries	21,532,237	17,186,914
b) social security contributions	5,892,084	4,587,710
c) employees' leaving entitlement	1,369,942	947,769
e) other costs	362,395	255,189
<b>Total personnel costs</b>	<b>29,156,658</b>	<b>22,977,582</b>
10) amortisation, depreciation and write-downs		
a) amortisation	6,111,398	2,960,696
b) depreciation	1,610,238	1,248,573
d) write-downs of receivables included in current assets and of cash and cash equivalents	72,576	15,818
<b>Total amortisation, depreciation and write-downs</b>	<b>7,794,212</b>	<b>4,225,087</b>
11) changes in inventories of raw materials, supplies, consumables and goods	(494,113)	(243,228)
12) provisions for risks	64,000	64,000
14) sundry operating expenses	1,016,769	1,146,757
<b>TOTAL COSTS OF PRODUCTION</b>	<b>77,313,844</b>	<b>56,033,975</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)</b>	<b>7,670,967</b>	<b>3,990,782</b>



	31/12/2022	31/12/2021
<b>C) FINANCIAL INCOME AND CHARGES</b>		
16) Other financial income		
d) income other than the above		
others	87,353	44,265
<b>Total income other than the above</b>	<b>87,353</b>	<b>44,265</b>
<b>Total other financial income</b>	<b>87,353</b>	<b>44,265</b>
17) Interest and other financial expenses		
others	2,387,395	676,846
<b>Total interest and other financial expenses</b>	<b>2,387,395</b>	<b>676,846</b>
17-bis) exchange gains and losses	1,201	(386)
<b>TOTAL FINANCIAL INCOME AND EXPENSE (15 + 16 - 17 + - 17-BIS)</b>	<b>(2,298,841)</b>	<b>(632,967)</b>
<b>D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES</b>		
18) Write-backs		
a) equity investments	-	40,803
<b>Total writebacks</b>	<b>-</b>	<b>40,803</b>
19) Write-downs		
a) equity investments	-	40,052
<b>Total write-downs</b>	<b>-</b>	<b>40,052</b>
<b>TOTAL VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES (18 - 19)</b>	<b>-</b>	<b>751</b>
<b>PROFIT (LOSS) BEFORE TAX (A - B + - C + - D)</b>	<b>5,372,126</b>	<b>3,358,567</b>
20) Current, deferred and prepaid income taxes for the period		
current taxes	1,491,932	962,661
Prior year taxes	492,605	-
Deferred tax assets and liabilities	(37,904)	(75,014)
<b>Total current and deferred income tax assets and liabilities</b>	<b>1,946,632</b>	<b>887,647</b>
21) Consolidated net income (loss) for the year	3,425,494	2,470,920
Result attributable to the group	3,094,552	2,183,084
Profit (loss) attributable to minority interests	330,942	287,836

## 3

## Consolidated cash flow statement, indirect method (figures in Euros)

### Cash flow statement, indirect method

	31/12/2022	31/12/2021
<b>A) CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD)</b>		
Profit (loss) for the year	3,425,494	2,470,920
Income taxes	1,946,632	887,647
Interest expense/(income)	2,300,042	632,581
(Gains)/Losses from disposal of assets	(77,121)	(2,167)
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposal	7,595,047	3,988,980
Adjustments for non-cash items that did not have a balancing entry in net working capital		
Provisions	1,962,524	1,011,769
Depreciation/amortisation of fixed assets	7,721,636	4,209,269
Adjustments to the value of financial assets and liabilities of derivative financial instruments not involving monetary movements	(473,499)	4,085
Other adjustments up/(down) for non-cash items	653,970	(201,221)
<b>Total adjustments for non-monetary items that did not have a balancing entry in net working capital</b>	<b>9,864,631</b>	<b>5,023,902</b>
2) Cash flow before changes in net working capital	17,459,678	9,012,882
Change in net working capital		
Decrease/(Increase) in inventories	(1,053,830)	(679,471)
Decrease/(Increase) in trade receivables	(5,886,412)	(22,032)
Increase/(Decrease) in trade payables	1,358,206	1,634,614
Decrease/(Increase) in accrued income and prepaid expenses	(371,077)	(758,815)
Increase/(Decrease) in accrued expenses and deferred income	(686,944)	1,931,668
Other decreases/(Other increases) in net working capital	(2,944,846)	112,173
<b>Total change in net working capital</b>	<b>(9,584,903)</b>	<b>2,218,137</b>
3) Cash flow after changes in net working capital	7,874,775	11,231,019
Other adjustments		
Interest received/(paid)	(2,300,042)	(473,164)
(Income taxes paid)	(1,966,851)	(486,293)
(Use of provisions)	(788,578)	(401,158)
<b>Total other adjustments</b>	<b>(5,055,471)</b>	<b>(1,360,615)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>2,819,304</b>	<b>9,870,404</b>

	31/12/2022	31/12/2021
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment		
(Investments)	(2,019,334)	(2,195,715)
Divestments	243,502	90,162
Intangible fixed assets		
(Investments)	(2,202,465)	(3,857,573)
Financial fixed assets		
(Investments)	(4,195)	(3,178)
Divestments	-	279,231
(Acquisition of subsidiaries net of cash and cash equivalents)	(2,156,077)	(31,630,496)
<b>CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>(6,138,569)</b>	<b>(37,317,569)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan funds		
Increase/(Decrease) in short-term payables to banks	2,560,415	(42,275)
Financing	3,911,856	35,127,990
(Repayment of loans)	(8,284,741)	(2,010,873)
Own funds		
Paid capital increase	-	11,827,500
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>(1,812,470)</b>	<b>44,902,342</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)</b>	<b>(5,131,735)</b>	<b>17,455,177</b>
Exchange rate effect on cash and cash equivalents	132,509	33,841
Cash and cash equivalents at beginning of year		
Bank and postal deposits	23,478,324	5,991,502
Cash and cash equivalents	7,214	5,017
<b>Total cash and cash equivalents at beginning of year</b>	<b>23,485,538</b>	<b>5,996,519</b>
Cash and cash equivalents at end of year		
Bank and postal deposits	18,475,779	23,478,324
Cash and cash equivalents	10,533	7,214
<b>Total cash and cash equivalents at end of year</b>	<b>18,486,312</b>	<b>23,485,538</b>
Acquisition or sale of subsidiaries		
Total fees paid or received	(1,498,845)	(28,977,542)
Part of the fees consisting of cash and cash equivalents	-	2,382,098
Cash acquired or disposed of through acquisition/disposal of subsidiaries	-	2,382,098

# NOTES TO THE

## Consolidated Financial Statements as at 31/12/2022

### 1

## Introduction

The STAR7 Group Consolidated Financial Statements as at 31 December 2022 include the Financial Statements of the parent company STAR7 S.P.A. and of the Group companies directly or indirectly controlled by it.

### Activities performed

The STAR7 Group carries out activities of production and translation of technical documentation, interpreting, automation of editorial processes, dedicated IT development, printing on demand and is distinguished by its competence and experience. During 2022, commercial transactions were carried out with the associated companies Dante S.r.l., IAM.DEV. S.r.l. and STAR AG and other minor subsidiaries of STAR AG for the provision of services regulated according to market criteria. The Notes to the Financial Statements illustrate the items in the Financial Statements, while the Report on Operations illustrates in detail the operations, including those of an extraordinary nature, that took place in the year.

### Research and development activities

During the year, STAR7 Group developed Research and Development Projects, which are eligible for subsidies pursuant to Article 3 of Decree No. 174 of 29 May 2015 of the Ministry of Economy and Finance.

It has been decided to consider this activity worthy of recognition in the current Financial Statements both for tax purposes, with the consequent determination of a Research and Development Credit to be used as compensation, and for accounting purposes, with the recognition of an extraordinary income under "Other revenues" of € 650,973, allocating this amount to item A5) Other revenues and income - b) Operating grants.

This has entailed recognition of a research and development receivable in these Financial Statements, all on the assumption that the eligible costs underlying the calculation are fully recognised in the income statement.

## Significant events occurring during the year

At the macroeconomic level, the financial year 2022 was marked by the gradual recovery from the Covid-19 emergency: the state of emergency in Italy officially ended on 31/03/2022.

On 24 February 2022, an armed conflict began between the Russian Federation and Ukraine following the invasion of Russian armed forces into Ukrainian territory, which is still ongoing and whose outcome is unpredictable to date. This conflict has had negative effects for all economic operators worldwide, as it causes uncertainty and political instability, factors that are unwelcome to those who do business. The most immediate consequence was the significant increase in energy prices: particularly for Italy, the conflict exposed the problem of the high cost of energy for Italian companies as well as the need for greater diversification of energy sources in order not to be overly dependent on any one of them.

Despite the uncertain situation described above, in 2022 the STAR7 Group continued to make some important changes to its structure, continuing the rebranding process that began operationally on 7/7/2020, with the change of name from STAR S.p.A. to STAR7 S.p.A. in order to enhance both the founding values of the Parent Company and the special characteristics of the services that the Group is able to provide with competence and innovation in the global market.

The acquisition of the LocalEyes Group, finalised on 15 November 2021, and the subsequent listing on Euronext Growth Milan gave a new impetus to the entire business, adding the world's leading brand Apple to the Group's *premium* customers and allowing the STAR7 Group to have a qualified presence in the US market. This acquisition was largely financed through the issue of a bond/mini-bond for € 25 million. LocalEyes distributed dividends in 2022 to STAR7 in the amount of € 3,500,000, testifying to the sound nature of the investment. 2022 is therefore the first full year of membership in the STAR7 Group as well as the listing of the shares on Euronext Growth Milan.

In July 2022, the entire quota capital of Vertere S.r.l., a company specialising in translation activities, was acquired.

In September, the subsidiaries STAR7 Engineering S.r.l. and AD Studio S.r.l. were merged into the parent company with retroactive effect from 1 January 2022.

Continued development activity in translation services, both domestically and abroad, which may be realised during 2023 through future acquisitions.

## 2

# Basis of presentation

The Consolidated Financial Statements of STAR7 Group have been prepared in accordance with art. 25 et seq. of Legislative Decree no. 127/1991 and include the Balance Sheet, Income Statement, Cash Flow Statement and the Explanatory Notes, which form an integral part thereof.

In addition to the attachments required by law, reconciliations are provided between the net result and shareholders' equity of the Parent Company and the respective values resulting from the Consolidated Financial Statements.

The criteria used in the preparation of the Consolidated Financial Statements as at 31/12/2022 and in the valuations take into account the changes introduced into the national legislation by Legislative Decree 139/2015, through which Directive 2013/34/EU was implemented.

Figures in the Consolidated Financial Statements are in units of Euro, rounding off the relative amounts. Any rounding differences were posted to the item "Euro rounding reserve" under shareholders' equity.

These Notes provide the data and information required by Article 38 of Legislative Decree 127/1991. The Notes to the Financial Statements present information on items in the Balance Sheet and Income Statement in the order in which the relevant items are shown in the respective Financial Statements.

## 3

## Scope and methods of consolidation

The Consolidated Financial Statements include the individual Financial Statements of the Parent Company STAR7 S.p.A. and of those companies in which STAR7 S.p.A. directly or indirectly holds the majority of voting rights at Ordinary General Meetings. The separate/individual Financial Statements of the following subsidiaries have been consolidated on a line-by-line basis:

Name	Registered office	Currency	Share capital in foreign currency	Shareholding	Share held in %	Interest in %	Activities
STAR7 PRINTING S.R.L.	ASTI - ITALY	Euro	10,000	Direct	60%	60%	printing & logistics
VERTERE S.R.L.	PIACENZA - ITALY	Euro	20,000	Direct	100%	100%	translation
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE - BRAZIL	Real	1,448,205	Direct	75%	75%	printing, logistics, technical authoring
CAL COMUNICAÇÃO LTDA	BELO HORIZONTE - BRAZIL	Real	500,000	Direct	75%	75%	logistics
STAR USA LLC	DOVER - DELAWARE - USA	USD	5,000	Direct	100%	100%	translation, technical authoring
TECHWORLD LANGUAGE SERVICES INC.	TROY - MICHIGAN - USA	USD	890	Indirect	100%	100%	translation
THE GEO GROUP CORPORATION	MADISON - WISCONSIN - USA	USD	2,000	Indirect	100%	100%	translation
STAR7 ALBANIA SHPK	TIRANA - ALBANIA	Lek	500,000	Direct	100%	100%	translation, technical authoring
STAR7 GMBH	LINZ - AUSTRIA	Euro	35,000	Direct	100%	100%	translation, technical authoring
LOCALEYES LTD	CORK - IRELAND	Euro	-	Direct	100%	100%	translation
LOCALEYES TIRANA	TIRANA - ALBANIA	Lek	-	Indirect	100%	100%	translation
LOCALEYES MADRID	MADRID - SPAIN	Euro	-	Indirect	100%	100%	translation
LOCALEYES AMSTERDAM	AMSTERDAM - NETHERLANDS	Euro	-	Indirect	100%	100%	translation
LOCALEYES HELSINKI	HELSINKI - FINLAND	Euro	-	Indirect	100%	100%	translation
LOCALEYES USA	SAN FRANCISCO - CALIFORNIA - USA	USD	-	Indirect	100%	100%	translation

The changes in the scope of consolidation were as follows:

- entry of Vertere s.r.l., acquired in July 2022;
- formal exit of Star7 Engineering s.r.l. and AD Studio s.r.l., as they were merged by incorporation into the Parent Company in September with retroactive effect from 01/01/2022 (the merger by incorporation is neutral for the purposes of the Consolidated Financial Statements).

In order to correctly compare and interpret the figures in the Income Statement and Statement of Cash Flows, it should be noted that in 2021, the following companies joined the Group:

- The Geo Group Corporation, under Star USA LLC as of 24 April 2021;
- the LocalEyes Ltd Group from 15 November 2021.

Therefore, the Consolidated Income Statement includes the economic data of the new investees as of the aforementioned dates.

Star USA LLC has prepared its own consolidated Financial Statements, which include the Financial Statements of Techworld Language Services Inc. and The Geo Group Corporation: LocalEyes Ltd also prepared its own consolidated Financial Statements, containing the subsidiaries listed in the table above. For the purposes of the consolidation process, these sub-consolidated Financial Statements were used.

The Financial Statements of each subsidiary were used for consolidation purposes, adjusted if necessary to bring them into line with the Parent Company's accounting policies ("Italian GAAP" issued by the OIC").

As at 31/12/2022, the subsidiary "STAR Comunicação e Serviços Ltda" held three minor unconsolidated companies due to the immateriality of their financial statement data:

- Starcom Argentina S.A.S., share capital Pesos 20,000, 100% owned, based in Cordoba (Argentina);
- Star Comunicação e Serviços - SCP, an equal partnership between STAR Comunicação e Serviços Ltda and STAR do Brasil (subsidiary of STAR AG), share capital Reais 1,000, 50% owned, based in Betim (Brazil);
- Star Comunicação e Serviços Felipe Caputo - SCP2.

"Grafica e Editora Starcom Ltda", which as at 31/12/2020 was among the companies 100% owned but not fully consolidated due to insignificance, was incorporated in the first half of 2021 by "STAR Comunicação e Serviços Ltda".

## Reporting date

In compliance with art. 30 of Legislative Decree no. 127/1991, the reporting date of the Consolidated Financial Statements coincides with the date of the Parent Company's annual Financial Statements as at 31/12/2022. All of the companies included in the consolidation area have financial years coinciding with the calendar year and their Financial Statements are all ended at 31/12/2022, as is the case for the consolidating parent company.

## 4

# Consolidation principles and criteria

The Financial Statements used for consolidation purposes are the individual Financial Statements of the individual companies, prepared by their Administrative Bodies, unless they have been approved directly by the Shareholders' Meeting. These Financial Statements are reclassified and adjusted, where necessary, in order to bring them into line with the accounting standards and valuation criteria of the Parent Company, which are in line with those laid down in the Civil Code and issued by the OIC. In preparing the Consolidated Financial Statements, the assets and liabilities shown in the Balance Sheet and the income and expenditure shown in the Income Statement of companies consolidated on a line-by-line basis are included in full. Receivables and payables as well as income and charges and profits and losses originating from transactions between consolidated companies are eliminated. In this regard, it should be noted that transactions between Group companies during the year were carried out under normal market conditions.



The difference, at the date of acquisition of control, between the book value of the investee company and the corresponding portion of shareholders' equity, which are eliminated, if positive, is posted to the higher value of the consolidated assets of the investee company, including goodwill, if this is justified by the substance of the transaction, otherwise it is deducted from the consolidation reserves under liabilities. If the difference is negative, it is posted to the shareholders' equity item "Consolidation reserve" or to a specific "Consolidation reserve for future risks and charges", in compliance with the criterion set out in Art. 33, paragraph 3 of Legislative Decree 127/91. The difference is charged to the Fund when losses or liabilities are expected from the consolidated investee. Goodwill and the "Allowance for risks and charges" thus determined are amortised or posted to the Income Statement in relation to the economic performance of the investee companies by applying the criterion indicated in the section "Accounting policies" below. The amount of capital and reserves of subsidiaries attributable to minority shareholders is recognised in shareholders' equity under an item entitled "Capital and reserves attributable to minority interests"; the portion of net income (loss) for the period pertaining to minority interests is shown under "Profit (loss) for the year pertaining to minority interests". The income statement shows separately the minority interest in net income. Balance sheet and income statement relationships between the Companies included in the scope of consolidation have been totally eliminated. Gains and losses arising from transactions between Consolidated Companies, which are not realised from transactions with third parties, are eliminated. During pre-consolidation any items of exclusive tax relevance are eliminated and the related deferred taxes are provided for. It should be noted that leased assets have been accounted for in accordance with the provisions of international accounting standard IFRS 16 (financial method), which envisages recording the leased assets under assets, net of depreciation, and the amount of the residual principal under payables.

## Translation of individual Financial Statements in currencies other than the Euro

Financial Statements denominated in currencies other than the Euro are converted:

- at the year-end exchange rate for assets and liabilities on the balance sheet;
- at the average exchange rate for the period for positive and negative income components in the income statement;
- at the historical exchange rate at the time of their formation for the equity reserves.

The difference between the result for the period translated at the average exchange rate for the income statement and the result for the period translated at the spot exchange rate for the shareholders' equity items, as well as the effects on assets and liabilities deriving from fluctuations in exchange rates at the beginning and end of the period, are allocated to the shareholders' equity item "Reserve for foreign exchange differences".

The exchange rates used are listed in the table below:

CURRENCY	SPOT RATE		AVERAGE RATE	
	31/12/2022	31/12/2021	2022	2021
US Dollar to 1 Euro	1.0666	1.1326	1.053	1.1827
Brazilian Real to 1 Euro	5.6386	6.3101	5.4399	6.3779
Albanian Lek to 1 Euro	114.46	120.76	118.93	122.44

## 5

### Measurement criteria

The valuation of the items in the Financial Statements was carried out in accordance with the general criteria of prudence and competence, with a view to the continuation of the business. It should be noted that for the purposes of the business continuation prospect referred to in Article 2423-bis of the Italian Civil Code, none of the Group's Italian companies made use in previous financial years of the waiver option provided for by paragraph 2 of Article 38-quater of Law No. 77/2020 converting Decree-Law No. 34/2020 ("Relaunch Decree"), an option introduced following the Covid-19 epidemic emergency. The application of the principle of prudence has entailed the individual valuation of the elements making up the individual items or items of assets or liabilities, in order to avoid offsetting losses that must be recognised and profits that must not be recognised because they have not been realised. In compliance with the accruals principle, the effect of transactions and other events has been recorded in the accounts and attributed to the period to which such transactions and events refer and not to the period in which the related cash movements (receipts and payments) take place. In application of the principle of relevance, the obligations relating to recognition, measurement, presentation and disclosure have not been complied with when their observance would have an irrelevant effect for the purposes of giving a true and fair view. Continuity in the application of the valuation criteria over time is a necessary element for the purposes of comparability of the Financial Statements in the various periods. The recognition and presentation of items in the Financial Statements has been made taking into account the substance of the transaction or contract (principle of substance over form).

#### Exceptional cases pursuant to Article 2423, fifth paragraph, of the Civil Code

There were no exceptional circumstances that made it necessary to resort to derogations pursuant to Article 2423, paragraph 5 of the Civil Code.

#### Suspension of depreciation/amortisation - art. 60 Law 126/2020

It should be borne in mind that, pursuant to Article 60 of Law 126/2020, the Parent Company and STAR7 Printing, as an exception to Article 2426, first paragraph, number 2) of the Civil Code, deemed it appropriate not to carry out annual amortisation and depreciation of the cost of certain intangible assets and property, plant and equipment in the Separate Financial Statements for the year ended 31/12/2020; this option was not exercised in the Financial Statements of the financial years subsequently closed. As provided for by the above-mentioned provision, the amortisation and depreciation charge not applied, was recognised in the Income Statement for the following year, thus extending the original amortisation/depreciation schedule by one year. The Parent Company and STAR7 Printing had to use this option in the year ended 31/12/2020, because the pandemic caused by the Covid-19 virus had significantly slowed down the growth process undertaken and interrupted some activities such as the rebranding of the Group and its listing.

In the following table, the impact of the derogation in terms of the balance sheet as at 31/12/2022 is shown (there is no impact on the income statement in 2022):

<b>BALANCE SHEET</b>	<b>WITH DEROGATION</b>	<b>WITHOUT DEROGATION</b>	<b>DIFFERENCE</b>
Intangible fixed assets	39,248,910	38,858,907	390,003
Property, plant and equipment	6,906,497	6,626,393	280,104
Financial fixed assets	751,110	751,110	-
<b>NON-CURRENT ASSETS</b>	<b>46,906,517</b>	<b>46,236,410</b>	<b>670,107</b>
<b>CURRENT ASSETS</b>	<b>56,969,809</b>	<b>56,969,809</b>	<b>-</b>
<b>ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>2,003,290</b>	<b>2,003,290</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>105,879,616</b>	<b>105,209,509</b>	<b>670,107</b>
Share capital	599,340	599,340	-
Reserves	24,608,199	24,170,118	438,081
Net profit (loss) attributable to owners of the Parent	3,094,552	3,094,552	-
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP</b>	<b>28,302,091</b>	<b>27,864,010</b>	<b>438,081</b>
Capital and reserves attributable to minority interests	860,334	779,552	80,782
Net profit (loss) attributable to minority interests	330,942	330,942	-
<b>MINORITY INTERESTS</b>	<b>1,191,276</b>	<b>1,110,494</b>	<b>80,782</b>
<b>PROVISIONS FOR RISKS AND CHARGES</b>	<b>1,132,021</b>	<b>980,777</b>	<b>151,244</b>
<b>PROVISIONS FOR SEVERANCE</b>	<b>4,716,159</b>	<b>4,716,159</b>	<b>-</b>
<b>PAYABLES</b>	<b>68,100,712</b>	<b>68,100,712</b>	<b>-</b>
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>2,437,357</b>	<b>2,437,357</b>	<b>-</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>105,879,616</b>	<b>105,209,509</b>	<b>670,107</b>

## Changes in accounting policies

There have been no changes in accounting policies.

## Comparability and adjustment issues

There are no problems with the comparability and adjustment of the figures in the Consolidated Financial Statements with those of the previous year.

## Measurement criteria applied

Ref. Article 2426, first paragraph, Civil Code and Accounting Standards OIC 12.

## Fixed assets

### Intangible fixed assets

These are recognised at purchase or production cost, revalued if necessary in accordance with the law, net of depreciation and write-downs.

Research and advertising costs are normally charged to the income statement.

Amortisation using the direct method is carried out in accordance with the following Group criteria:

- start-up and expansion costs, and development costs with long-term utility, recognised with the consent of the Board of Statutory Auditors, are amortised over a period of 5 years;
- industrial patents, intellectual property rights, licenses and concessions are amortised at a rate of 33.33%;
- goodwill, recognised with the consent of the Board of Statutory Auditors, can be amortised over 10 years, in consideration of the actual profitability profile of the acquired or incorporated companies. For the amortisation of goodwill relating to the business unit acquired by Dante S.r.l., the exception already referred to, in Law 126/2020 relating to the suspension of depreciation, was applied in the 2020 financial year;
- leasehold improvements are amortised at rates that depend on the duration of the contract.

No development costs and/or assets under construction/development were recognised relating to Research and Development projects capitalised pursuant to OIC 24.

If, irrespective of the amortisation already recognised, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

### Property, plant and equipment

These are recognised at purchase or production cost, revalued if necessary in accordance with the law, net of depreciation and write-downs.

Depreciation charged to the Income Statement has been calculated on the basis of the criterion of the residual useful life of the assets, taking into account their use, destination and economic-technical duration. This criterion is deemed to be well represented by the following rates, which have remained unchanged with respect to the previous year and are reduced by half in the year the asset enters service:

- Land and buildings: 3%
- Lightweight constructions: 10%
- Plant and machinery: 15%
- Alarm, fire prevention and air conditioning systems: 30%
- Industrial and commercial equipment: 25%
- Office furniture: 12%
- Office machines: 20%
- Cars: 25%
- Trucks: 20%
- Forklifts: 10%
- Lifting equipment: 15%

If, irrespective of depreciation already recognised, there is a permanent impairment of value, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

Property, plant and equipment are only revalued if permitted by law (special, general or sector). No discretionary or voluntary revaluations were carried out, and the valuations carried out are limited to the objectively determined value in use of the asset itself.

Maintenance costs are expensed during the year if they are of an ordinary nature, or capitalised if they increase the value of the asset, and depreciated at the depreciation rate applicable to the asset in question.

Assets held under leasing contracts are recognised under technical fixed assets in the relevant classes and are depreciated, like owned assets, on a straight-line basis over their residual useful lives. As a balancing entry to the asset, short and medium/long-term payables to the lessor financial institution are recorded; rentals are reversed from lease and rental costs and the interest accruing during the period is recorded under financial charges. In this way, we obtain a representation of the leasing transaction according to the so-called "financial method" provided for by the international accounting standard IFRS 16, which better represents the economic substance of the leasing contracts in place.

### **Financial fixed assets**

Investments in subsidiaries not consolidated on a line-by-line basis and in associated companies are valued by the equity method. Equity investments in other companies are posted at purchase or subscription cost, adjusted if necessary for impairment losses. Financial receivables are recorded at nominal value, adjusted if necessary for impairment losses.

## **Inventories**

Raw and ancillary materials and finished products are recorded at the lower of purchase and/or production cost and estimated realisable value.

## **Receivables**

Receivables are recorded in the Financial Statements according to the amortised cost criterion, taking into account the time factor and their presumed realisable value. The amortised cost criterion is not applied when the effects are insignificant, i.e. when the transaction costs, commissions paid between the parties and any other difference between the initial value and the value at maturity are insignificant or if the receivables are short-term (i.e. with a maturity of less than 12 months).

The value of receivables is adjusted to their estimated realisable value by means of a specific allowance for doubtful accounts, taking into account the existence of indicators of impairment. The amount of the write-down is recognised in the income statement.

## Cash on hand

Cash and cash equivalents at the end of the fiscal year are valued at face value, which reasonably approximates *fair value*. Cash denominated in foreign currency is translated at the year-end exchange rate.

## Accruals and deferrals

They have been determined in accordance with the criterion of actual accrual for the period.

## Provisions for risks and charges

These are set aside to cover losses or debts whose existence is certain or likely, but whose exact amount and/or date of occurrence could not be determined at the end of the financial year.

In the valuation of these provisions, the general criteria of prudence and competence were respected, and no generic risk provisions without economic justification were set up. Contingent liabilities have been recorded in the Financial Statements and posted to the provisions since they are considered probable and the amount of the related charge can be reasonably estimated.

Provisions for risks and charges are recorded with priority in the cost items of the income statement of the relevant classes (B, C or D). Whenever this correlation between the nature of the provision and one of the items in the above classes is not feasible, the provisions for risks and charges are posted to items B12 and B13 in the Income Statement.

## Provision for severance pay

Represents the actual debt accrued to employees in accordance with applicable law and labor agreements. This liability is subject to revaluation by means of indices. This item includes the amount due to employees for severance indemnities accrued up to the month prior to the date on which each employee expressly or tacitly chose the fund to which to allocate the accruing severance indemnity pursuant to Legislative Decree 252 of 5 December 2005 and subsequent amendments and additions. In fact, it should be noted that, following the entry into force of the above-mentioned decree, the following were taken into account:

- (i) the employees' decision to allocate the severance indemnity fund to a pension fund (private or professional);
- (ii) of employees' decision to keep their severance pay with their employer.

## Payables

Payables are recognised according to the amortised cost method, taking into account the time factor. The amortised cost criterion is not applied to payables if its effects are insignificant. Generally, the effects are considered insignificant for short-term payables (i.e. with maturities of less than 12 months).

Any discounting of trade payables is only carried out if the nominal value of the payables significantly exceeds the market price of the goods purchased with a short-term payment and if the extension granted significantly exceeds the following year.

Amounts due for vacations accrued by employees and deferred remuneration, including amounts due to social security institutions, are provided for on the basis of the amount that would be payable in the event of termination of employment at the balance sheet date.

## Criteria for converting values expressed in foreign currency

Monetary assets and liabilities denominated in currencies other than the Euro are recorded in the balance sheet at the official exchange rate at the end of the year (rates at 31 December); the gains and losses arising from the translation of individual receivables and payables at year-end exchange rates are respectively recognised in the income statement under financial income and expenses, in a single item (separately indicated), as a result of offsetting gains and losses. Any net gains are set aside, when allocating profit for the year, in the appropriate "Reserve for net exchange gains" that cannot be distributed until realised (in the case of minor profit for the year or a loss, the provision is reduced or not due). Any hedging transactions are taken into account.

## Revenue and cost recognition

Revenues from sales of finished goods are recognised at the time of transfer of ownership with the associated risks and rewards, which is normally identified with delivery or shipment.

Revenues for services rendered and those of a financial nature are posted on an accruals basis (when the service is rendered and completed or, in the case of ongoing services, when the fee is due).

The same criteria apply to cost entry.

Revenues and income, costs and charges relating to transactions in foreign currency are determined at the exchange rate in force on the date on which the transaction is carried out.

Income and expenses relating to sale and purchase transactions with the obligation to retrocession forward, including the difference between the forward price and the spot price, are recorded for the portion pertaining to the year.

## Income Taxes

Income taxes include all taxes calculated on the taxable income of individual Group companies. Income taxes are recognised in the income statement, Other non-income-related taxes, such as property taxes, are included in other operating expenses. Deferred taxes are allocated using the global allocation method. They are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount in the consolidated Financial Statements. Deferred tax assets on tax losses and temporary differences are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to apply, under the respective laws of the countries in which the Group operates, in the periods in which the temporary differences will be realised or settled.

## Cash flow statement

The Statement of Cash Flows has been prepared in accordance with the format indicated in Article 2425 bis of the Civil Code and with the instructions given in OIC 10.

## 6

# Employment figures

The number of employees of the companies consolidated on a line-by-line basis is shown separately by category (note that Star7 Engineering and AD Studio were merged by the parent company in 2022).

Company	no. of employees as at 31/12/2022				no. of employees as at 31/12/2021					
	executives	middle managers	office workers	manual workers	executives	middle managers	office workers	manual workers		
STAR7 S.P.A.	430	7	8	412	3	292	4	8	278	2
STAR7 PRINTING SRL	34			9	25	38			12	26
STAR7 ENGINEERING SRL	0			0	0	67			66	1
AD STUDIO srl	0			0	0	23			23	
VERTERE srl	8			8		0			0	
STAR7 GMBH	6			6		4			4	
STAR ALBANIA	111			111		53			53	
STAR USA LLC	0			0		1			1	
TECHWORLD	23			23		16			16	
THE GEO GROUP	7			7		10			10	
STAR COMUNICAÇÃO	143			11	132	117			41	76
CAL COMUNICAÇÃO	0			0		0			0	
LOCALEYES LTD	97			97		100			100	
<b>TOTAL</b>	<b>859</b>	<b>7</b>	<b>8</b>	<b>684</b>	<b>160</b>	<b>721</b>	<b>4</b>	<b>8</b>	<b>604</b>	<b>105</b>



# 7

## Activities

### Fixed assets

#### Intangible fixed assets

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
39,248,910	41,085,421	-1,836,511

Changes in this item were as follows:

Description	31/12/2021	Increases	Amortisation/ depreciation	Reclassifications	Change in the scope of consolidation	Exchange rate delta	31/12/2022
Start-up and expansion costs	487,947	276,069	-383,882	0	0	0	380,134
Concessions, licences, trade marks and similar rights	1,496,238	967,859	-752,018	0	0	0	1,712,079
Goodwill	35,533,589	1,851,713	-3,975,683	0	0	226,848	33,636,467
Assets under construction/development	306,738	0	0	-252,366	0	0	54,372
Others	3,260,909	958,537	-1,006,304	252,366	350	0	3,465,858
<b>Total intangible assets</b>	<b>41,085,421</b>	<b>4,054,178</b>	<b>-6,117,887</b>	<b>0</b>	<b>350</b>	<b>226,848</b>	<b>39,248,910</b>

The change in the scope of consolidation concerns the fixed assets of the companies that were added to the Consolidated Financial Statements in 2022 (only Vertere s.r.l.). Foreign exchange changes relate to goodwill recorded in Star USA related to Tech-world Language Services Inc. and The Geo Group Corporation. The difference between the total of the "Amortisation and depreciation" column and the corresponding item in the Income Statement (€ 6,489) is due to the exchange rate difference between the US dollar and the Euro.

From fixed assets under construction, deferred charges for listing on Euronext Growth Milan and charges related to rebranding were transferred to the category "Other fixed assets".

The composition of the items as of 12/31/2021 was as follows:

	HISTORICAL COST	ACCUMULATED AMORTISATION/DEPRECIATION	NET VALUE
Start-up and expansion costs	1,646,956	-1,159,009	487,947
Industrial patents and intellectual property rights	3,513,777	-2,017,539	1,496,238
Goodwill	38,055,221	-2,521,632	35,533,589
Assets under construction/development	306,738	0	306,738
Others	4,849,689	-1,588,780	3,260,909
	<b>48,372,381</b>	<b>-7,286,960</b>	<b>41,085,421</b>

Goodwill is broken down as follows (year of initial recognition in brackets):

DESCRIPTION	31/12/2021	INCREASES/ DECREASES	AMORTISATION	EXCHANGE RATE DELTA	31/12/2022
Localeyes Ltd (2021)	30,142,485	1,303,232			31,445,717
Accumulated amortisation/depreciation	-379,878		-3,160,996		-3,540,874
	<b>29,762,607</b>	<b>1,303,232</b>	<b>-3,160,996</b>	<b>0</b>	<b>27,904,843</b>
Techworld Language Services Inc. (2019)	3,279,331			202,921	3,482,252
Accumulated amortisation/depreciation	-807,215		-352,723	-45,452	-1,205,390
	<b>2,472,115</b>	<b>0</b>	<b>-352,723</b>	<b>157,469</b>	<b>2,276,862</b>
The Geo Group Corporation (2021)	1,428,011	-266,204		74,869	1,236,675
Accumulated amortisation/depreciation	-89,857		-108,101	-5,490	-203,449
	<b>1,338,154</b>	<b>-266,204</b>	<b>-108,101</b>	<b>69,379</b>	<b>1,033,227</b>
Business unit acquired by Dante s.r.l. (2020 - start of amortisation in 2021)	1,286,356				1,286,356
Accumulated amortisation/depreciation	-128,636		-128,636		-257,271
	<b>1,157,720</b>	<b>0</b>	<b>-128,636</b>	<b>0</b>	<b>1,029,085</b>
Vertere s.r.l. (2022)		814,685			814,685
Accumulated amortisation/depreciation			-33,946		-33,946
	<b>0</b>	<b>814,685</b>	<b>-33,946</b>	<b>0</b>	<b>780,739</b>
RES s.r.l. (2018)	816,481				816,481
Accumulated amortisation/depreciation	-325,967		-81,025		-406,992
	<b>490,514</b>	<b>0</b>	<b>-81,025</b>	<b>0</b>	<b>409,489</b>
STAR7 Engineering S.r.l. (2013)	590,318				590,318
Accumulated amortisation/depreciation	-531,286		-59,032		-590,318
	<b>59,032</b>	<b>0</b>	<b>-59,032</b>	<b>0</b>	<b>0</b>
STAR USA (2018)	287,889				287,889
Accumulated amortisation/depreciation	-154,182		-28,789		-182,971
	<b>133,707</b>	<b>0</b>	<b>-28,789</b>	<b>0</b>	<b>104,918</b>
STAR7 GmbH (2016)	164,350				164,350
Accumulated amortisation/depreciation	-98,611		-16,435		-115,046
	<b>65,739</b>	<b>0</b>	<b>-16,435</b>	<b>0</b>	<b>49,304</b>
Grafitec (2021)	60,000				60,000
Accumulated amortisation/depreciation	-6,000		-6,000		-12,000
	<b>54,000</b>	<b>0</b>	<b>-6,000</b>	<b>0</b>	<b>48,000</b>
	<b>35,533,589</b>	<b>1,851,713</b>	<b>-3,975,683</b>	<b>226,848</b>	<b>33,636,467</b>

The item goodwill relating to consolidated companies originates from the allocation of the positive difference resulting from the elimination of the investment account against the shareholders' equity of the fully consolidated companies at the date of acquisition, where justified by the nature and substance of the transaction. Goodwill is amortised over 10 years and is subject to *impairment testing* in order to identify any impairment losses. Specifically:

- Localeyes Ltd: goodwill derives from the acquisition of the group on 15/11/2021 and amortisation was calculated pro-rata from that date; the gross amount changed in 2022 as a result of contractually agreed price adjustments and ancillary charges;
- Techworld Language Services Inc.: company acquired by STAR USA LLC on 15 July 2019; goodwill originates when the sub-consolidated Financial Statements of STAR USA LLC were prepared, it is amortised over 10 years and in 2019 the amortisation rate was measured at 6 months because in the Consolidated Financial Statements the revenues and expenses of the investee were assumed from the date control was acquired;
- The Geo Group Corporation company acquired by STAR USA LLC on 24 April 2021; the goodwill originates when the sub-consolidated Financial Statements of STAR USA LLC were prepared, it is amortised over 10 years and in 2021 the amortisation charge was calculated from the date of acquisition of control as the revenues and costs of the investee were assumed from that date; the decrease in the year 2022 corresponds to the purchase price adjustment, linked to realised performance, already received as at 31.12.2022;
- company branch acquired in 2020 from Dante s.r.l.: entered in the Parent Company's individual Financial Statements with the consent of the Board of Statutory Auditors, it is supported by an expert's report drawn up by independent third party professionals; has not been exempted for tax purposes;
- Vertere s.r.l.: company acquired in July 2022; revenues and expenses were included in the consolidated Financial Statements from the date of acquisition (26 July); goodwill, currently recognised on the basis of the guaranteed minimum price, may change in the future as a result of any price adjustments already provided for in the contract;
- RES: goodwill at the date of acquisition (2018) amounts to €816,481 and is supported by a sworn expert's report that has certified the fairness of the purchase price; in 2020 RES was merged by incorporation into STAR7 S.p.A.;
- STAR7 Engineering: the goodwill derives from the acquisition in 2013 of Wayred s.r.l., subsequently merged into STAR Engineering s.r.l.; goodwill at the date of acquisition amounted to €590,318 and is justified by the fact that Wayred held supply contracts with an important client in the high-end automotive sector; the contract was therefore acquired by the STAR7 Group and is still active; in 2022 STAR7 Engineering was merged by incorporation into STAR7 S.p.A.;
- Grafitec s.r.l.: company acquired in the first half of 2021.

No tax effect has been calculated on the goodwill recorded in the Consolidated Financial Statements, as such goodwill is only valid for statutory purposes and has no tax implications.

During 2022, increases in the other categories, other than goodwill, mainly related to:

- start-up and expansion costs: € 266,900 relating to software services for an on-line technical documentation management project for the automotive sector;
- licences, trademarks and similar rights: € 665,626 related to purchased software and internally developed programmes, € 84,699 related to the STAR7 brand, € 74,050 for Internet applications;
- other intangible fixed assets the largest increase concerns: Rebranding (€ 564,452 of which Star USA € 496,992), deferred charges incurred for the listing on Euronext Growth Milan (€ 184,667); other increases relate to leasehold improvements (€ 166,326) and other charges preparatory to the company lease transaction (CAR and STI) effective 1 January 2023 (€ 266,098).

Assets under construction/development refer to work on the new offices in Alessandria Salita Mario Pizzo SN being completed.

There are no indicators of impairment of intangible fixed assets at 31/12/2022.

It should be noted that in 2020, the Parent Company, as a result of the Covid-19 epidemic, which prevented the completion of planned activities and slowed down the growth process undertaken, exercised its right to suspend amortisation for the following categories of intangible assets:

- licences, trademarks and similar rights: € 261,991;
- goodwill on the company branch acquired from Dante s.r.l.: € 128,012.

As a result, amortisation and depreciation of 390,003 Euros were suspended in 2020 (of which 261,991 Euros were deducted for tax purposes as goodwill has not been redeemed for tax purposes). It should also be noted that amortisation charges not recorded in the Income Statement but deducted for tax purposes gave rise to deferred taxation of € 73,095 (theoretical tax rate of 27.9%). In subsequent years, Group companies no longer made use of this option.

### Start-up and expansion costs

Pursuant to OIC 24, in 2018 start-up costs relating to new activities connected with new contracts with leading customers in the automotive sector in the amount of € 1,384,755 were recorded under item B11, fully amortised as at 31/12/2022. In 2020, 2021 and 2022, € 130,000, € 178,796 and € 266,900 were capitalised respectively relating to costs and to software services for the on-line technical documentation management project for an important brand in the automotive sector.

No development costs and/or assets under construction/development were recorded relating to Research and Development projects capitalised pursuant to OIC 24.

Pursuant to Article 10 of Law 72/1983, it should be noted that no monetary revaluation has ever been carried out on intangible fixed assets.

## Property, plant and equipment

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
6,906,497	6,468,228	438,269

Changes in this item were as follows:

Description	31/12/2021	Increases	Decreases	Write-backs	Reclassifications	Amortisation/depreciation	Change*	Exchange rate delta	31/12/2022
Land and buildings	2,050,999	544,688			-41,009	-64,854			2,489,824
Plant and machinery	3,052,019	574,865	-62,485			-761,853		148,326	2,950,871
Industrial and commercial equipment	38,641	3,245			-16,822	-8,869		0	16,195
Other assets	1,326,569	896,536	-103,896		57,831	-783,427	24,516	31,477	1,449,607
Assets under development/construction and payments on account	0								0
	6,468,228	2,019,334	-166,381	0	0	-1,619,003	24,516	179,803	6,906,497

\*Change in the scope of consolidation

The change in the scope of consolidation concerns the fixed assets of the companies that were added to the Consolidated Financial Statements in 2022 (only Vertere s.r.l.).

Foreign exchange deltas relate to property, plant and equipment of Star Comunicação, Cal Comunicação, Star USA LLC, Techworld Language Services Inc. and The Geo Group Corporation.

The difference between the total of the "Amortisation and depreciation" column and the corresponding income statement item (€ 8,765) is due to the translation difference between the US dollar and the Brazilian real.

The item land/buildings includes a building plot currently used as a car park, not depreciated (€ 201,000). The increase in the year relates to the purchase of the administrative office building for the amount of €500,000 from the related company DANTE S.r.l.; the value of the transaction is supported by two sworn technical appraisals by independent experts.

Other increases for the year mostly concern electronic machines and hardware.

Land and buildings also includes land and buildings held by the Parent Company under lease agreements for the following net book values:

- land € 377,028
- buildings € 942,570

Property, plant and equipment do not include any allocation of consolidation differences arising from the elimination of the investment account against the shareholders' equity of subsidiaries.

There are no indicators of the impairment of property, plant and equipment at 31/12/2022. It should be noted that in 2020 Star7 Printing, as a result of the Covid-19 epidemiological emergency, which prevented the completion of planned activities and slowed down the growth process undertaken, exercised its right to suspend depreciation for the following categories of property, plant and equipment:

- electronic printing systems: € 223,614;
- automatic operating machinery: € 56,490.

Therefore, depreciation for a total of € 280,104 was suspended in 2020, but deducted for tax purposes, and the related deferred taxes of € 78,149 were recorded (theoretical tax rate of 27.9%). In subsequent years, Group companies no longer made use of this option.

#### **Total writebacks of property, plant and equipment at year end (Ref. art. 2427, first paragraph, no. 2, Italian Civil Code)**

Pursuant to Article 10 of Law 72/1983, in 2020 Star7 Printing carried out a revaluation of €250,000 on certain electronic printing systems and automatic operating machinery owned pursuant to Legislative Decree 104/2020 ("Relaunch" Decree). The revaluation was also carried out for tax purposes, with a balancing entry in the revaluation reserve in shareholders' equity net of substitute tax.

#### **Financial fixed assets**

<b>BALANCE AS AT 31/12/2022</b>	<b>BALANCE AS AT 31/12/2021</b>	<b>CHANGE</b>
751,110	261,329	489,781

The category includes Equity Investments, Long-term Receivables, Other Securities and Derivative Assets, the movements of which are shown in the tables below.

## Equity investments

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Grafica e Editora Starcom Ltda	-	-	-
Starcom Argentina S.A.S.	-	-	-
<b>SUBSIDIARIES</b>	-	-	-
STAR Comunicação e Serviços - SCP	41,288	38,541	2,747
STAR Comunicação e Serviços - SCP II Felipe Caputo	2,535	3,178	-643
IAMdev S.t.p. s.r.l.	130,500	120,000	10,500
<b>ASSOCIATED COMPANIES</b>	<b>174,322</b>	<b>161,719</b>	<b>12,603</b>
	<b>174,322</b>	<b>161,719</b>	<b>12,603</b>

Equity investments in subsidiary undertakings refer exclusively to Starcom Argentina S.A.S., 100% owned, recorded in the Financial Statements of "STAR Comunicação e Serviços Ltda" at zero, and not consolidated on a line-by-line basis due to the immateriality of the amounts. In the first half of 2021, "STAR Comunicação e Serviços Ltda" incorporated "Grafica e Editora Starcom Ltda", which was previously valued using the equity method at zero.

Investments in associated companies refer to "STAR Comunicação E Serviços - SCP", "STAR Comunicação e Serviços - SCP II Felipe Caputo" and "IAMdev S.t.p. s.r.l.".

SCP is an equal partnership between "STAR Comunicação e Serviços Ltda" and "STAR do Brasil" (controlled by STAR AG), valued using the equity method at € 41,288 already in the separate Financial Statements of the subsidiary "STAR Comunicação e Serviços Ltda" (€ 38,541 as at 31/12/2021).

At the end of 2020, the Parent Company acquired 33% of the following Company deemed strategic:

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital	Profit (loss) for the last financial year	Net equity	Share held	Book value*
IAMdev S.t.p. s.r.l	Montacchiello (PI)	02173930500	10,000	not avail.	not avail.	33%	130,500
							<b>130,500</b>

\*Book value or corresponding receivable

## Long-term receivables

Long-term receivables are broken down as follows:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE		WITHIN 12 MONTHS	OVER 12 MONTHS
StarCom Argentina (subsidiary)	-	-	-	of which	-	-
From others	103,805	99,610	4,195	of which	-	103,805
	<b>103,805</b>	<b>99,610</b>	<b>4,195</b>		-	<b>103,805</b>

Non-current receivables due from others refer to guarantee deposits.

Long-term receivables are broken down by geographical area as follows:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Italy	99,483	99,610	-127
North America	1,839	-	1,839
South America	2,483	-	2,483
	<b>103,805</b>	<b>99,610</b>	<b>4,195</b>

The carrying value of long-term receivables reasonably approximates their *fair value*.

## Bonds

This item, which did not exist as of 31/12/2021, relates to Vertere s.r.l. (consolidated for the first time in 2022) for an insurance policy to partially cover the severance provision of the same company (€ 57,115).

## Financial derivative assets

The item is broken down as follows:

Counterpart	Type	Purpose	Date of execution	Maturity date	Notional value	Mark-to-market	Deferred IRES	Equity Reserve
Intesa Sanpaolo	Interest rate swap	Hedging	06/06/2019	28/04/2023	3,000,000	1,103	265	838
Intesa Sanpaolo	Interest rate swap	Hedging	29/01/2021	31/12/2026	3,000,000	165,743	39,778	125,965
Unicredit	Interest rate swap	Hedging	18/11/2020	30/09/2026	1,900,000	93,475	22,434	71,041
Credit Agricole	Interest rate swap	Hedging	05/10/2020	05/10/2026	2,250,000	143,058	34,334	108,724
Intesa Sanpaolo	Interest rate swap	Hedging	03/02/2020	31/01/2025	850,000	12,489	2,997	9,492
						<b>415,868</b>	<b>99,808</b>	<b>316,060</b>

As of 31/12/2021, this item gave rise to a liability, recorded under provisions for risks and charges, of € 57,631.



## Current assets

### Inventories

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
2,468,151	1,414,322	1,053,829

This item consists of the following:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Raw and consumable materials	1,018,954	825,277	193,677
Work in progress and semi-finished products	370,723	393,092	-22,369
Orders in progress	23,841		23,841
Finished products and goods	986,649	191,264	795,385
Payments on account	67,984	4,689	63,295
	<b>2,468,151</b>	<b>1,414,322</b>	<b>1,053,829</b>

### Receivables

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
36,015,346	29,825,798	6,189,548

Consolidated receivables, after elimination of intercompany amounts, are broken down by maturity as follows.

DESCRIPTION	BALANCE 31/12/2022			TOTAL	BALANCE AS AT 31/12/2021	CHANGE
	WITHIN 12 MONTHS	OVER 12 MONTHS	OVER 5 YEARS			
From customers	29,485,759			29,485,759	23,599,347	5,886,412
To/from subsidiaries not consolidated on a line-by-line basis	94,897			94,897	72,120	22,777
From associates	589,041			589,041	1,492,648	-903,607
For tax receivables	2,578,905			2,578,905	2,411,907	166,998
Deferred tax assets/liabilities	392,055			392,055	477,315	-85,260
From others	2,874,689			2,874,689	1,772,461	1,102,228
	<b>36,015,346</b>	<b>-</b>	<b>-</b>	<b>36,015,346</b>	<b>29,825,798</b>	<b>6,189,548</b>

Group Companies have exercised the option not to apply the amortised cost method to receivables in cases where the effects are immaterial, such as receivables due within 12 months; the receivables are then measured at the estimated realisable value and recognised net of the allowance for doubtful accounts (€ 432,002).

Trade receivables include € 3,195,511 relating to invoices sold to the factoring company and "subject to collection", of which € 1,103,254 was utilised. Receivables from subsidiaries not fully consolidated are entirely attributable to Starcom Argentina S.A.S.

Receivables due from associated undertakings break down as follows:

	BALANCE 31/12/2022		BALANCE AS AT	CHANGE
	TRADE	OTHER	31/12/2021	
STAR AG	54,342		1,077,354	-1,023,012
STAR DEUTSCHLAND GMBH	31,790		43,282	-11,492
STAR TECHNOLOGY SOLUTIONS	8,224		28,094	-19,870
STAR Software, Translation, Artwork, Recording GmbH	23,618		18,380	5,238
STAR PARIS	21,887		37,685	-15,798
STAR SA	8,080		5,484	2,596
STAR GROUP AMERICA, LLC			2,023	-2,023
STAR GROUP SCANDINAVIA AB	3,125		3,252	-127
STAR CZECH S.R.O.	964		587	377
STAR JAPAN CO., LTD	891		8,115	-7,224
DANTE SRL	317		-	317
STAR PREVAJALSKE STORITVE D.O.O Ljubljana	411		-	411
STAR SERVICIOS LINGUISTICOS SLU			356	-356
STAR UK LIMITED			5,557	-5,557
STAR Information Services Ltd. Sti.			112	-112
SCP STAR E FELIPE CAPUTO	433		-	433
TOTH COMUNICAÇÃO E LOGISTICA LTDA		434,959	262,367	172,592
	<b>154,082</b>	<b>434,959</b>	<b>1,492,648</b>	<b>-903,607</b>

Tax receivables include tax credits for Research and Development / Industry 4.0 in the amount of € 522,881 (in 2021 € 1,231,461). The amount refers to the benefit resulting from the incurring of costs classifiable as research and development in the period indicated above.

It should also be noted that tax receivables for IRES, IRAP and other direct taxes (a total of € 393,499) are shown net of taxes paid for the year, offsetting advances paid, withholding taxes incurred and tax credits, showing the net tax credit in the Financial Statements.

Tax receivables are broken down as follows:

	31/12/2022	31/12/2021	CHANGE
VAT account	393,499	789,528	-396,029
Research and Development tax credits and various bonuses	1,130,444	1,292,738	-162,294
Income tax paid on account	983,636	321,059	662,577
Other minor	71,326	8,582	62,744
	<b>2,578,905</b>	<b>2,411,907</b>	<b>166,998</b>

The following table shows the details of deferred tax assets:

	Taxable				Deferred tax assets					
	31/12/2021	Increases	Returns	Exchange rate delta	31/12/2022	31/12/2021	Increases	Returns	Exchange rate delta	31/12/2022
Allowance for doubtful accounts - portion exceeding the tax limit (24%)	366,270	0	-41,092		325,178	87,905	0	-9,862	0	78,043
Mark-to-market financial derivative liabilities (24%)	56,291		-56,291		0	13,510	0	-13,510	0	0
Provisions for risks and charges - other (24%)	50,000				50,000	12,000	0	0	0	12,000
Undeducted costs to be recovered (24%)	496,208	0	-396,413		99,795	119,090	0	-95,139	0	23,951
Tax losses carried forward (24%)	659,132	231,585		0	890,717	158,192	55,580	0	0	213,772
Star7 Printing and car leasing (27.9%)	128,880	107,197	-5,650		230,427	35,958	29,908	-1,576	0	64,289
Techworld goodwill amortisation	169,598		-169,598		0	43,088	0	-43,088		0
Other differences, Localeyes	38,176		-38,176		0	4,772	0	-4,772		0
Intra-group profits eliminated in the consolidated Financial Statements (27.9%)	10,040		-10,040		0	2,801	0	-2,801	0	0
	<b>1,974,595</b>	<b>338,782</b>	<b>-717,260</b>	<b>0</b>	<b>1,596,117</b>	<b>477,315</b>	<b>85,488</b>	<b>-170,749</b>	<b>0</b>	<b>392,055</b>

Receivables from others mainly include:

- € 1,452,221 for costs incurred related to the construction of the new offices in front of the company headquarters; this work will be financed through a property lease.
- € 431,061 related mainly to the portion accrued for severance pay by the employees of SDS (the same amount has been charged to liabilities under the item severance pay), to which advance payments on account (€ 70,000) must be added. STAR7's lease of this business unit for a period of three years, originally expiring in November 2020, was extended for another year; the company was declared bankrupt on 3 March 2022 by the Civil Court of La Spezia. At the end of the lease of the company branch and in case of return of the same to the company SDS srl, the amounts will be offset;
- € 362,267 related to receivables from employees for holiday/flexitime paid with the January 2023 accrual.
- € 81,316 for credit notes to be received from suppliers.

The breakdown of receivables by geographical area is as follows:

	ITALY	EU	NON EU	TOTAL
Trade receivables	23,321,252	1,771,575	4,392,932	29,485,759
Receivables from subsidiaries			94,897	94,897
Receivables from associated companies	317	90,019	498,705	589,041
Tax receivables	2,159,639	185,027	234,239	2,578,905
Deferred tax assets	392,055			392,055
Receivables due from others	2,811,062	27,068	36,559	2,874,689
<b>TOTAL RECEIVABLES</b>	<b>28,684,325</b>	<b>2,073,689</b>	<b>5,257,332</b>	<b>36,015,346</b>

## Cash on hand

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
18,486,312	23,485,538	- 4,999,226

The item is broken down as follows:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Bank and postal deposits	18,475,779	23,478,324	-5,002,545
Cash and cash equivalents	10,533	7,214	3,319
	<b>18,486,312</b>	<b>23,485,538</b>	<b>-4,999,226</b>

This item represents cash and cash equivalents and the existence of cash and valuables at the end of the financial year. Reference should be made to the Statement of Cash Flows for a quantitative analysis of the cash flows that generated the change in the period.

## Accrued income and prepaid expenses

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
2,003,290	1,632,214	371,076

These represent the liaison items for the financial year calculated on an accruals basis and mainly consist of prepaid expenses. As at 31/12/2022 they are broken down as follows:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
<b>ACCRUED INCOME</b>			
Others	83,662	61	83,601
	<b>83,662</b>	<b>61</b>	<b>83,601</b>
<b>PREPAID EXPENSES</b>			
Long-term prepaid expenses with a duration of more than 5 years	794,706	696,034	98,672
Other deferrals	1,124,922	936,119	188,803
	<b>1,919,628</b>	<b>1,632,153</b>	<b>287,475</b>
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>2,003,290</b>	<b>1,632,214</b>	<b>371,076</b>

As at 31/12/2022, prepaid expenses with a duration of more than five years mainly related to:

- € 270,000 relating to the lease down payment of the new building under construction;
- € 524,706 related to bond issue costs (*minibond* of € 25 million).

## 8

# Liabilities

## A) Net equity

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
29,493,367	25,505,057	3,988,310

The following table shows changes during the year:

Description	31/12/2021	Allocation of previous year's result		Other changes		Profit (loss) for the year	31/12/2022
		Allocation of dividends	Allocation to reserve	Increases	Decreases		
Share capital	599,340						599,340
Share premium reserve	11,728,160						11,728,160
Legal reserve	100,000		19,868				119,868
Special reserve	7,923,536		706,793				8,630,329
Capital contributions	2,846						2,846
Merger surplus				1,105,814			1,105,814
Consolidation reserve	2,434,709			1,075,014	-1,105,814		2,403,909
Reserve for foreign exchange translation differences	-736,674			632,360			-104,314
Amnesty reserve	19,321						19,321
Reserve from suspended depreciation (art. 60 Law 126/2020)	390,003						390,003
Reserve for transactions to hedge expected cash flows	-43,584			355,847			312,263
Profit (loss) for the year	2,183,084		-726,661		-1,456,423	3,094,552	3,094,552
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>24,600,741</b>	<b>-</b>	<b>-</b>	<b>3,169,035</b>	<b>-2,562,237</b>	<b>3,094,552</b>	<b>28,302,091</b>
Capital and reserves attributable to minority interests	616,480			243,854			860,334
Profit (loss) attributable to minority interests	287,836				-287,836	330,942	330,942
<b>TOTAL EQUITY ATTRIBUTABLE TO MINORITY INTERESTS</b>	<b>904,316</b>	<b>-</b>	<b>-</b>	<b>243,854</b>	<b>-287,836</b>	<b>330,942</b>	<b>1,191,276</b>
<b>TOTAL EQUITY</b>	<b>25,505,057</b>	<b>-</b>	<b>-</b>	<b>3,412,889</b>	<b>-2,850,073</b>	<b>3,425,494</b>	<b>29,493,367</b>

The consolidation reserve includes:

- the reserves for accumulated profits made by subsidiaries, net of amortisation of goodwill for previous years; the "Merger Surplus" reserve was replenished from this reserve as a result of the merger of Star7 Engineering and AD Studio in 2022;
- the revaluation reserve of €145,500 (Group's share) pursuant to Legislative Decree no. 104/2020 ("Relaunch" Decree), originated from the revaluation carried out in 2020 on certain electronic printing systems and automatic operating machinery owned by Star7 Printing;
- the Reserve from suspended depreciation (pursuant to Article 60 of Law 126/2020) of €280,104 for the portion of depreciation pertaining to 2020 suspended on certain advanced printing machinery of Star7 Printing.

The Parent Company suspended part of the amortisation and depreciation pertaining to 2020 (pursuant to Article 60 of Law 126/2020), setting aside the amount of €390,003 in a specific reserve under shareholders' equity.

The "Reserve for transactions to hedge expected cash flows" (item A.VII of shareholders' equity) was recorded as a balancing entry to "Derivative financial assets" (see note on Financial Fixed Assets), net of deferred tax liabilities and the portion pertaining to minority shareholders of Star7 Printing.

In 2021, the Parent Company purchased 10% of its own shares (50,000 shares at a price of 60 Euros each) in view of the listing on the Euronext Growth Milan segment of the Italian Stock Exchange, recording a specific negative reserve in shareholders' equity amounting to € 3,000,000. As at 31.12.2021, the Parent Company no longer held any treasury shares in its portfolio as they were all placed on the market during the IPO process. Therefore, the reserve was reset to zero.

On 25/10/2021, a share capital increase of € 27,650 for the entry of the Kairos investment fund was approved, with a concurrent premium of € 2,972,350. The share capital was then further increased by € 71,690 for the purpose of subsequent listing on Borsa Italiana, Euronext Growth Milan segment, with the issue of a premium of € 8,755,810. These increases were fully subscribed and paid.

In 2022, the pledge on 4% of the shares of STAR7 S.p.A. as security for the balance of the purchase price of the 100% stake in Localey Ltd was closed (€ 3 million to be paid: € 1.5 million by 31/12/2023 and € 1.5 million by 31/12/2024). The pledge was replaced by a bank guarantee issued by Unicredit Corporate S.p.A. with a SACE guarantee.

## Details of the various other reserves

DESCRIPTION	AMOUNT
Amnesty reserve	19,321
Reserve Article 60 Decree Law 104/2020 (converted Law 126/2020)	390,003
<b>TOTAL</b>	<b>409,324</b>

## Reconciliation between the Parent Company's statutory Financial Statements and the consolidated Financial Statements

The following table shows a reconciliation between shareholders' equity of the Parent Company, STAR7 S.p.A., and consolidated shareholders' equity:

<b>STATEMENT OF RECONCILIATION BETWEEN NET EQUITY OF THE PARENT COMPANY AND CONSOLIDATED NET EQUITY AS AT 31 DECEMBER 2022</b>						
	<b>NET EQUITY 2021</b>	<b>Dividends</b>	<b>Changes in the scope of consolidation</b>	<b>Other changes</b>	<b>Result for the period</b>	<b>NET EQUITY 31/12/2022</b>
<b>STAR7 S.P.A.</b>	<b>21,447,087</b>	-	<b>1,105,814</b>	<b>349,349</b>	<b>4,095,010</b>	<b>26,997,260</b>
Operating results of subsidiaries pro-rata	2,905,643			-2,905,643	5,570,436	5,570,436
Intercompany dividends	-275,554			275,554	-3,685,684	-3,685,684
Subsidiaries' profit reserves pro-rata	2,442,881		-1,105,814	1,939,173		3,276,240
Amortisation of goodwill	-1,392,138				-3,331,639	-4,723,777
Reversal of intercompany profits net of tax effect	-24,202				11,481	-12,721
Leasing accounting with the financial method	141,775				37,355	179,130
Alignment of intercompany costs/revenues	-49,833					-49,833
STAR USA LLC (USA) Rebranding	-				397,593	397,593
Writeback under Italian Decree-Law 104/2020	145,500					145,500
Reserve for transactions to hedge expected cash flows	-3,744			316,007		312,263
Exchange rate differences on translation of foreign currency items	-736,674			632,358		-104,316
<b>CONSOLIDATED Financial Statements GROUP SHARE</b>	<b>24,600,741</b>	-	-	<b>606,798</b>	<b>3,094,552</b>	<b>28,302,091</b>

## B) Provisions for risks and charges

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
1,132,021	499,892	632,129

The breakdown of this item is as follows.

DESCRIPTION	31/12/2021	PROVISIONS	USES	OTHER CHANGES	31/12/2022
Pensions and similar obligations	154,930	64,000			218,930
Provision for taxes, including deferred taxes	237,331	35,977	-2,630	99,808	370,486
Financial derivative liabilities	57,631			-57,631	0
Others	50,000	492,605			542,605
	499,892	592,582	-2,630	42,177	1,132,021

The "Retirement reserve" refers to the reserve for severance indemnities of the Parent Company's Directors.

The provision for deferred taxes mainly relates to the tax effect of: recognition of the lease of the building in accordance with IFRS 16 (financial methodology); the suspension of part of the amortisation charge for 2020 pursuant to Law 126/2000 referred to in the notes on intangible fixed assets; the mark-to-market as of 31/12/2022 relating to five interest rate swap hedging contracts; please refer to the notes on "Derivative Assets" and "Information on the *fair value* of financial derivatives" for further details.

Changes are illustrated in the following table:

	Taxable				Deferred tax assets					
	31/12/2021	Increases	Other changes	Returns 31/12/2022	31/12/2021	Increases	Other changes	Returns 31/12/2022		
Suspended amortisation Article 60 Decree Law 104/2020 (conv. Law 126/2020) (27.9%)	261,991			261,991	73,095	-		-	73,095	
Suspended depreciation Article 60 Decree Law 104/2020 (conv. Law 126/2020) (27.9%)	280,104			280,104	78,149	-		-	78,149	
Leasing of real estate and automatic machinery (27.9%)	296,703	128,946		-5,650	419,999	82,780	35,976		-1,576	117,180
Financial derivative assets			415,868		415,868	-	-	99,808	-	99,808
5% dividends to be received from Star Comunicação Ltda (24%)	13,778			-4,392	9,386	3,307			-1,054	2,253
	852,576	128,946	415,868	-10,042	1,387,348	237,331	35,976	99,808	-2,630	370,485



The risk provision of € 50,000 allocated in previous years for commercial risks and prudentially maintained, was increased by € 492,605 against the forthcoming accession to the R&S bonus amnesty (DL 146/2021), following the Report on R&S activities, carried out by STAR7 and Star7 Engineering, AD Studio and Star7 Printing, prepared by the Federico II University of Naples - D.I.E.T.I. Department.

The provision for financial derivative liabilities, which was reduced to zero in 2022, comprised the following as at 31.12.2021:

- 4 interest rate swap hedging contracts at mark-to-market held by the Parent Company, referring to loans disbursed in 2019 by Intesa Sanpaolo for € 3,000,000, in 2020 by Credit Agricole for € 2,250,000, in 2020 by Unicredit for € 1,900,000 and in 2021 by Intesa Sanpaolo for € 3,000,000;
- a mark-to-market interest rate swap relating to Star7 Printing, for a loan granted in 2020 by Intesa Sanpaolo for € 850,000.

Please refer to the notes on “Financial Fixed Assets” and “Information on the *fair value* of financial derivatives”;

## C) Employee severance indemnity

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
4,716,159	3,900,178	815,981

The provision set aside represents the actual payables at 31/12/2022 to employees at that date, net of advances paid. The change was as follows:

<b>BALANCE AS AT 31/12/2021</b>	<b>3,900,178</b>
Provisions	1,369,942
Uses	-785,948
Other changes	231,987
<b>Balance as at 31/12/2022</b>	<b>4,716,159</b>

Other changes relate to the provision for severance indemnities of employees gained following the acquisition of Vertere s.r.l. (change in scope of consolidation).

## D) Payables

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
68,100,712	71,143,442	-3,042,710

Payable due dates are broken down as follows:

	BALANCE AS AT 31/12/2022			TOTAL	BALANCE AS AT 31/12/2021	CHANGE
	WITHIN 12 MONTHS	WITHIN 5 YEARS	OVER 5 YEARS			
Bonds	4,166,667	16,666,666	4,166,667	25,000,000	25,000,000	-
Borrowings from banks	12,765,436	10,666,121		23,431,557	23,098,463	333,094
Borrowings from other lenders	1,921,019	2,855,694	373,053	5,149,766	7,295,330	-2,145,564
Trade payables	8,574,855			8,574,855	7,216,649	1,358,206
Payables to associated companies	669,672			669,672	548,416	121,256
Tax payables	912,823			912,823	1,229,354	-316,531
Due to social security institutions	1,366,093			1,366,093	1,252,181	113,912
Other payables	2,995,946			2,995,946	5,503,029	-2,507,083
	<b>33,372,511</b>	<b>30,188,481</b>	<b>4,539,720</b>	<b>68,100,712</b>	<b>71,143,422</b>	<b>-3,042,710</b>

The most significant payables as at 31.12.2022 are:

- bonds these are two "*minibonds*" issued for a total of € 25 million to partially finance the acquisition of 100% of the LocalEyes Ltd Group; the duration is 7 years with one-year grace period (full repayment by 25/10/2028), and a fixed interest rate of 4.75%; a pledge was issued as a guarantee, on 100% of the shares/units of LocalEyes Ltd;
- borrowings from banks: this item includes several medium/long term loans provided by various banks; it also includes short term loans granted by various banks relating to invoice advance accounts and to "hot money" loans, all short term loan transactions used by the Company to cover very short-term needs;
- borrowings from other lenders: include loans from suppliers for the purchase of capital goods (€ 30,466), payables to leasing companies (€ 1,853,444, of which € 373,053 is due after 5 years) and, above all, the residual debt related to the acquisition of 100% of the LocalEyes Ltd Group (€ 3 million to be paid: € 1.5 million by 31/12/2023 and € 1.5 million by 31/12/2024). as security for the debt, a pledge was established on 4% of the shares of STAR7 S.p.A. held by the shareholders STAR AG and Dante s.r.l., which was extinguished and replaced in 2022 by a bank guarantee; in addition, in 2022, the remaining debt for the acquisition of Vertere (€ 265,856) is added against the minimum price guaranteed to the previous owner.

The item "Trade payables" includes payables arising from the purchase of services and goods destined directly for the production of finished products and services.

The item "Due within 12 months" primarily regards amounts due for withholding tax, VAT and income tax.

	31/12/2022	31/12/2021	CHANGE
Income Taxes	192,076	557,770	-365,694
VAT account	5,914	19,020	-13,106
Withholding substitute taxes to be paid	540,636	647,452	-106,816
Other minor	174,197	5,112	169,085
	<b>912,823</b>	<b>1,229,354</b>	<b>-316,531</b>

There are no debts secured by collateral on corporate assets (art. 2427, first paragraph, no. 6, Italian Civil Code), with the exception of what was mentioned above with regard to bonds (issued 100% pledge on shares/units of Localeyes). The debt to other lenders (€ 3 million for the residual price to be paid for the acquisition of the Localeyes Ltd Group) is no longer secured by a pledge on 4% of the shares owned by STAR AG and Dante s.r.l.) because it was extinguished and replaced in 2022 by a bank guarantee.

As far as bank loans are concerned, the Group's Italian companies benefited in 2020 from the moratorium introduced by legislation to offset the Covid-19 epidemiological emergency, starting with Decree Law 23/2020 (Liquidity Decree). The amount of the capital shares subject to the benefit totalled € 1,436,388 in 2020.

As the moratorium did not entail any change in contractual conditions or in the interest rates applied, which are in line with market rates, the amortised cost method was not applied to these loans, partly because the effects would not be significant.

The Parent Company and Star Printing obtained the SACE / Mediocredito guarantee provided for by the Covid-19 epidemiological emergency regulations on the following loans:

LENDING INSTITUTION	AMOUNT OF LOAN	MAXIMUM AMOUNT GUARANTEED BY THE FUND	STATE AID QUANTIFICATION	LEGAL REFERENCE	GUARANTOR
UNICREDIT	2,000,000	1,800,000	-	Article 1 Decree Law 23/2020	SACE
CREDIT AGRICOLE	2,250,000	2,030,000	89,117	Guarantee Fund Law 662/96	MEDIOCREBITO
BANCA SELLA	1,000,000	1,000,000	-	Innovfin Guarantee	FEI FUND
INTESA SANPAOLO	1,650,000	1,320,000	52,245	Guarantee Fund Law 662/96	MEDIOCREBITO
BPM	500,000	450,000	17,811	Guarantee Fund Law 662/96	MEDIOCREBITO
BPM	1,500,000	1,200,000	47,495	Guarantee Fund Law 662/96	MEDIOCREBITO
BANCA SELLA	250,000	225,000	4,465	Guarantee Fund Law 662/96	MEDIOCREBITO
CASSA DI RISPARMIO DI ASTI	600,000	600,000	19,075	Guarantee Fund Law 662/96	MEDIOCREBITO
INTESA SANPAOLO	3,000,000	2,700,000	-	Article 1 Decree Law 23/2020	SACE
<b>TOTAL</b>	<b>12,750,000</b>	<b>11,325,000</b>	<b>230,209</b>		

Payables to associated companies may be broken down as follows:

<b>PAYABLES TO ASSOCIATED COMPANIES</b>	<b>31/12/2022 TRADE</b>	<b>31/12/2021 TRADE</b>
STAR AG	206,487	66,139
STAR CZECH S.R.O.	40,265	57,301
STAR POLAND	32,589	44,737
STAR Comunicação SCP		44,001
STAR PREVAJALSKE STORITVE D.O.O Ljubljana	47,607	39,633
STAR JAPAN TOKYO	8,606	27,717
IAMDEV	26,238	27,118
STAR SERV.LINGUISTICOS LDA	19,793	26,406
STAR INFORMATION ENGINEERING S.L.	14,935	22,031
STAR SERVICIOS LINGUISTICOS - BARCELONA	1,182	21,721
STAR SOFTWARE SHANGHAI CO. LTD	6,665	18,647
STAR HUNGARY KFT	13,866	16,246
STAR EGYPT MIDDLE EAST LTD CAIRO	2,978	15,904
STAR UK LIMITED	4,576	14,025
STAR Information Services & Tools S.R.L.	7,625	12,023
STAR KOREA AG	30,885	11,137
STAR SPB - RUSSIA	-	9,676
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD	149	8,863
STAR DEUTSCHLAND GMBH	10,468	8,087
STAR AG TAIWAN BRANCH	4,186	7,964
STAR PARIS	-	7,782
STAR GROUP AMERICA LLC	8,563	7,596
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA	1,593	5,159
DANTE SRL	-	20,780
STAR SOFTWARE INDONESIA	197	2,594
STAR GROUP SCANDINAVIA AB	6	2,090
STAR TURKEY INF.SERVICES LTD STI	2,049	1,163
STAR TECHNOLOGY SOLUTIONS	698	639
GRAFICA E EDITORA STARCOM LTDA	-	629
STAR J&M FINNLAND OY	1,237	341
STAR CO., LTD	-	232
STAR SL	175,300	-
STAR GMBH	893	-
STAR SA	35	35
	<b>669,672</b>	<b>548,416</b>

Payables are broken down by geographical area as follows:

	ITALY	EU	NON EU	TOTAL
Bonds	25,000,000			25,000,000
Borrowings from banks	23,422,272	9,285		23,431,557
Borrowings from other lenders	2,149,766		3,000,000	5,149,766
Trade payables	6,659,107	723,426	1,192,322	8,574,855
Payables to associated companies	26,238	366,465	276,969	669,672
Tax payables	541,871	199,453	171,499	912,823
Due to social security institutions	1,289,421	42	76,630	1,366,093
Other payables	2,489,067	126,869	380,010	2,995,946
	<b>61,577,742</b>	<b>1,425,540</b>	<b>5,097,430</b>	<b>68,100,712</b>

## E) Accrued expenses and deferred income

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
2,437,357	3,124,301	- 686,944

These represent the liaison items for the period calculated on an accruals basis, and consist primarily of deferred income for revenues paid in advance but pertaining to subsequent periods.

The item breaks down as follows:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Accrued expenses	787,970	1,454,365	-666,395
Deferred income	1,649,387	1,669,936	-20,549
<b>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>2,437,357</b>	<b>3,124,301</b>	<b>-686,944</b>

The most significant amounts of accrued expenses include accrued interest on the bond loan in the amount of € 159,418, payables to personnel for accrued production bonuses yet to be paid in the amount of € 249,999, and other minor amounts for credit card expenses incurred in December but debited to the current account in January, employee expense accounts, and bank fees.

The decrease compared to 2021 is explained by the allocation for MBO accrued in the previous year amounting to € 747,700, which is higher than the allocation for the current year.

Deferred income relates to invoices issued in advance in 2022 but related to activities to be performed in 2023, as well as an income from Mr Josef Zibung related to IPO costs accruing in future years (€ 570,208).

As of 31/12/2022 there are no accruals or deferrals with a duration of more than five years.

## 9

# Income Statement

## A) Value of production

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
84,984,811	60,024,757	24,960,054

The details are as follows:

BUSINESS SECTOR	31/12/2022	31/12/2021	CHANGE
Revenues from sales and services	83,251,178	58,992,426	24,258,752
Changes in inventories of finished goods, semi-finished goods, etc.	144,223	-125,696	269,919
Change in contract work in progress	1,276	154,520	-153,244
Other revenues and income:			
grants related to income	650,973	701,750	-50,777
others	937,161	301,757	635,404
<b>Total other revenues and income</b>	<b>1,588,134</b>	<b>1,003,507</b>	<b>584,627</b>
<b>TOTAL</b>	<b>84,984,811</b>	<b>60,024,757</b>	<b>24,960,054</b>

The change is closely related to the matters discussed in the Report on Operations.

The breakdown of revenues by business segment is as follows:

BUSINESS SECTOR	31/12/2022	31/12/2021	CHANGE
Global Content	29,587,306	19,981,033	9,606,273
Product knowledge, Engineering and Experience	38,849,237	25,370,721	13,478,516
Printing	14,539,697	3,842,354	10,697,343
Other services	274,937	9,798,318	-9,523,381
<b>TOTAL</b>	<b>83,251,178</b>	<b>58,992,426</b>	<b>24,258,752</b>

The breakdown of the value of revenues by geographical area is as follows:

GEOGRAPHICAL AREA	31/12/2022	31/12/2021	CHANGE
Italy	47,054,679	42,335,080	4,719,599
EU	3,178,075	3,573,573	-395,498
NON EU	33,018,424	13,083,773	19,934,651
<b>TOTAL</b>	<b>83,251,178</b>	<b>58,992,426</b>	<b>24,258,752</b>

"Other revenues and income" include, among others, operating grants, detailed as follows:

COMPANY	RESEARCH AND DEVELOPMENT	INDUSTRY 4.0	COVID-19	ECOBONUS	TOTAL
STAR7 S.p.A.	522,881				522,881
STAR7 Printing S.r.l.		128,092			128,092
	650,973	-	-	-	650,973

The grants are posted to item A5 "Other revenues and income" in the Income Statement, on an accruals basis and in the period in which the right to receive them arises with certainty.

Revenues recognised from related parties are as follows:

ASSOCIATED COMPANY:	31/12/2022 TRADE	31/12/2021 TRADE
STAR AG	223,964	442,536
DANTE SRL	260	
STAR DEUTSCHLAND GMBH	134,165	165,190
STAR PARIS	65,625	83,638
STAR SERVICIOS.LINGUISTICOS BARCELONA		1,116
STAR Software, Translation, Artwork, Recording GmbH	14,517	14,176
STAR JAPAN TOKYO	13,878	13,876
STAR CZECH S.R.O.	8,318	8,354
STAR INFORMATION ENGINEERING S.L.		107
STAR UK LIMITED	3,394	15,423
STAR GROUP SCANDINAVIA AB	26,870	18,725
STAR SERV.LINGUISTICOS SLU	220	
STAR GROUP AMERICA LLC	42,710	2,832
STAR TECHNOLOGY SOLUTIONS	24,933	34,740
STAR SA	44,407	3,823
	603,261	804,536

## B) Costs of production

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
77,313,844	56,033,975	21,279,869

Costs of production are all inherent in the production of revenues and accrued during the period.

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Raw and ancillary materials and goods	5,677,928	4,002,824	1,675,104
Services	32,573,763	22,537,958	10,035,805
Leased assets	1,524,627	1,322,995	201,632
Wages and salaries	21,532,237	17,186,914	4,345,323
Social security contributions	5,892,084	4,587,710	1,304,374
Employees' leaving entitlement	1,369,942	947,769	422,173
Pensions and similar obligations	-	-	-
Other personnel costs	362,395	255,189	107,206
Amortisation	6,111,398	2,960,696	3,150,702
Depreciation	1,610,238	1,248,573	361,665
Other write-downs of fixed assets	-	-	-
Write-downs of receivables in current assets	72,576	15,818	56,758
Change in inventories Raw materials	-494,113	-243,228	-250,885
Provisions for risks	64,000	64,000	-
Other provisions	-	-	-
Sundry operating expenses	1,016,769	1,146,757	-129,988
<b>TOTAL</b>	<b>77,313,844</b>	<b>56,033,975</b>	<b>21,279,869</b>

### Cost of raw materials, ancillary materials, consumables and goods for resale and Cost of services

They are closely related to the information provided in the Report on Operations and the performance of item A (Value of production) in the Income Statement.

#### Personnel costs

This item includes all expenses for employees, including merit payments, changes in category, contingency payments, the cost of unused vacation time and provisions pursuant to legislation and collective labour agreements.

It should be noted that in 2021 the Group's Italian companies did not make use of the "social shock absorbers" envisaged by the regulations issued to counter the negative effects of the Covid-19 emergency. The use of the wage supplementation allowance was audited in early 2021 by the Guardia di Finanza without highlighting any issues, as the Group's companies had correctly complied with the provisions of the Law.



## Amortisation and depreciation

Depreciation/amortisation has been calculated on the basis of the useful life of the assets and their participation in the production phase.

### The costs received from related parties are as follows:

ASSOCIATED COMPANY:	31/12/2022	31/12/2021
DANTE SRL	478,130	480,000
STAR AG	361,631	406,950
STAR CZECH S.R.O.	234,990	269,951
STAR PREVAJALSKE STORITVE D.O.O Ljubljana	222,802	246,640
STAR POLAND	184,779	156,218
STAR SERV.LINGUISTICOS LDA	108,934	160,573
STAR Information Services & Tools S.R.L.	79,301	60,164
STAR JAPAN TOKYO	77,654	106,659
STAR INFORMATION ENGINEERING S.L.	65,822	82,194
STAR HUNGARY KFT	60,880	62,210
STAR UK LIMITED	43,779	63,632
STAR KOREA AG	41,176	18,033
STAR SOFTWARE SHANGHAI CO. LTD	32,597	65,627
STAR AG TAIWAN BRANCH	16,048	15,283
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA	15,619	11,362
STAR EGYPT MIDDLE EAST LTD CAIRO	11,230	26,933
STAR DEUTSCHLAND GMBH	11,042	14,066
STAR SERVICIOS LINGUISTICOS	10,302	
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD	7,587	12,652
STAR GROUP SCANDINAVIA AB	6,843	15,164
STAR SOFTWARE INDONESIA	6,000	17,714
STAR J&M FINNLAND OY	5,309	2,233
STAR TURKEY INF.SERVICES LTD STI	4,148	9,819
STAR GROUP AMERICA LLC	3,497	6,303
STAR SPB - RUSSIA	3,276	18,342
STAR PARIS	1,000	8,134
STAR TECHNOLOGY SOLUTIONS	383	
	210	335
STAR Software, Translation, Artwork, Recording GmbH		2,786
STAR TECHNOLOGY SOLUTIONS		315
STAR VERTALINGEN BV		238
STAR SA		85
STAR SERVICIOS LINGUISTICOS BARCELONA		17,027
	<b>2,094,969</b>	<b>2,357,642</b>

## C) Financial income and charges

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
-2,298,841	- 632,967	- 1,665,874

### Financial income

	31/12/2022	31/12/2021	CHANGE
Other financial income	87,353	44,265	43,088
<b>TOTAL FINANCIAL INCOME</b>	<b>87,353</b>	<b>44,265</b>	<b>43,088</b>

Most of the financial income (€82,522) is attributable to the Brazilian subsidiaries.

### Breakdown of interest and other financial expense by type of debt

	31/12/2022	31/12/2021	CHANGE
Interest payable on current accounts, advances, factoring	189,616	138,011	51,605
Interest expenses on bonds/ <i>minibonds</i>	1,276,911	159,417	1,117,494
Interest payable on loans	347,796	268,150	79,646
Interest payable on leases	87,199	92,623	-5,424
Interest due to suppliers and other charges	58,482	18,645	39,837
Early payment discounts	427,391		427,391
<b>TOTAL FINANCIAL EXPENSES</b>	<b>2,387,395</b>	<b>676,846</b>	<b>1,710,549</b>

Interest expenses on bonds/*minibonds* also include the accrued portion of the "success fee" paid in 2021 to banks (€ 89,411).

The details of exchange gains and losses are not indicated as the amounts are not significant. The balance in the income statement refers entirely to realised exchange differences.

## D) Value adjustments to financial assets and liabilities

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
0	751	- 751

In 2021, the writeback of € 40,803 related to the equity measurement of the investment in the Brazilian subsidiary "Star Comunicação e Serviços - SCP".

In 2021, the write-down of € 40,052 reflects the alignment of the value of the investment in the Brazilian associate "Grafica e Editora Starcom Ltda", which was merged into "STAR Comunicação e Serviços Ltda" in the first half of 2021.

## Current and deferred income taxes

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
1,946,632	887,647	1,058,985

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Current taxes:	1,491,932	962,661	529,271
IRES - IRAP - other taxes	1,491,932	962,661	529,271
Prior year taxes	492,605	-	492,605
(Deferred) tax assets	-37,905	-75,014	37,109
<b>TOTAL</b>	<b>1,946,632</b>	<b>887,647</b>	<b>1,058,985</b>

Taxes for the year have been recorded.

Taxes relating to previous years (€ 492,605) were allocated against the forthcoming accession to the amnesty for bonuses R&S (DL 146/2021), following the Report on Research and Development activities, carried out by STAR7 and Star7 Engineering, AD Studio and Star7 Printing, prepared by the Federico II University of Naples - D.I.E.T.I. Department.

## Deferred tax assets/liabilities

For details of deferred tax assets, please refer to the table included in the note on receivables from current assets, while reference is made for details of deferred tax liabilities to the table included in the note on provisions for risks and charges.

## Cash flow statement

With regard to the Cash Flow Statement, the following should be noted:

- the item "Total adjustments for non-monetary items without a balancing entry in net working capital" includes, among others, employee severance indemnities deriving from the acquisition of Vertere s.r.l. (€ 231,987), increases in fixed assets due to changes in the scope of consolidation (€ 24,866 attributable to Vertere) and changes in derivative financial instruments;
- investments in intangible fixed assets do not include changes in goodwill relating to Localeyes Ltd, Vertere s.r.l. and The Geo Group because these components are more appropriately shown under the line "Acquisition of businesses net of cash and cash equivalents".

## Fees, advances and credits granted to directors and statutory auditors and commitments undertaken on their behalf

During the year, the following fees were paid to the members of the Board of Directors and the Board of Statutory Auditors of the Parent Company:

	ADMINISTRATORS	STATUTORY AUDITORS
Fees	950,012	34,972

No advances were paid or loans granted to directors and auditors, nor were guarantees issued in their favour.

## Fees to the statutory auditor or independent auditors

In accordance with the law, the fees for the year for services provided by the Independent Auditors and by entities belonging to their network are shown:

	AMOUNT
Legal audit of annual accounts	19,000
<b>TOTAL FEES PAYABLE TO THE STATUTORY AUDITOR OR THE AUDITING FIRM</b>	<b>19,000</b>

## Information on financial instruments issued by Group companies

The share capital of the Parent Company, fully subscribed and paid-up, is composed as follows (Article 2427, first paragraph, nos. 17 and 18, Civil Code).

STOCKS/QUOTAS	NUMBER	NOMINAL VALUE IN EURO
Ordinary Shares	7,649,752	without par value
PAS Special Shares	1,350,000	without par value
	<b>8,999,752</b>	

In 2021, the following shares were issued (Extraordinary Shareholders' Meeting of 29/11/2021 and Board of Directors' meeting of 20/12/2021).

SHARES ISSUED BY THE COMPANY BY CATEGORIES DESCRIPTION	ORDINARY SHARES	PAS SPECIAL SHARES
Shares subscribed during the year, number	7,649,752	1,350,000
Shares subscribed during the year, par value	not indicated	not indicated
Opening amount, number	500,000	
Opening amount, number	7,649,752	1,350,000
Opening amount, par value	500,000	
Opening amount, par value	not indicated	not indicated

For the purpose of admission to listing on the Euronext Growth Milan market, the existing ordinary shares as at 31/12/2020 (500,000 with a unit value of € 1.00) were cancelled as new ordinary shares were issued, dematerialised, with no indication of the par value. Of the latter, 1,350,000 were converted into PAS special shares in accordance with Article 6 of the Bylaws (of which 750,000 held by Dante s.r.l. and 600,000 held by STAR AG). On 20 December 2021, the Board of Directors subsequently resolved on a capital increase with the issue of 1,499,752 new ordinary shares, of which 429,752 subscribed by Kairos Partners SGR S.p.A. and 1,070,000 offered for placement on the market.

## Securities issued by Group companies

As already mentioned, the Parent Company issued the following securities in 2021, which are not included in the share capital: two bond/*minibond* issues totalling € 25 million to partially finance the acquisition of 100% of the Localeyes Ltd. Group; the duration is 7 years with one-year grace period (full repayment by 25/10/2028), and a fixed interest rate of 4.75%; a pledge on 100% of the shares/quotas of Localeyes Ltd. was issued as security. The above securities are listed on the Extra-MOT segment of the Italian Stock Exchange.

## Commitments, guarantees and contingent liabilities not shown in the balance sheet

As security for the repayment of the bonds/*minibonds* issued in 2021, a pledge was issued on 100% of the shares/units of Localeyes Ltd.

## Information on the *fair value* of financial derivatives

Pursuant to Article 2427-bis, first paragraph, Civil Code, we inform you that some Group Companies have entered into the following, unlisted, derivative financial contracts, of which the main characteristics and their *fair value*, recognised in the Financial Statements in accordance with accounting standard OIC 32, are summarised below.

COUNTERPART	TYPE	PURPOSE	DATE OF EXECUTION	MATURITY DATE	NOTIONAL VALUE	FAIR VALUE	
						POSITIVE	NEGATIVE
Intesa Sanpaolo	Interest rate swap	Hedging	06/06/2019	28/04/2023	3,000,000	1,103	0
Intesa Sanpaolo	Interest rate swap	Hedging	29/01/2021	31/12/2026	3,000,000	165,743	0
Unicredit	Interest rate swap	Hedging	18/11/2020	30/09/2026	1,900,000	93,475	0
Credit Agricole	Interest rate swap	Hedging	05/10/2020	05/10/2026	2,250,000	143,058	0
Intesa Sanpaolo	Interest rate swap	Hedging	03/02/2020	31/01/2025	850,000	12,489	0
					11,000,000	415,868	0

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

No financial assets are recorded in the consolidated Financial Statements at a value greater than their *fair value*.

## Information on transactions carried out with related parties (ref. art. 38, first paragraph, letter o-quinquies), Legislative Decree no. 127/1991)

Transactions with related parties were carried out on terms in line with market conditions and are mainly with STAR AG, Dante s.r.l. and their subsidiaries. The Parent Company is 33.4% owned by Switzerland-based STAR AG, which has shareholdings in subsidiaries and associated companies in Italy and abroad; during 2022 and 2021, business relations were conducted exclusively on market terms. During the year, only commercial relationships at market conditions were maintained with the associated companies DANTE S.r.l. and STAR AG. Costs referring to services rendered by DANTE S.r.l. amount to € 478,130 and relate to consultancy services in the areas of finance, technical management, human resources, marketing, external relations, and insurance consultancy. Details of costs and revenues with subsidiaries and associated companies are provided in the Report on Operations.

## Information on agreements not shown in the balance sheet (ref. art. 38, first paragraph, letter o-sexies), Legislative Decree no. 127/1991

There are no agreements not reflected on the Balance Sheet that need to be reported.

## Information on significant events after the end of the financial year

At the end of 2022, the leasing of a business unit with an option to purchase the companies C.A.A.R. S.p.A. and STI S.r.l. was finalised, effective from 1 January 2023. These companies are strategic and conducive to the development of the engineering and defence business, with offices located both in Italy (Turin and Bolzano) and abroad (Brazil and Serbia). Given that the two companies were in a critical financial situation, a busi-

ness leasing contract was envisaged at an early stage in order to minimise legal, financial and operational risks. Subsequently – only after the debt restructuring agreement that the company C.A.A.R. S.p.A. is going to propose to its creditors, and in particular to the Italian tax authority, in consideration of the accumulated debts is successfully approved by the competent Court – the business lease contract will be transformed into a purchase contract, for an amount defined between the parties, so that C.A.A.R. S.p.A. can honour the agreement entered into with the creditors. In the first months of 2023, the integration of the companies into STAR7 SPA proceeded successfully. No significant events occurred after the end of the financial year that could have a material impact on the Consolidated Financial Statements for the year ended 31/12/2022.

### **Information pursuant to Article 1, paragraph 125 of Law No. 124 of 4 August 2017**

It should be noted that operating grants, the details of which are included in the table in the note on “Other revenues and income”, have been recognised. With regard to the quantification of State aid relating to the guarantees obtained by Sace/Mediocredito on the loans payable, under the Covid-19 regulation, reference should be made to the specific table shown in the Notes to the Payables.

## **Business outlook for the financial year 2023**

The evolution of the first months after 31/12/2022 confirms a good trend in operations, despite an international context complicated by recent geopolitical events. The outlook for the entire year 2023 points to the achievement of a net profit.

### **Firms that prepare the Financial Statements of the larger/smaller set of firms to which you belong as a subsidiary**

Pursuant to the law, we provide the information required by Article 2427, first paragraph, no. 22 quinquies and sexies) of the Civil Code. Following the listing of the shares on the Euronext Growth Milan market, the case no longer exists, as STAR AG (based in Switzerland, tax identification number CHE-02.892.540), which at 31/12/2020 held 50% of the shares of STAR7 S.p.A., currently holds 33.4%.

## **Other information**

This Consolidated Report, consisting of the Balance Sheet, Income Statement, Cash Flow Statement and Notes to the Accounts, provides a true and fair view of the Company's financial position and results of operations, and corresponds to the accounting records of the Parent Company and the information provided by the companies included in the scope of consolidation.

Valle San Bartolomeo (Alessandria), 28 March 2023

**Chairman of the Board of Directors**  
**Lorenzo Mondo**

# INDEPENDENT AUDITOR'S REPORT

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to the Consolidated Financial Statements  
as at 31/12/2022



**STAR7 S.p.A.**

Independent auditors' report pursuant to  
art. 14 of Legislative Decree no. 39 of  
27 January 2010

Consolidated as at 31 December 2022



ABNG/MSCC/Abro-RC085002022BD1419







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10121 Turin

## Report of the independent auditors pursuant to article 14 of Legislative Decree 39 of 27 January 2010

To the shareholders of  
Star7 S.p.A.

### Report on the audit of the consolidated financial statements

#### Judgment

We have audited the accompanying consolidated financial statements of Star7 Group (the Group), which comprise the consolidated balance sheet as at 31 December 2022, the consolidated statement of income, the consolidated statement of cash flows for the year then ended, and the related notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of its results of operations and its cash flows for the year then ended in accordance with Italian regulations governing the criteria for their preparation.

#### Elements underlying the opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for Auditing the Consolidated Financial Statements* section of this report. We are independent of Star7 S.p.A. in accordance with the rules and principles on ethics and independence applicable in Italian law to the auditing of financial statements. We believe that we have acquired sufficient and appropriate evidence on which to base our opinion.

#### Responsibility of the directors and the Board of Statutory Auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Italian law governing the criteria for their preparation and, within the terms of the law, for that part of the internal control they consider necessary to enable the preparation of financial statements that do not contain material misstatements, whether due to fraud or unintentional conduct or events.

The directors are responsible for assessing the Group's ability to continue to operate as a going concern and, in preparing the consolidated financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure in this regard. The directors use the going concern assumption in preparing the consolidated financial statements unless they have assessed that the conditions exist for the liquidation of the parent company Star7 S.p.A. or for discontinuing operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for supervising, within the terms of the law, the process of preparing the Group's financial reports.

Bari, Bologna, Brescia, Cagliari, Florence, Genoa, Milan, Naples, Padua, Palermo, Rome, Turin, Verona

BDO Italia S.p.A. - Registered Office: Viale Abruzzi, 94 - 20131 Milan - Share Capital Euro 1,000,000 fully paid up.  
Tax ID Code, VAT number and Milan Company Register no. 07722780967 - R.E.A. Milan 1977842

Entered in the Register of Auditors at no. 167911 with Ministerial Decree of 15/03/2013 G.U. no. 26 of 02/04/2013

BDO Italia S.p.A., an Italian joint-stock company, is a member of BDO International Limited, a company limited by guarantee under English law, and is part of the international BDO network of independent companies.



### Responsibility of the independent auditors for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free of material misstatement, whether due to fraud or unintentional conduct or events, and to issue an audit report that includes our opinion. Reasonable assurance is defined as a high level of assurance that an audit performed in accordance with International Standards on Auditing (ISA Italy) will always detect a material misstatement, if any. Errors may arise from fraud or from unintentional conduct or events and are considered significant when they can reasonably be expected, either individually or collectively, to influence the economic decisions made by users on the basis of the consolidated financial statements.

As part of an audit performed in accordance with International Standards on Auditing (ISA Italy), we exercised professional judgment and maintained professional scepticism throughout the audit. Also:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements due to fraud or unintentional conduct or events; we defined and performed audit procedures in response to these risks; we have obtained sufficient and appropriate evidence on which to base our opinion. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error resulting from unintentional conduct or events, as fraud may involve collusion, falsification, intentional omissions, misrepresentation, or forcing of internal control;
- we have obtained an understanding of internal control relevant to the audit for the purpose of designing audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we assessed the appropriateness of the accounting policies used as well as the reasonableness of the accounting estimates made by the directors, including the related disclosures;
- we have reached a conclusion on the appropriateness of the directors' use of the going concern assumption and, based on the evidence obtained, on whether there is any material uncertainty about events or circumstances that may cast significant doubt about the Group's ability to continue as a going concern. If there is a material uncertainty, we are required to draw attention in the audit report to the relevant financial statement disclosures or, if such disclosures are inadequate, to reflect that fact in the formulation of our opinion. Our conclusions are based on the evidence obtained through the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a going concern;
- we evaluated the presentation, structure, and content of the consolidated financial statements as a whole, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that provides a fair presentation.
- we have obtained sufficient and appropriate evidence on the financial information of the businesses or the different economic activities carried out within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, oversight and performance of the Group's audit engagement. We are solely responsible for our audit opinion on the consolidated financial statements.

We communicated to those responsible for governance activities, identified at an appropriate level as required by ISA Italy, among other matters, the planned scope and timing of the audit and the significant findings that arose, including any significant deficiencies in internal control identified during the audit.



#### Report on other statutory and regulatory requirements

##### Judgment pursuant to art. 14, paragraph 2, letter e), of Legislative Decree no. 39/10

The directors of Star7 S.p.A. are responsible for the preparation of the Star7 Group's report on operations as of 31 December 2022, including its consistency with the related consolidated financial statements and its compliance with legal requirements.

We have performed the procedures indicated in Auditing Standard (SA Italy) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Star7 Group as at 31 December 2022, and on their compliance with legal requirements, as well as to issue a statement on any significant errors.

In our opinion, the report on operations referred to above is consistent with the Star7 Group's consolidated financial statements for the year ended 31 December 2022, and has been prepared in accordance with the requirements of the law.

With reference to the statement pursuant to art. 14, paragraph 2, letter e), of Legislative Decree no. 39/10, issued on the basis of the knowledge and understanding of the company and its context acquired during the audit, we have nothing to report.

Turin, 12 April 2023

BDO Italia S.p.A.

Anna Maria Bongiovanni  
Shareholder

# REPORT ON OPERATIONS

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accompanying the separate  
Financial Statements as at 31/12/2022

Dear Shareholders,  
the year ended on 31/12/2022 shows  
a profit equal to:

**€ 4,095,010**  
(€ 726,661 as at 31/12/2021)

# 1

## Operating conditions and business development

Your company operates in the field of translation and interpreting, automation of translation processes and language technologies, technical authoring and engineering content, dedicated IT development, and print on demand.

Pursuant to Article 2428, we inform you that the Company's activities are carried out at the head office of Alessandria, in the area of Valle San Bartolomeo, and at the local units in Asti, Turin, Pistoia, Maranello and La Spezia.

As of January 2023, following the business lease agreement for C.A.A.R S.p.A. and STI S.r.l. finalised on 31/12/2022, two additional offices in Turin and Bolzano are operational. From a legal point of view, the Company directly controls the following companies that carry out activities that are complementary and/or functional to the group's core business.

Name	Registered office	Shareholding	Control	Activities
STAR7 PRINTING S.R.L.	ASTI - ITALY	60%	60%	printing & logistics
VERTERE S.R.L.	PIACENZA - ITALY	100%	100%	translation
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE - BRAZIL	75%	75%	printing, logistics, technical authoring
CAL COMUNICAÇÃO LTDA	BELO HORIZONTE - BRAZIL	75%	75%	logistics
STAR USA LLC	DOVER - DELAWARE - USA	100%	100%	translation, technical authoring
TECHWORLD LANGUAGE SERVICES INC.	TROY - MICHIGAN - USA	100%	100%	translation
THE GEO GROUP CORPORATION	MADISON - WISCONSIN - USA	100%	100%	translation
STAR7 ALBANIA SHPK	TIRANA - ALBANIA	100%	100%	translation, technical authoring
STAR7 GMBH	LINZ - AUSTRIA	100%	100%	translation, technical authoring
LOCALEYES LTD	CORK - IRELAND	100%	100%	translation
LOCALEYES TIRANA	TIRANA - ALBANIA	100%	100%	translation
LOCALEYES MADRID	MADRID - SPAIN	100%	100%	translation
LOCALEYES AMSTERDAM	AMSTERDAM - NETHERLANDS	100%	100%	translation
LOCALEYES HELSINKI	HELSINKI - FINLAND	100%	100%	translation
LOCALEYES USA	SAN FRANCISCO - USA	100%	100%	translation

## 2

## Operating performance

The 2022 financial year saw a continuation of the growth path that has always characterised STAR7's history, driven both the organic component – increasingly through cross-selling activities – and M&A activity through targeted strategic acquisitions. During the financial year, two important transactions for STAR7 were completed that will help to grow the size of the business.

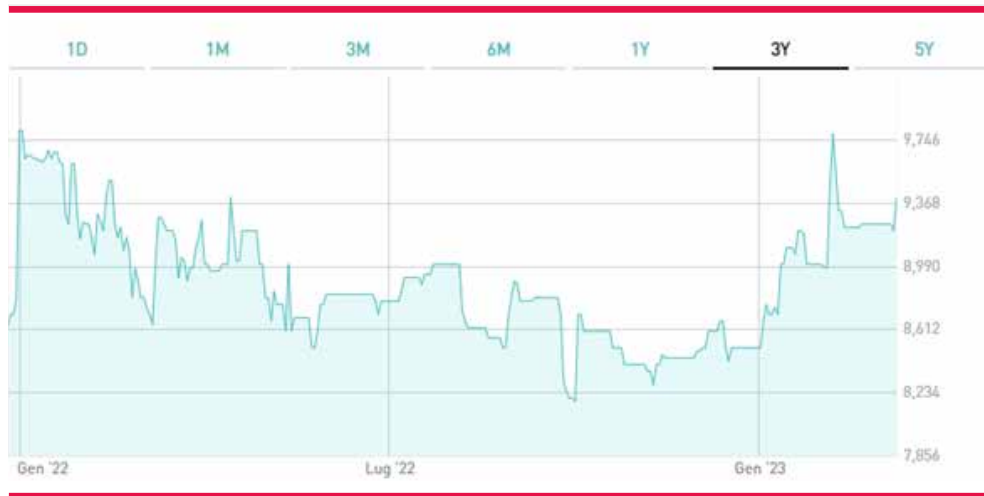
The first concerns the acquisition of the entirety of Vertere srl, completed at the end of July. The transaction has allowed STAR7 S.p.A. to gain an important customer in the packaging sector and, on the other hand, the acquisition of specific technical expertise in the integration and optimisation of IT systems related to the Global Content service line. One of Vertere's former owners was appointed head of language systems integration and automation, given his history of important activities in this area also for LocalEyes, acquired by STAR7 in November 2021, which will bring significant efficiencies and margin improvements in the language segment.

The second transaction, completed on 31/12/2022, which will therefore be effective from this financial year, saw STAR7 strengthen its activities in the field of process engineering in the Automotive, Aerospace & Defence, Railway, Agriculture, Energy, Logistics, Infrastructure and Electronics sectors both in Italy and abroad. STAR7 thus signed a Lease Agreement for the Business Unit comprising CAAR S.p.A., based in Turin, rights similar to real rights of enjoyment over the Foreign Subsidiaries in Brazil and Serbia, as well as another Lease Agreement for the Business Unit of the subsidiary STI s.r.l., based in Bolzano, which is controlled by CAAR S.p.A.

Both leases took effect on 1 January 2023 and include activities for customers (of primary standing, in the Automotive, Defence and Agriculture sectors) with an estimated turnover of approximately € 15 million in 2022 and the employment contracts of approximately 320 employees, the vast majority of whom are engineers. This acquisition will enable Engineering activities to become a leading service line in STAR7's portfolio of offerings, laying the groundwork for developing a business that, in terms of revenue, can match that of the Global Content division.

Work is underway to improve the efficiency of the two companies C.A.R and STI, exploiting synergies that can be realised quite easily since there are several customers in common, and the integration of qualified personnel into the STAR7 group. By moving upstream in the product information value chain and embracing strategic engineering activities even more strongly from now on, the Integrale7 approach will be further enhanced, consolidating the partnership with our customers as a single provider of a range of closely related services. The acquisition through the lease of the two business units has allowed the CAAR Group to finalise its debt restructuring operation, with a view to giving continuity to the business units by guaranteeing both supply to customers and employment for all employees. Concurrently with the signing of the leases, STAR7 sent an Irrevocable Purchase Proposal, which will become operative following the closing of the CAAR Group's debt restructuring transaction.

Below we provide an indication of the performance of the STAR7 share just over a year from the date of listing on the Euronext Growth Milan market which, as shown by the following graph, is more than satisfactory.



The stock, which was placed on 23 December 2021 at a price of €8.25 per share, closed on 31/12/2022 at €8.50 per share, but with an upward trend in early 2023.

The escalation of the conflict in Ukraine had no particular effect on STAR7's activities. On the contrary, translation activities into that language increased in some areas. The range of services offered and growing international presence confirm STAR7's resilience, allowing it to continue on its growth path.

The newly acquired LocalEyes increased its turnover and confirmed the expected EBITDA level, the Brazilian subsidiary further increased its turnover to close to R\$ 40 million, and the US subsidiaries achieved almost US\$ 6 million in turnover.

In terms of sales distribution, Italy was the first market with 58% (76% in 2020) followed by the USA with 28% (8% in 2020) and Brazil with 6% (7% in 2020). STAR7 has increasingly taken on the structure and configuration of a multinational company, positioning itself as a solid partner in offering its services to large international groups.

Margins (EBITDA) also remained at 2 digits in percentage terms reaching 10.2% (it was 7.7% in 2021) as a result of internal reorganisation activities, the growth of the offshoring business realised by STAR Albania and the contribution related to the LocalEyes acquisition.

Financial performance, which still includes the total debt related to the acquisition of LocalEyes whose repayment plan will start in 2023, saw stable NFP in absolute terms but significantly improved leverage considering EBITDA growth. The company is in a balanced situation, having the liquidity available to continue its development path, which includes both internal growth but certainly also further activities in the M&A area, for which possible target companies have already been identified. STAR7's research and development activities in the field of Virtual, Immersive and Augmented Reality received official recognition following its participation, as a guest on the IVECO stand, for the first time at the IAA Transportation – Europe's largest trade fair dedicated to commercial transport, which took place in Hannover, Ger-

many, from 20 to 25 September 2022 – presenting two virtual training experiences dedicated to the sales and after-sales world. Today, the STAR7 Group is able to deliver state-of-the-art solutions in the areas of Virtual Training, Virtual Showrooms and Product Experience, by making the most of its technical information management skills acquired over time through engineering and technical authoring.

Following the significant activities carried out during 2022 and the results obtained, STAR7, despite the international context complicated by the events linked to the escalation of the Russian-Ukrainian conflict, began 2023 by confirming its growth path, also strengthened by the opportunities linked to the acquisition of CAAR's business units. In September, STAR7 Engineering S.r.l. and AD Studio S.r.l. were merged by incorporation with retroactive effect from 1 January 2022. These Financial Statements therefore include the costs and revenues of the two merged companies from 01/01/2022 to 31/08/2022.

### 3

## Research and development activities

Pursuant to Article 2428, paragraph 3, number 1 of the Civil Code, the following disclosures are made:

During 2022, as well as in the previous five years, as in part already formally explained in the Report on operations of previous Financial Statements, research and development projects went ahead, which are eligible for subsidies pursuant to Article 3 of Decree 174 of 29 May 2015 of the Ministry of Economy and Finance (pursuant to Decree Law 145/2013 converted into Law 190/2014).

As a leading Group in the field of language and translation services, both on the national and international geographic market, we have in fact implemented Experimental Development Projects, where the development activity consisted in the conceptual definition and implementation of new products, processes or services. High value-added editorial technologies have been developed in the various Business Areas (Authoring, Language Services, After Sales), succeeding in developing innovative ideas and applications of already existing services, as well as co-developing - also with dedicated internal resources - and increasing the potential and integration of already available software and creating new integrated platforms. It is the Company's intention to continue to boost the development of new activities characterised by a dose of innovation with respect to its reference market, through a series of initiatives that will primarily involve human resources, external consultants and technical equipment.

### Operating performance in the sectors in which the Company operates

As far as your company is concerned, the past financial year must be considered positive. The Company has increased its market share in both the translation and print/editorial sectors and has increased revenue in the defense sector significantly.



## 4

## Summary of Financial Statements (figures in Euros)

	31/12/2022	31/12/2021	CHANGE
Revenues from sales and services	52,872,904	43,568,017	9,304,887
Value of production	54,050,456	44,006,715	10,043,741
Gross Operating Margin (M.O.L. or Ebitda)	5,518,968	3,320,514	2,198,454
Operating income (EBIT)	3,070,021	1,287,705	1,782,316
Profit (loss) before taxes	4,948,142	974,565	3,973,577
Profit (loss) after taxes	4,095,010	726,661	3,368,349
Fixed assets	44,144,787	41,838,160	2,306,627
Total net equity	26,997,260	21,447,086	5,550,174
Net financial position	-36,610,039	-33,051,747	-3,558,292

The change in the net financial position reflects the year's performance, which saw a significant increase in turnover.

### Main income data

The Company's reclassified Income Statement compared with that of the previous year is as follows (in Euros):

	31/12/2022	31/12/2021	CHANGE
Net revenues	52,872,904	43,568,017	9,304,887
External costs	-29,355,684	-26,755,470	-2,600,214
<b>VALUE ADDED</b>	<b>23,517,220</b>	<b>16,812,547</b>	<b>6,704,673</b>
Personnel costs	-19,039,960	-13,930,731	-5,109,229
<b>EBITDA</b>	<b>4,477,260</b>	<b>2,881,816</b>	<b>1,595,444</b>
Amortisation, depreciation, write-downs and other provisions	-2,510,737	-2,032,809	-477,928
<b>EBIT</b>	<b>1,966,523</b>	<b>849,007</b>	<b>1,117,516</b>
Non-recurring income	1,103,498	438,698	664,800
Financial income and charges	1,878,121	-313,140	2,191,261
<b>PROFIT (LOSS) BEFORE NON-RECURRING ITEMS</b>	<b>4,948,142</b>	<b>974,565</b>	<b>3,973,577</b>
Revaluations and write-downs	0	0	0
<b>PROFIT BEFORE TAX</b>	<b>4,948,142</b>	<b>974,565</b>	<b>3,973,577</b>
Income Taxes	-853,132	-247,904	-605,228
<b>NET PROFIT (LOSS)</b>	<b>4,095,010</b>	<b>726,661</b>	<b>3,368,349</b>

In order to provide a clearer picture of the Company's earnings performance, the table below shows certain profitability indicators compared with the same indicators for previous years' Financial Statements.

	31/12/2022	31/12/2021
ROE (Return On Equity)	15.2%	3.4%
ROI (Return On Invested Capital)	4.8%	2.4%
ROE (Return On Sales)	5.8%	3.0%

## Main balance sheet data

The reclassified Balance Sheet of the Company compared with the previous year's figures is as follows (in Euros):

	31/12/2022	31/12/2021	CHANGE
Net intangible fixed assets	6,176,310	6,315,439	-139,129
Net property, plant and equipment	1,362,186	743,923	618,263
Equity investments and other financial assets	36,606,291	34,778,798	1,827,493
<b>FIXED ASSETS (A)</b>	<b>44,144,787</b>	<b>41,838,160</b>	<b>2,306,627</b>
Inventories	172,821	17,284	155,537
Trade receivables	24,513,208	19,218,903	5,294,305
Receivables from subsidiaries	7,701,384	6,855,893	845,491
Receivables due from associated companies	153,649	1,226,077	-1,072,428
Tax credits and other receivables	3,995,576	2,586,394	1,409,182
Deferred tax assets	113,874	222,044	-108,170
Accrued income and prepaid expenses	1,742,177	1,444,079	298,098
<b>SHORT-TERM OPERATING ASSETS (B)</b>	<b>38,392,689</b>	<b>31,570,674</b>	<b>6,822,015</b>
Trade payables	-4,964,325	-5,076,261	111,936
Payables to subsidiaries	-2,415,674	-1,748,474	-667,200
Payables to associated companies	-669,672	-486,685	-182,987
Payments on account	-	-	-
Tax and social security payables	-1,661,160	-1,444,815	-216,345
Other payables	-2,267,296	-4,687,253	2,419,957
Accrued expenses and deferred income	-1,793,127	-2,104,728	311,601
<b>SHORT-TERM OPERATING LIABILITIES (C)</b>	<b>-13,771,254</b>	<b>-15,548,216</b>	<b>1,776,962</b>
<b>NET WORKING CAPITAL (B-C=D)</b>	<b>24,621,435</b>	<b>16,022,458</b>	<b>8,598,977</b>
Employee severance indemnity	-4,225,228	-3,024,162	-1,201,066
Taxes and social security payables (beyond the next financial year)	-	-	-
Other medium- and long-term liabilities	-933,695	-337,623	-596,072
Medium/long-term liabilities (E)	-5,158,923	-3,361,785	-1,797,138
<b>INVESTED CAPITAL (A+D-E)</b>	<b>63,607,299</b>	<b>54,498,833</b>	<b>9,108,466</b>
Net equity	-26,997,260	-21,447,086	-5,550,174
Short-term net financial position	-4,532,072	6,516,389	-11,048,461
Medium/long-term net financial position	-32,077,967	-39,568,136	7,490,169
<b>EQUITY AND NET FINANCIAL DEBT</b>	<b>-63,607,299</b>	<b>-54,498,833</b>	<b>-9,108,466</b>

The reclassified balance sheet shows the Company's financial soundness (i.e. its ability to maintain a financial balance in the medium/long term).

In order to provide a better description of the Company's financial solidity, the table below shows some balance sheet ratios concerning both (i) the methods of financing medium/long-term loans and (ii) the composition of the sources of financing, compared with the same ratios relating to the Financial Statements of previous years.

	31/12/2022	31/12/2021
Primary structural margin (equity-fixed assets)	-17,147,527	-20,391,074
Primary structural quotient (capital/fixed assets)	0.61	0.51
Secondary structural margin (permanent sources of capital / fixed assets)	20,089,363	22,538,847
Secondary Structure Quotient	1.46	1.54

## Financial highlights

The net financial position at 31/12/2022 is as follows (in Euros):

	31/12/2022	31/12/2021	CHANGE
Bank deposits	12,689,867	17,318,293	-4,628,426
Cash and other valuables on hand	4,255	1,409	2,846
<b>CASH ON HAND</b>	<b>12,694,122</b>	<b>17,319,702</b>	<b>-4,625,580</b>
<b>CURRENT FINANCIAL ASSETS</b>	<b>0</b>	<b>0</b>	<b>0</b>
Due to banks (within one year)	-11,529,061	-8,766,023	-2,763,038
Payables due to other financial institutions (within one year)	-1,530,466	-2,037,290	506,824
Financial receivables (due within the next financial year)	0	0	0
Financial debts and obligations (due within the next financial year)	-4,166,667	0	-4,166,667
<b>SHORT-TERM FINANCIAL PAYABLES</b>	<b>-17,226,194</b>	<b>-10,803,313</b>	<b>-6,422,881</b>
<b>SHORT-TERM NET FINANCIAL POSITION</b>	<b>-4,532,072</b>	<b>6,516,389</b>	<b>-11,048,461</b>
Due to banks (beyond the next financial year)	-9,478,778	-11,568,136	2,089,358
Due to other financial institutions (beyond the subsequent year)	-1,765,856	-3,000,000	1,234,144
Financial receivables (beyond one year)	0	0	0
Financial debts and obligations (due after the next financial year)	-20,833,333	-25,000,000	4,166,667
<b>MEDIUM/LONG-TERM NET FINANCIAL POSITION</b>	<b>-32,077,967</b>	<b>-39,568,136</b>	<b>7,490,169</b>
<b>NET FINANCIAL POSITION</b>	<b>-36,610,039</b>	<b>-33,051,747</b>	<b>-3,558,292</b>

In order to provide a better description of the financial situation, the table below shows some balance sheet ratios, compared with the same ratios relating to the Financial Statements of previous years.

	31/12/2022	31/12/2021
Primary liquidity	1.64	1.85
Secondary liquidity	1.65	1.86
Indebtedness (Financial debt/equity)	1.83	2.35
Coverage rate of fixed assets	1.34	1.46
Net financial debt/equity	1.36	1.54
EBITDA/net financial expense	3.09	6.87
Net financial debt/Ebitda	6.63	9.95

The primary liquidity ratio is 1.64. The Company's current financial position is to be considered good. The secondary liquidity ratio is 1.65. The value assumed by the net working capital is certainly satisfactory in relation to the amount of current payables. The debt ratio is 1.83 following the acquisition of the subsidiary LocalEyes. The amount of debt is considered appropriate in relation to existing equity.

The coverage ratio of fixed assets of 1.34 shows that the amount of consolidated equity and debt is appropriate in relation to the amount of fixed assets. Shareholders' equity together with consolidated payables are considered to be of an appropriate amount in relation to the amount of fixed assets.

## Environmental and personnel information

In view of the Company's social role, as highlighted in the document on Report on Operations issued by the Italian Accounting Profession, it is deemed appropriate to provide the following information regarding the environment and personnel.

### Environment

The Company does not engage in polluting industrial processes.

### Staff

No on-the-job deaths occurred during the year among personnel listed in the register. During the year, there were no serious accidents at work involving serious or very serious injuries to personnel listed in the register of employees. During the year there were no charges relating to occupational illnesses on employees or former employees and mobbing cases.

## 5

# Investments

During the year, investments were made in the following areas:

FIXED ASSETS	ACQUISITIONS DURING THE YEAR
Land and buildings	542,544
Plant and machinery	1,758
Industrial and commercial equipment	-
Other assets	273,950

The most significant item of fixed assets is the purchase of the building used as offices in Valle San Bartolomeo, adjacent to the headquarters.

## Relations with subsidiary, associated, parent and sister companies

The following table shows the data from the latest approved Financial Statements of the **subsidiaries**, understood to be those companies in which STAR7 Spa holds the majority of votes that can be exercised at the Shareholders' Meeting (Article 2359 of the Civil Code)

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital	Profit (loss) for the last financial year	Net equity	Share held	Value in the Financial Statements*	Net equity pro-rata
STAR7 PRINTING S.R.L.	ASTI	01495260059	10,000	62,973	672,394	60%	6,000	403,436
VERTERE S.R.L.	PIACENZA	01129290332	20,000	7,186	31,186	100%	852,845	31,186
LOCALEYES LTD	CORK (IRELAND)		1,376,453	4,533,048	3,915,044	100%	33,930,118	3,915,044
STAR7 AUSTRIA GMBH	LINZ (AUSTRIA)	ATU71651312	35,000	58,531	126,553	100%	199,350	126,553
STAR ALBANIA SHPK	TIRANA (ALBANIA)		4,106	1,446	28,689	100%	4,143	28,689
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE (BRAZIL)		320,704	1,395,391	3,930,454	75%	379,679	2,947,841
CAL COMUNICAÇÃO LTDA	BELO HORIZONTE (BRAZIL)		110,725	-6,646	7,639	75%	122,228	5,729
STAR USA LLC	USA		6,114	-114,720	-139,948	100%	292,474	-139,948
							<b>35,786,837</b>	<b>7,318,530</b>

\*Book value or corresponding receivable

Techworld Language Services Inc. and The Geo Group, indirectly controlled through STAR USA LLC, which holds 100% of the share capital, should be added to this list.

Below are the figures for the associated company IAMDEV S.t.p. SRL, a strategic software company:

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital	Profit (loss) for the last financial year	Net equity	Share held	Book value*
IAMdev S.t.p. s.r.l	Montacchiello (PI)	02173930500	10,000	not avail.	not avail.	33%	130,500
							<b>130,500</b>

\*Book value or corresponding receivable

The company has had the following dealings with subsidiary Group companies:

RELATIONS WITH SUBSIDIARIES	FINANCIAL RECEIVABLES	FINANCIAL LIABILITIES	TRADE RECEIVABLES	TRADE PAYABLES	TRADE REVENUES	COMMERCIAL COSTS
STAR7 PRINTING SRL			35,303	1,908,773	52,342	7,039,491
STAR ALBANIA SH.P.K	400,000		7,200	283,066	7,272	956,642
STAR GMBH			4,740	42,920	8,595	174,520
STAR USA LLC	4,468,634		1,581,967		1,386,531	
TECHWORLD LANGUAGE SERVICES				25,983	10,800	42,702
THE GEO GROUP CORPORATION			20,766		27,366	
LOCALEYES LTD			252,000	11,680	504,000	11,719
VERTERE SRL				141,990		123,877
STAR COMUNICAÇÃO E SERVIÇOS LTDA	1,053,539		64,951	1,262	12,065	3,525
	<b>5,922,173</b>	<b>-</b>	<b>1,966,927</b>	<b>2,415,674</b>	<b>2,008,971</b>	<b>8,352,476</b>

The company had the following relationships with associated Group companies:

RELATIONS WITH SUBSIDIARIES	FINANCIAL RECEIVABLES	FINANCIAL LIABILITIES	TRADE RECEIVABLES	TRADE PAYABLES	TRADE REVENUES	COMMERCIAL COSTS
STAR AG			54,342	206,487	223,964	361,631
STAR DEUTSCHLAND GMBH			31,790	10,468	134,165	11,042
STAR PARIS			21,887	-	65,625	1,000
STAR TECHNOLOGY SOLUTIONS			8,224	698	24,933	383
STAR Software, Translation, Artwork, Recording GmbH			23,618		14,517	-
STAR JAPAN CO., LTD			891	8,606	13,878	77,654
STAR UK LIMITED			-	4,576	3,394	43,779
STAR SA			8,080	35	44,407	-
STAR GROUP SCANDINAVIA AB			3,125	6	26,870	6,843
STAR POLAND				32,589		184,783
IAMDEV				26,238		152,511
STAR SERV.LINGUISTICOS LDA				19,793	-	108,934
STAR GROUP AMERICA, LLC			-	8,563	42,710	3,497
STAR CZECH S.R.O.			964	40,265	8,318	234,990
STAR SERVICIOS LINGUISTICOS - BARCELONA				1,182		
STAR INFORMATION ENGINEERING S.L.				14,935	-	65,822
STAR Information Services Ltd. Sti.					-	-
STAR SERVICIOS LINGUISTICOS						10,302
STAR SOFTWARE SHANGHAI CO. LTD				6,665	-	32,597
STAR HUNGARY KFT				13,866	-	60,880
STAR EGYPT MIDDLE EAST LTD CAIRO				2,978	-	11,230
STAR SPB - RUSSIA						3,276
STAR Information Services & Tools S.R.L.				7,625	-	79,301
STAR KOREA AG				30,885	-	41,176
STAR SERVICIOS LINGUISTICOS					220	
STAR CO., LTD						210
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD				149	-	7,587
STAR AG TAIWAN BRANCH				4,186	-	16,048
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA				1,593	-	15,619
STAR SOFTWARE INDONESIA				197	-	6,000
STAR TURKEY INF.SERVICES LTD STI				2,049	-	4,148
STAR J&M FINNLAND OY				1,237	-	5,309
STAR SL				175,300	-	-
STAR GMBH				893	-	-
DANTE SRL			317	-	260	478,130
STAR PREVAJALSKE STORITVE D.O.O Ljubljana			411	47,607	-	222,802
	-	-	<b>153,649</b>	<b>669,672</b>	<b>603,261</b>	<b>2,247,484</b>

These transactions, which do not include any atypical and/or unusual operations, are conducted on an arm's length basis.

## 6

# Information on risks and uncertainties pursuant to Article 2428, paragraph 3, point 6-bis of the Civil Code

## Credit risk

The company's receivables are carefully monitored, and the credit risk is deemed to be covered by the related provision of € 376,847.

## Liquidity risk

Note:

- lines of credit exist to meet liquidity needs;
- the company holds deposits with credit institutions to meet liquidity needs;
- there are no significant concentrations of liquidity risk on either the side of financial assets or sources of funding.
- The terms of collection are adjusted to those of payment

## Market risk

The effects of possible changes on the income statement in relation to relevant risk variables are limited and acceptable for each of the following components:

- interest rate risk
- price risk
- exchange rate risk

Given the limited risks, the company has no hedging activities in place. Key risks are continuously monitored by the Chairman of the Board of Directors.



## 7

### Information on treasury shares

It should be underlined that as at the closing date of these Financial Statements, the Company did not hold any of its own shares and/or shares and quotas of parent companies, including through trust companies or third parties.

## 8

### Outlook

Activity in the first few months of this year confirms a trend in line with last year and the prospect of a positive result.

## 9

### Fulfilments pursuant to articles 375 and 377 of Legislative Decree 14/2019 (Business Crisis Code)

On 16 March 2019, the Corporate Crisis Code, which amended Article 2086 of the Civil Code, came into force, thereby placing the onus on the Administrative Body to verify the adequacy of organisational structures in order to prevent the onset of any corporate crisis. This must be done at least every 6 months.

The Company has an adequate organisational chart, also in view of the planned listing, and has adequate instruments for the constant monitoring of corporate activities, the economic and financial performance and a management control system. The indicators relating to negative or below-par shareholders' equity and the DSGR (Debt Service Coverage Ratio) do not reveal any critical aspects.

We thank you for the trust you have placed in us and invite you to approve the Financial Statements as presented.

Valle San Bartolomeo, 28/3/2023

**Chairman of the Board of Directors**  
**Lorenzo Mondo**

# SEPARATE FINANCIAL STATEMENTS

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as at 31/12/2022

**ID DATA**

Headquarters in	ALESSANDRIA
Tax ID No.	01255170050
REA Index No.	AL 208355
Vat No.	01255170050
Share capital in Euro	599,340
Legal form	JOINT-STOCK COMPANY (SPA)
Company in liquidation	no
Single member company	no
Company subject to management and coordination by another party	no
Group membership	yes
Name of the parent company	STAR7 S.P.A.

## 1

# Balance sheet

## Assets

	31/12/2022	31/12/2021
<b>B) FIXED ASSETS</b>		
<b>I - INTANGIBLE FIXED ASSETS</b>		
1) Start-up and expansion costs	392,855	514,951
3) Industrial patent rights and intellectual property rights	0	0
4) Industrial patents and intellectual property rights	1,425,554	1,360,345
5) Goodwill	1,416,538	1,599,756
6) Assets under development/construction and payments on account	34,650	287,016
7) Others	2,906,713	2,553,371
<b>TOTAL INTANGIBLE ASSETS</b>	<b>6,176,310</b>	<b>6,315,439</b>
<b>II - PROPERTY, PLANT AND EQUIPMENT</b>		
1) Land and buildings	763,685	230,399
2) Plant and machinery	16,110	17,248
3) Industrial and commercial equipment	8,656	6,936
4) Other goods	573,735	489,340
5) Assets under development/construction and payments on account	0	0
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>1,362,186</b>	<b>743,923</b>
<b>III - FINANCIAL FIXED ASSETS</b>		
1) Equity investments in		
a) subsidiaries	35,786,837	34,315,680
b) associated companies	130,500	120,000
<b>Total equity investments</b>	<b>35,917,337</b>	<b>34,435,680</b>
2) Receivables		
a) from subsidiaries		
due after the next financial year	187,716	275,554
<b>Total receivables from subsidiaries</b>	<b>187,716</b>	<b>275,554</b>
d bis) from others		
due after the next financial year	97,859	67,564
<b>Total receivables from others</b>	<b>97,859</b>	<b>67,564</b>
<b>Total receivables</b>	<b>285,575</b>	<b>343,118</b>
4) financial derivative assets	403,379	-
<b>TOTAL FINANCIAL FIXED ASSETS</b>	<b>36,606,291</b>	<b>34,778,798</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>44,144,787</b>	<b>41,838,160</b>

	31/12/2022	31/12/2021
<b>C) CURRENT ASSETS</b>		
<b>I - INVENTORY</b>		
4) Finished products and goods	121,984	17,284
5) Payments on account	50,837	-
<b>TOTAL INVENTORIES</b>	<b>172,821</b>	<b>17,284</b>
<b>II - RECEIVABLES</b>		
1) from customers		
due within the next financial year	24,513,208	19,218,903
<b>Total trade receivables</b>	<b>24,513,208</b>	<b>19,218,903</b>
2) from subsidiaries		
due within the next financial year	7,701,384	6,855,893
<b>Total receivables from subsidiaries</b>	<b>7,701,384</b>	<b>6,855,893</b>
3) from associates		
due within the next financial year	153,649	1,226,077
<b>Total receivables from associated companies</b>	<b>153,649</b>	<b>1,226,077</b>
5-bis) tax receivables		
due within the next financial year	1,571,685	1,074,654
<b>Total tax receivables</b>	<b>1,571,685</b>	<b>1,074,654</b>
5-ter) Deferred tax assets/liabilities	113,874	222,044
5-quater) from others		
due within the next financial year	2,423,891	1,511,740
<b>Total receivables from others</b>	<b>2,423,891</b>	<b>1,511,740</b>
<b>TOTAL RECEIVABLES</b>	<b>36,477,691</b>	<b>30,109,311</b>
<b>IV - CASH ON HAND</b>		
1) Bank and postal deposits	12,689,867	17,318,293
3) cash and cash equivalents	4,255	1,409
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>12,694,122</b>	<b>17,319,702</b>
<b>TOTAL CURRENT ASSETS (C)</b>	<b>49,344,634</b>	<b>47,446,297</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>		
	1,742,177	1,444,079
<b>TOTAL ASSETS</b>	<b>95,231,598</b>	<b>90,728,536</b>

## Liabilities

	31/12/2022	31/12/2021
<b>A) NET EQUITY</b>		
<b>I - CAPITAL</b>	599,340	599,340
<b>II - SHARE PREMIUM RESERVE</b>	11,728,160	11,728,160
<b>IV - LEGAL RESERVE</b>	119,868	100,000
<b>VI - OTHER RESERVES, INDICATED SEPARATELY</b>		
Special reserve	8,630,329	7,923,536
Capital contributions	2,846	2,846
Merger surplus reserve	1,105,815	-
Misc. other reserves	409,324	409,324
<b>TOTAL OTHER RESERVES</b>	<b>10,148,314</b>	<b>8,335,706</b>
<b>VII - HEDGING RESERVE FOR EXPECTED CASH FLOWS</b>	<b>306,568</b>	<b>(42,781)</b>
<b>IX - PROFIT (LOSS) FOR THE YEAR</b>	<b>4,095,010</b>	<b>726,661</b>
<b>TOTAL OWNERS' EQUITY</b>	<b>26,997,260</b>	<b>21,447,086</b>
<b>B) PROVISIONS FOR CONTINGENCIES AND CHARGES</b>		
1) For pensions and similar obligations	218,930	154,930
2) For taxes, including deferred taxes	172,160	76,402
3) Financial derivative liabilities	-	56,291
4) others	542,605	50,000
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>	<b>933,695</b>	<b>337,623</b>
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>		
	4,225,228	3,024,162

	31/12/2022	31/12/2021
<b>D) PAYABLES</b>		
<b>1) Bonds</b>		
due within the next financial year	4,166,667	-
due after the next financial year	20,833,333	25,000,000
<b>Total bonds</b>	<b>25,000,000</b>	<b>25,000,000</b>
<b>4) Borrowings from banks</b>		
due within the next financial year	11,529,061	8,766,023
due after the next financial year	9,478,778	11,568,136
<b>Total due to banks</b>	<b>21,007,839</b>	<b>20,334,159</b>
<b>5) Borrowings from other lenders</b>		
due within the next financial year	1,530,466	2,037,290
due after the next financial year	1,765,856	3,000,000
<b>Total borrowings from other lenders</b>	<b>3,296,322</b>	<b>5,037,290</b>
<b>7) Trade payables</b>		
due within the next financial year	4,964,325	5,076,261
<b>Total trade payables</b>	<b>4,964,325</b>	<b>5,076,261</b>
<b>9) Payables to subsidiaries</b>		
due within the next financial year	2,415,674	1,748,474
<b>Total payables to subsidiaries</b>	<b>2,415,674</b>	<b>1,748,474</b>
<b>10) Payables to associated companies</b>		
due within the next financial year	669,672	486,685
<b>Total payables to associated companies</b>	<b>669,672</b>	<b>486,685</b>
<b>12) Tax payables</b>		
due within the next financial year	477,929	594,988
<b>Total taxes payable</b>	<b>477,929</b>	<b>594,988</b>
<b>13) Due to social security institutions</b>		
due within the next financial year	1,183,231	849,827
<b>Total payables to social security institutions</b>	<b>1,183,231</b>	<b>849,827</b>
<b>14) Other payables</b>		
due within the next financial year	2,267,296	4,687,253
<b>Total other payables</b>	<b>2,267,296</b>	<b>4,687,253</b>
<b>TOTAL PAYABLES</b>	<b>61,282,288</b>	<b>63,814,937</b>
<b>E) ACCRUALS AND DEFERRALS</b>		
	1,793,127	2,104,728
<b>TOTAL LIABILITIES</b>	<b>95,231,598</b>	<b>90,728,536</b>

## 2

# Income Statement

## Income Statement

	31/12/2022	31/12/2021
<b>A) VALUE OF PRODUCTION</b>		
1) Revenues from sales and services	52,872,904	43,568,017
2) Change in inventories of work in progress, semi-finished and finished products	74,054	-
5) Other revenues and income		
grants related to income	522,881	253,653
others	580,617	185,045
<b>Total other revenues and income</b>	<b>1,103,498</b>	<b>438,698</b>
<b>TOTAL VALUE OF PRODUCTION</b>	<b>54,050,456</b>	<b>44,006,715</b>
<b>B) COSTS OF PRODUCTION</b>		
6) Raw and ancillary materials, consumables and goods	987,406	1,041,357
7) For services	26,557,103	23,898,286
8) Leases and rentals	1,135,597	927,336
9) Personnel		
a) wages and salaries	13,610,250	10,296,811
b) social security contributions	4,127,089	2,828,130
c) employees' leaving entitlement	1,173,127	641,446
e) other costs	129,494	164,344
<b>Total personnel costs</b>	<b>19,039,960</b>	<b>13,930,731</b>
10) Amortisation, depreciation and write-downs:		
a) amortisation	2,080,222	1,803,579
b) depreciation	304,725	165,230
d) write-downs of receivables included in current assets and of cash and cash equivalents	61,790	-
<b>Total amortisation, depreciation and write-downs</b>	<b>2,446,737</b>	<b>1,968,809</b>
11) Changes in inventories of raw materials, supplies, consumables and goods	(30,646)	-
12) Provisions for risks	64,000	64,000
14) Sundry operating expenses	780,278	888,491
<b>TOTAL COSTS OF PRODUCTION</b>	<b>50,980,435</b>	<b>42,719,010</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)</b>	<b>3,070,021</b>	<b>1,287,705</b>



	31/12/2022	31/12/2021
<b>C) FINANCIAL INCOME AND CHARGES</b>		
15) Income from shareholdings		
from subsidiaries	3,685,684	152,232
<b>Total income from equity investments</b>	<b>3,685,684</b>	<b>152,232</b>
16) Other financial income		
d) income other than the above		
others	1,631	18,018
<b>Total income other than the above</b>	<b>1,631</b>	<b>18,018</b>
<b>Total other financial income</b>	<b>1,631</b>	<b>18,018</b>
17) Interest and other financial expenses		
others	1,785,002	483,201
<b>Total interest and other financial expenses</b>	<b>1,785,002</b>	<b>483,201</b>
17-bis) Exchange gains and losses	(24,192)	(189)
<b>TOTAL FINANCIAL INCOME AND EXPENSE (15 + 16 - 17 + - 17-BIS)</b>	<b>1,878,121</b>	<b>(313,140)</b>
<b>PROFIT (LOSS) BEFORE TAX (A - B + - C + - D)</b>	<b>4,948,142</b>	<b>974,565</b>
20) Current, deferred and prepaid income taxes for the period		
current taxes	351,719	357,695
Prior year taxes	492,605	-
Deferred tax assets and liabilities	8,808	(109,791)
<b>Total current and deferred income tax assets and liabilities</b>	<b>853,132</b>	<b>247,904</b>
21) Consolidated net income (loss) for the year	4,095,010	726,661

## 3

## Cash flow statement, indirect method

### Cash flow statement, indirect method

	31/12/2022	31/12/2021
<b>A) CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD)</b>		
Profit (loss) for the year	4,095,010	726,661
Income Taxes	853,132	247,904
Interest expense/(income)	1,783,371	465,183
(Dividends)	(3,685,684)	(152,232)
(Gains)/Losses from disposal of assets	-	(173)
<b>1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposal</b>	<b>3,045,829</b>	<b>1,287,343</b>
<b>Adjustments for non-cash items that did not have a balancing entry in net working capital</b>		
Provisions	1,729,732	706,713
Depreciation/amortisation of fixed assets	2,384,946	1,968,809
Adjustments to the value of financial assets and liabilities of derivative financial instruments not involving monetary movements	(459,670)	8,090
Other adjustments up/(down) for non-cash items	2,510,106	72,817
<b>Total adjustments for non-monetary items that did not have a balancing entry in net working capital</b>	<b>6,165,114</b>	<b>2,756,429</b>
<b>2) Cash flow before changes in net working capital</b>	<b>9,210,943</b>	<b>4,043,772</b>
<b>Change in net working capital</b>		
Decrease/(Increase) in inventories	(155,537)	-
Decrease/(Increase) in trade receivables	(5,294,305)	1,197,704
Increase/(Decrease) in trade payables	(111,936)	1,646,916
Decrease/(Increase) in accrued income and prepaid expenses	(298,098)	(604,301)
Increase/(Decrease) in accrued expenses and deferred income	(311,601)	1,593,466
Other decreases/(Other increases) in net working capital	(2,679,151)	(2,784,889)
<b>Total change in net working capital</b>	<b>(8,850,628)</b>	<b>1,048,896</b>
<b>3) Cash flow after changes in net working capital</b>	<b>360,315</b>	<b>5,092,668</b>
<b>Other adjustments</b>		
Interest received/(paid)	(1,783,371)	(305,766)
(Income taxes paid)	(601,481)	(38,470)
Dividends received	3,685,684	46,678
(Use of provisions)	(645,424)	(273,558)
<b>Total other adjustments</b>	<b>655,408</b>	<b>(571,116)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>1,015,723</b>	<b>4,521,552</b>

	31/12/2022	31/12/2021
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment		
(Investments)	(818,252)	(249,860)
Divestments	850	2,112
Intangible fixed assets		
(Investments)	(1,658,079)	(3,625,437)
Financial fixed assets		
(Investments)	(2,156,077)	(32,626,886)
Divestments	57,543	1,150
(Acquisition of business units net of cash and cash equivalents)	-	(60,000)
<b>CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>(4,574,015)</b>	<b>(36,558,921)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan funds		
Increase/(Decrease) in short-term payables to banks	2,333,372	425,216
Financing	3,265,856	34,000,000
(Repayment of loans)	(6,666,516)	(999,450)
Own funds		
Paid capital increase	-	11,827,500
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>(1,067,288)</b>	<b>45,253,266</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)</b>	<b>(4,625,580)</b>	<b>13,215,897</b>
<b>Cash and cash equivalents at beginning of year</b>		
Bank and postal deposits	17,318,293	4,103,394
Cash and cash equivalents	1,409	411
<b>Total cash and cash equivalents at beginning of year</b>	<b>17,319,702</b>	<b>4,103,805</b>
<b>Cash and cash equivalents at end of year</b>		
Bank and postal deposits	12,689,867	17,318,293
Cash and cash equivalents	4,255	1,409
<b>Total cash and cash equivalents at end of year</b>	<b>12,694,122</b>	<b>17,319,702</b>

# NOTES TO THE

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## Separate Financial Statements for the year ended 31/12/2022

### 1

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## Introduction

Dear Shareholders,

These financial statements, submitted for your examination and approval, show a net profit for the year of € 4,095,010 (€ 726,661 as at 31/12/2021).

Your company produces and translates technical documentation, provides interpreting services, automates editorial processes, develops dedicated software, and prints on demand. It stands out for its competence and experience, as well as its great commitment to the search for new and innovative solutions.

### Research and development activities

During the year, STAR7 S.p.A. developed Research and Development Projects, eligible for subsidies pursuant to Article 3 of Decree no. 174 of 29 May 2015 of the Ministry of Economy and Finance.

It has been decided to consider this activity worthy of recognition in the current financial statements both for tax purposes, with the consequent determination of a Research and Development Credit to be used as compensation, and for accounting purposes, with the recognition of an extraordinary income under "Other revenues" of € 522,881, allocating this amount to item A5) Other revenues and income - b) Operating grants.

This has entailed recognition of a research and development receivable in these financial statements, all on the assumption that the eligible costs underlying the calculation are fully recognised in the income statement.

## Significant events occurring during the year

The financial year 2022 was marked by the gradual recovery from the Covid-19 emergency: the state of emergency in Italy officially ended on 31/03/2022.

On 24 February 2022, an armed conflict began between the Russian Federation and Ukraine following the invasion of Russian armed forces into Ukrainian territory, which is still ongoing and whose outcome is unpredictable to date. This conflict has had negative effects for all economic operators worldwide, as it causes uncertainty and political instability, factors that are unwelcome to those who do business. The most immediate consequence was the significant increase in energy prices: particularly for Italy, the conflict exposed the problem of the high cost of energy for Italian companies as well as the need for greater diversification of energy sources in order not to be overly dependent on any one of them.

Notwithstanding the contingent situation described above, in 2022 the Company continued to make some important changes to its organisation, continuing the re-branding process, which began operationally on 7/7/2020, with the change of name from STAR S.p.A. to STAR7 S.p.A. in order to enhance both the Company's founding values and specific characteristics of the services it provides with expertise and innovation in the global market.

The acquisition of the LocalEyes Group, finalised on 15 November 2021, and the subsequent listing gave a new impetus to the entire business, adding the market-leading brand Apple to the Company's premium customers and allowing the STAR7 Group to have a qualified presence in the US market. This acquisition was largely financed through the issue of a bond/*mini-bond* for €25 million. LocalEyes distributed dividends in 2022 to STAR7 in the amount of €3,500,000, testifying to the sound nature of the investment. 2022 is therefore the first full year of membership in the STAR7 Group.

In July 2022, the entire quota capital of Vertere S.r.l., a company specialising in translation activities, was acquired.

In September, STAR7 Engineering S.r.l. and AD Studio S.r.l. were merged by incorporation with retroactive effect from 1 January 2022. These separate financial statements therefore include the costs and revenues of the two merged companies from 01/01/2022 to 31/08/2022.

Continued development activity in translation services, both domestically and abroad, which may be realised during 2023 through future acquisitions.

## 2

# Basis of presentation

The criteria used in the preparation and measurement of the Separate Financial Statements items for the year ended 31/12/2022 take into account the changes introduced into the national legislation by Legislative Decree 139/2015, through which Directive 2013/34/EU was implemented. As a result of said decree, the national accounting standards OIC were amended.

These Separate Financial Statements comply with the provisions of articles 2423 et seq. of the Italian Civil Code, as illustrated in these Notes, which have been drawn up in accordance with article 2427 of the Italian Civil Code and constitute, pursuant to article 2423, an integral part of the Financial Statements.

Carrying amounts are shown in Euro units by rounding off the relevant amounts. Any rounding differences were posted to the item "Euro rounding reserve" under shareholders' equity; pursuant to Article 2423, sixth paragraph, of the Civil Code.

The Notes to the Financial Statements present information on items in the Balance Sheet and Income Statement in the order in which the relevant items are shown in the respective financial statements.

## Basis of preparation

(Ref. Articles 2423 and 2423-bis C.C.)

The valuation of the items in the financial statements was carried out in accordance with the general criteria of prudence and competence, with a view to the continuation of the business.

The application of the principle of prudence has entailed the individual valuation of the elements making up the individual items of assets or liabilities, in order to avoid offsetting losses that must be recognised with profits that must not be recognised as they have not yet been realised. In accordance with the accruals principle, the effect of transactions and other events has been recorded in the accounts and attributed to the period to which such transactions and events refer, and not to the period in which the related cash movements (receipts and payments) take place. In application of the principle of materiality, the obligations concerning recognition, measurement, presentation and disclosure have not been complied with when their observance would have an irrelevant effect on the true and fair view. Continuity in the application of the valuation criteria over time is a necessary element for the purposes of comparability of the company's financial statements in the various financial years. Recognition and presentation of items in the financial statements has been made taking into account the substance of the transaction or contract.

## Exceptional cases pursuant to Article 2423, fifth paragraph, of the Civil Code

(Ref. Article 2423, fifth paragraph, Civil Code)

There were no exceptional circumstances that made it necessary to resort to derogations pursuant to Article 2423, paragraph 5 of the Civil Code.

## Suspension of depreciation - art. 60 Law 126/2020

It should be borne in mind that pursuant to Article 60 of Law no. 126/2020 the Company, as an exception to Article 2426, paragraph 1, number 2) of the Civil Code, had decided not to carry out annual amortisation of the cost of certain intangible assets in the Separate Financial Statements as at 31/12/2020; this option was not exercised in the separate financial statements of the financial years subsequently closed. As provided for by the above-mentioned legal provision, the portion of amortisation not carried out is charged to the Income Statement for the following year, thus extending the original amortisation schedule by one year. The Company had been led to use the aforementioned exception in the financial year ended 31/12/2020, as the pandemic caused by the Covid-19 virus had significantly slowed the growth process undertaken and interrupted certain activities such as the Group's rebranding and listing.

In the following table, the impact of the derogation in terms of the balance sheet as at 31/12/2022 is shown (there is no impact on the income statement in 2022).

<b>BALANCE SHEET</b>	<b>WITH DEROGATION</b>	<b>WITHOUT DEROGATION</b>	<b>DIFFERENCE</b>
Intangible fixed assets	6,176,310	5,786,307	390,003
Property, plant and equipment	1,362,186	1,362,186	-
Financial fixed assets	36,606,291	36,606,291	-
<b>NON-CURRENT ASSETS</b>	<b>44,144,787</b>	<b>43,754,784</b>	<b>390,003</b>
<b>CURRENT ASSETS</b>	<b>49,344,634</b>	<b>49,344,634</b>	<b>-</b>
<b>ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>1,742,177</b>	<b>1,742,177</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>95,231,598</b>	<b>94,841,595</b>	<b>390,003</b>
Share capital	599,340	599,340	-
Reserves	22,302,910	21,986,002	316,908
Net profit (loss) for the year	4,095,010	4,095,010	-
<b>NET EQUITY</b>	<b>26,997,260</b>	<b>26,680,352</b>	<b>316,908</b>
<b>PROVISIONS FOR RISKS AND CHARGES</b>	<b>933,695</b>	<b>860,600</b>	<b>73,095</b>
<b>PROVISIONS FOR SEVERANCE</b>	<b>4,225,228</b>	<b>4,225,228</b>	<b>-</b>
<b>PAYABLES</b>	<b>61,282,288</b>	<b>61,282,288</b>	<b>-</b>
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>1,793,127</b>	<b>1,793,127</b>	<b>-</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>95,231,598</b>	<b>94,841,595</b>	<b>390,003</b>

## Changes in accounting policies

The Company has not changed its accounting policies.

## Comparability and adjustment issues

There are no problems with the comparability and adjustment of the figures in the Financial Statements for the year with those in the Financial Statements for the previous year.

## Measurement criteria applied

Ref. Article 2426, first paragraph, Civil Code and Accounting Standards OIC 12.

## Fixed assets

### Intangible fixed assets

These are recorded at the historical cost of acquisition and shown net of amortisation charged directly to the individual items.

Start-up and expansion costs benefiting future periods have been capitalised with the consent of the Board of Statutory Auditors. Start-up and expansion costs are amortised over five years.

Licenses and software are amortised at an annual rate of 33.33%.

The costs of creating the website are amortised at an annual rate of 20%.

Goodwill, recognised with the consent of the Board of Statutory Auditors, can be amortised over 10 years, in consideration of the actual profitability profile of the acquired or incorporated companies. For the amortisation of goodwill relating to the business unit acquired by Dante S.r.l., the exception already referred to, in Law 126/2020 relating to the suspension of depreciation, had been applied in the 2020 financial year; Leasehold improvements are depreciated at rates that depend on the duration of the lease of the property being improved.

No development costs and/or assets under construction/development were recognised relating to Research and Development projects capitalised pursuant to OIC 24. If, irrespective of the amortisation already recognised, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.



## Property, plant and equipment

This item is recorded at historic or production cost and adjusted by corresponding accumulated depreciation.

Ancillary charges and costs incurred in using the asset were taken into account in the value recorded in the financial statements, reducing the cost of trade discounts and cash discounts of a significant amount.

The depreciation charges charged to the Income Statement have been calculated on the basis of the criterion of the residual useful life of the assets, taking into account their use, destination and economic-technical duration, a criterion which we consider to be well represented by the following rates, which have not been modified with respect to the previous year and which are reduced by half in the year the assets enter service:

ASSET CATEGORY	% DEPRECIATION
Buildings	3%
Plant and machinery	15%
Equipment	15%
Furniture	12%
Electronic office machines	20%
Trucks	20%

If, irrespective of the amortisation already recognised, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

There is no property, plant and equipment with monetary or economic revaluation. There are no capitalised borrowing costs.

## Receivables

The amortised cost rule has not been applied as the effects are irrelevant for the purposes of giving a true and fair view; therefore, receivables are shown at their estimated realisable value.

The nominal value of receivables is adjusted to their estimated realisable value by means of a specific allowance for doubtful accounts, taking into account the existence of indicators of uncollectibility as well as the general economic situation.

## Payables

The amortised cost rule has not been applied as the effects are irrelevant for the purposes of giving a true and fair view; therefore, payables are shown at their nominal value, which reasonably approximates their discharge value.

## Payables

The amortised cost rule has not been applied as the effects are irrelevant for the purposes of giving a true and fair view; therefore, payables are shown at their nominal value, which reasonably approximates their discharge value.

## Accruals and deferrals

They have been determined in accordance with the criterion of actual accrual for the year. For long-term accruals and deferrals, the conditions that determined their original booking were verified, adopting the appropriate changes where necessary.

## Inventories

Raw and ancillary materials and finished products are recorded at the lower of purchase or production cost and estimated realisable value.

## Equity investments

Shareholdings in subsidiaries, associates and other companies, entered under financial fixed assets, are valued at purchase or subscription cost. Investments recorded as fixed assets represent a long-term, strategic investment by the Company. If an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored.

## Provisions for risks and charges

These are set aside to cover losses or debts whose existence is certain or likely, but whose exact amount and/or date of occurrence could not be determined at the end of the financial year.

In the valuation of these provisions, the general criteria of prudence and accruals were respected and no generic risk provisions without economic justification were set up. Contingent liabilities have been recorded in the financial statements and posted to the provisions since they are considered probable and the amount of the related charge can be reasonably estimated.

## Provision for severance pay

The provision represents the actual debt accrued to employees in accordance with the law and current labor contracts, considering all forms of remuneration of an ongoing nature. The fund does not include the indemnities accrued as at 1 January 2007 and destined for complementary pension schemes pursuant to Legislative Decree no. 252 of 5 December 2005.

## Income Taxes

Taxes are accounted for on an accruals basis and therefore represent provisions for taxes settled for the year, determined in accordance with current rates and regulations. Deferred taxation has been recorded on temporary differences between the book values and tax bases of positive and negative income components.

## Revenue and cost recognition

Revenue from sales of products is recognised at the time of transfer of the typical risks and rewards of ownership, which is normally identified with the delivery or shipment of the goods. Revenues from services and those of a financial nature are recognised on an accruals basis. The same criteria apply to cost entry. Revenues and income, costs and charges relating to transactions denominated in foreign currency are accounted for at the exchange rate in force on the date on which the transaction is carried out.

## Translation of monetary assets and liabilities not denominated in Euro

There are no monetary assets or liabilities denominated in foreign currencies in these financial statements.

## 3

## Notes, Assets

## Fixed assets

## Intangible fixed assets

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
6,176,310	6,315,439	- 139,129

Changes in intangible fixed assets (Ref. Article 2427, first paragraph, no. 2, Civil Code)

	Start-up and expansion costs	Rights*	Industrial patents and intellectual property rights	Goodwill	Intangible fixed assets under development /construction and advances	Others	Total
<b>VALUE AT START OF YEAR</b>							
Cost	1,714,755	150,352	2,813,684	1,832,180	287,016	3,702,978	10,500,965
Amortisation/depreciation (accumulated)	1,199,804	150,352	1,453,339	232,424		1,149,607	4,185,526
Book value	514,951	0	1,360,345	1,599,756	287,016	2,553,371	6,315,439
<b>CHANGES DURING THE YEAR</b>							
Increases due to acquisitions	276,069		697,459			684,551	1,658,079
Amortisation/depreciation for the year	398,165		647,611	183,218		851,228	2,080,222
Other changes			15,361		-252,366	520,019	283,014
Total changes	-122,096	0	65,209	-183,218	-252,366	353,342	-139,129
<b>VALUE AT END OF YEAR</b>							
Cost	1,990,824	150,352	3,865,673	1,832,180	34,650	5,203,438	13,077,117
Amortisation/depreciation (accumulated)	1,597,969	150,352	2,440,119	415,642		2,296,725	6,900,807
Book value	392,855	0	1,425,554	1,416,538	34,650	2,906,713	6,176,310

\*Industrial patent rights and intellectual property rights

The increases in 2022 mainly concern:

- start-up and expansion costs: € 266,900 relating to software services for an on-line technical documentation management project for the automotive sector;
- licences, trademarks and similar rights: € 535,440 related to purchased software and internally developed programmes, € 84,699 related to the STAR7 brand, € 74,050 for Internet applications;
- other intangible fixed assets long-term costs incurred for listing on Euronext Growth Milan (€ 184,667); leasehold improvements (€ 166,326); Rebranding (€ 67,460); other costs preparatory to the company lease transaction (CAR and STI) effective 1 January 2023 (€ 266,098).

“Assets under construction/development and advances” refer to work on the new offices in Alessandria, Valle San Bartolomeo, Salita Mario Pizzo SN, now being completed.

The other changes relate to the net book value at 31/12/2021 of the fixed assets of Star7 Engineering and AD Studio, transferred to STAR7 S.p.A. following the merger by incorporation.

Goodwill was recognised with the approval of the Board of Statutory Auditors, supported by appraisals drawn up by independent third-party professionals for the business unit acquired from Dante s.r.l. and the RES s.r.l. merger, and taking into account that there are no indicators of impairment. The details are as follows:

	HISTORICAL COST	ACCUMULATED AMORTISATION/DEPRECIATION	NET VALUE
Company branch acquired from Dante s.r.l.	1,286,356	257,271	1,029,085
RES s.r.l. merger	485,824	146,371	339,453
Grafitec s.r.l.	60,000	12,000	48,000
	<b>1,832,180</b>	<b>415,642</b>	<b>1,416,538</b>

Long-term costs for listing on Euronext Growth Milan and costs relating to rebranding were re-allocated from assets under construction/development to the category "Other fixed assets".

There are no indicators of impairment of intangible fixed assets at 31/12/2022.

In the financial statements for the year ended 31/12/2020, the Company, as a result of the Covid-19 epidemiological emergency, which prevented it from completing planned activities and slowed the growth process it had undertaken, exercised its right to suspend amortisation for the following categories of intangible assets:

- licences, trademarks and similar rights: € 261,991;
- goodwill of Dante S.r.l. company branch: € 128,012.

In 2020, €390,003 of amortisation had been suspended overall (of which € 261,991 deducted for tax purposes as goodwill was not redeemed for tax purposes). It should also be noted that amortisation charges not recorded in the Income Statement but deducted for tax purposes gave rise to deferred taxation of € 73,095 (theoretical tax rate of 27.9%). In the year under review, amortisation was regularly calculated.

## Breakdown of start-up and expansion costs and development costs

(Ref. Article 2427, first paragraph, no. 3, Civil Code)

The breakdown of start-up and expansion costs and the reasons for their recognition are shown below.

## Start-up and expansion costs

Pursuant to OIC 24, in 2018 start-up costs relating to new activities connected with new contracts with leading customers in the automotive sector in the amount of € 1,384,755 were recorded under item BI1, fully amortised as at 31/12/2022.

In 2020, 2021 and 2022, € 130,000, € 200,000 and € 266,900 were capitalised respectively relating to costs and to software services for the on-line technical documentation management project for an important brand in the automotive sector.

No development costs and/or assets under construction/development were recorded relating to Research and Development projects capitalised pursuant to OIC 24.

## Property, plant and equipment

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
1,362,186	743,923	618,263

Changes in property, plant and equipment

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Others	Intangible fixed assets under development /construction and advances	Total
<b>VALUE AT START OF YEAR</b>						
Cost	236,300	38,570	104,889	1,422,376		1,802,135
Amortisation/depreciation (accumulated)	5,901	21,322	97,953	933,036		1,058,212
Book value	230,399	17,248	6,936	489,340	0	743,923
<b>CHANGES DURING THE YEAR</b>						
Increases due to acquisitions	542,544	1,758		273,950		818,252
Reclassifications						0
Decreases due to disposals and divestments (of book value)				850		850
Amortisation/depreciation for the year	9,258	4,249	2,886	288,332		304,725
Other changes		1,353	4,606	99,627		105,586
Total changes	533,286	-1,138	1,720	84,395	0	618,263
<b>VALUE AT END OF YEAR</b>						
Cost	778,844	40,328	104,889	1,695,476	0	2,619,537
Amortisation/depreciation (accumulated)	15,159	25,571	100,839	1,221,368	0	1,362,937
Other changes	0	1,353	4,606	99,627	0	105,586
Book value	763,685	16,110	8,656	573,735	0	1,362,186

The item land/buildings includes a building plot currently used as a car park, not depreciated (€ 201,000). The increase in the year relates to the purchase of the administrative office building for the amount of € 500,000 from the related company DANTE S.r.l.; the value of the transaction is supported by two sworn technical appraisals by independent experts.

Other increases for the year mostly concern electronic machines and hardware. There were some insignificant decreases in value related to the disposal of some old computers.

The other changes relate to the net book value at 31/12/2021 of the fixed assets of Star7 Engineering and AD Studio, transferred to STAR7 S.p.A. following the merger by incorporation.

There are no indicators of the impairment of property, plant and equipment at 31/12/2022. Despite the option provided for by Article 60 of Decree Law 104/2020 as a result of the Covid-19 epidemiological emergency, amortisation rates were neither suspended nor reduced in 2021 or 2020.

### Real estate leasing

Finance lease transactions: the table below summarises the figures for the property lease contract in progress if it were recorded in the accounts in accordance with international accounting standards (so-called financial method).

	<b>AMOUNT</b>
Total amount of leased assets at year end	1,319,598
Depreciation that would have been charged during the year	45,243
Present value of instalments of fees not yet due at year end	961,476
of which due over 5 years	373,053
Financial charges for the year based on the effective interest rate	63,118

### Leases relating to other assets

Finance lease transactions: The table below summarises the cumulative figures for two ongoing lease agreements for capital vehicles, as if they were recognised in accordance with international accounting standards (the so-called financial method).

	<b>AMOUNT</b>
Total amount of leased assets at year end	170,765
Depreciation that would have been charged during the year	96,011
Present value of instalments of fees not yet due at year end	212,451
of which due over 5 years	0
Financial charges for the year based on the effective interest rate	9,158

### Financial fixed assets

<b>BALANCE AS AT 31/12/2022</b>	<b>BALANCE AS AT 31/12/2021</b>	<b>CHANGE</b>
36,606,291	34,778,798	1,827,493

The category includes Equity Investments, Long-term Receivables and Derivative Assets, the movements of which are shown in the tables below.

## Changes in equity investments

	EQUITY INVESTMENTS IN SUBSIDIARIES	EQUITY INVESTMENTS IN OTHER COMPANIES	TOTAL EQUITY INVESTMENTS
<b>VALUE AT START OF YEAR</b>			
Cost	34,315,680	120,000	34,435,680
Book value	34,315,680	120,000	34,435,680
<b>CHANGES DURING THE YEAR</b>			
Increases due to acquisitions	2,156,077	10,500	2,166,577
Decreases due to disposals (of book value)	684,920		684,920
Total changes	1,471,157	10,500	1,481,657
<b>VALUE AT END OF YEAR</b>			
Cost	35,786,837	130,500	35,917,337
Book value	35,786,837	130,500	35,917,337

The increase in shareholdings in subsidiaries is related to:

- the acquisition of 100% of Vertere s.r.l. (€ 852,845), a company active in the field of translations, with € 514,144 of the purchase value of € 780,000 already; for the difference not yet paid, please refer to the note on payables to other lenders;
- further changes in the purchase cost of the Localeyes Group (€ 1,303,232), against price adjustments to outgoing shareholders and transaction costs; it is recalled that the original acquisition of the entire share capital of the Parent Company Localeyes Ltd, based in Cork (Ireland), took place in mid-November 2021. The company is active in the field of Tech translations, manuals and the development of specific software for such activities, an investment considered strategic also for the purpose of acquiring primary customers.

The decreases correspond to the cancellation of the investments in Star7 Engineering and AD Studio following the merger by incorporation.

### Equity investments

Investments in subsidiaries and other companies recorded as fixed assets represent a long-term, strategic investment by the Company and are valued at purchase/subscription cost. The following additional information is provided for investments in subsidiaries:

- the financial statements used for valuation purposes are the financial statements for the year ended 31/12/2022, given that the dates of closure of the annual accounts of the Parent Company and the investee companies coincide; if not yet approved by the Shareholders' Meeting, the 2022 draft financial statements prepared by the Administrative Body were used; if the latter are also not available, the approved separate financial statements for the previous year were used;
- STAR USA LLC data are taken from the sub-consolidated financial statements, which include Techworld Language Services Inc. and The Geo Group Corp., directly controlled by STAR USA LLC which holds 100% of the share capital;
- the exchange rate used for the Balance Sheet is that reported by the Bank of Italy as at 31/12/2022, whilst the average exchange rate for the year was used for the Income Statement.



Most of the subsidiaries ended the 2022 financial year posting a profit/breakeven, with good performances, consolidating their market positions and investing significantly in both R&D and new printing technologies to be always competitive in the market and provide their customers with targeted and quality services.

It is believed that, despite the Covid-19 health emergency and the war in Ukraine, no indicators of impairment of the value of equity investments have emerged precisely because of their strategic nature and the complementary nature of the activities they carry out with respect to the Company's business; there were no cases of "reversal of value".

No non-current investments have undergone any changes in destination.

There are no restrictions on the availability of the investment by the participating company, nor are there any option rights or other privileges, with the exception of the release of the pledge on 100% of the shares/units of LocalEyes Ltd to guarantee the bond/*mini-bond* taken out to partially finance the acquisition (see the note on payables).

During the year, no investee company approved any paid or unpaid capital increases. No significant transactions, other than ordinary commercial transactions, were carried out with investee companies.

## Details of long-term investments in subsidiaries

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital	Profit (loss) for the last financial year	Net equity	Share held	Value in the financial statements*	Net equity pro-rata
STAR7 PRINTING S.R.L.	ASTI	01495260059	10,000	62,973	672,394	60%	6,000	403,436
VERTERE S.R.L.	PIACENZA	01129290332	20,000	7,186	31,186	100%	852,845	31,186
LOCALEYES LTD	CORK (IRELAND)		1,376,453	4,533,048	3,915,044	100%	33,930,118	3,915,044
STAR7 AUSTRIA GMBH	LINZ (AUSTRIA)	ATU71651312	35,000	58,531	126,553	100%	199,350	126,553
STAR ALBANIA SHPK	TIRANA (ALBANIA)		4,106	1,446	28,689	100%	4,143	28,689
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE (BRAZIL)		320,704	1,395,391	3,930,454	75%	379,679	2,947,841
CAL COMUNICAÇÃO LTDA	BELO HORIZONTE (BRAZIL)		110,725	-6,646	7,639	75%	122,228	5,729
STAR USA LLC	USA		6,114	-114,720	-139,948	100%	292,474	-139,948
							<b>35,786,837</b>	<b>7,318,530</b>

\*Book value or corresponding receivable

## Details of equity investments in other companies

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital	Profit (loss) for the last financial year	Net equity	Share held	Value in the financial statements*
IAMdev S.t.p. s.r.l	Montacchiello (PI)	02173930500	10,000	not avail.	not avail.	33%	130,500
							<b>130,500</b>

\*Book value or corresponding receivable

For investments recognised at a higher value than the portion of shareholders' equity investments in Vertere s.r.l., Localeyed Ltd, Star7 Austria GmbH, Cal Comunicação Ltda and Star USA LLC), no impairment losses were deemed to exist, as the investments are strategic. In particular, with reference to the investment in LocalEyes Ltd, the higher value recognised the financial statements with respect to the net book value (€ 29,378,149) reflects the goodwill inherent in the purchase made during the year 2021, as shown by appraisals of independent professionals, deriving from the high levels of profitability achieved by the investee company in the financial years prior to the acquisition and the average normal income expected. In support of this, it is recalled that Localeyed paid dividends to STAR7 of € 3,500,000 during 2022. The impairment test showed no indicators of impairment.

## Changes in and maturity of long-term receivables

	LONG-TERM RECEIVABLES DUE FROM SUBSIDIARY UNDERTAKINGS	LONG-TERM RECEIVABLES DUE FROM ASSOCIATED UNDERTAKINGS	NON-CURRENT RECEIVABLES DUE FROM OTHERS	TOTAL LONG-TERM RECEIVABLES
Value at start of year	275,554		67,564	343,118
Changes during the year	-87,838		30,295	-57,543
Value at end of year	187,716	0	97,859	285,575
Portion due within the year	187,716		0	187,716
Portion due after the end of the year	0		97,859	97,859
Of which with residual duration of more than 5 years				0

Receivables from subsidiaries relate entirely to Star Comunicação Ltda (amount corresponding to prior-year dividends to be collected).

Other receivables refer to security deposits.

## Breakdown of long-term receivables by geographical area

Receivables at 31/12/2022 are broken down by geographical area as follows (Article 2427, paragraph 1, no. 6, Civil Code):

- Brazil: € 187,716 (Star Comunicação Ltda)
- Italy: € 97,859

## Changes in long-term derivative assets

	FINANCIAL DERIVATIVE ASSETS
Value at start of year	0
Changes during the year	403,379
Value at end of year	403,379

The item is broken down as follows:

							31/12/2022	
	Type	Purpose	Date of execution	Maturity date	Notional capital	Mark-to-market	Deferred IRES	Equity Reserve
Intesa Sanpaolo	Interest rate swap	Hedging	06/06/19	28/04/23	3,000,000	1,103	265	838
Intesa Sanpaolo	Interest rate swap	Hedging	29/01/21	31/12/26	3,000,000	165,743	39,778	125,965
Unicredit	Interest rate swap	Hedging	18/11/20	30/09/26	1,900,000	93,475	22,434	71,041
Credit Agricole	Interest rate swap	Hedging	05/10/20	05/10/26	2,250,000	143,058	34,334	108,724
						<b>403,379</b>	<b>96,811</b>	<b>306,568</b>

As of 31/12/2021, this item gave rise to a liability, recorded under provisions for risks and charges, of € 56,291.

## Current assets

### Inventories

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
172,821	17,284	155,537

Closing inventories are valued at the lower of purchase or production cost and estimated realisable value.

	VALUE AT START OF YEAR	CHANGES DURING THE YEAR	VALUE AT END OF YEAR
Finished products and goods	17,284	104,700	121,984
Payments on account	-	50,837	50,837
<b>TOTAL INVENTORIES</b>	<b>17,284</b>	<b>155,537</b>	<b>172,821</b>

### Current receivables

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
36,477,691	30,109,311	6,368,380

## Changes in and maturity of receivables posted to current assets

	VALUE AT START OF YEAR	CHANGE DURING THE YEAR	VALUE AT END OF YEAR	PORTION DUE WITHIN THE YEAR	PORTION DUE AFTER THE END OF THE YEAR	OF WHICH WITH RESIDUAL DURATION OF MORE THAN 5 YEARS
Trade receivables included in current assets	19,218,903	5,294,305	24,513,208	24,513,208	-	-
Receivables from subsidiaries included in current assets	6,855,893	845,491	7,701,384	7,701,384	-	-
Receivables due from associates included in current assets	1,226,077	-1,072,428	153,649	153,649	-	-
Current tax receivables	1,074,654	497,031	1,571,685	1,571,685	-	-
Deferred tax assets posted to current assets	222,044	-108,170	113,874	113,874	-	-
Receivables due from others included in current assets	1,511,740	912,151	2,423,891	2,423,891	-	-
<b>TOTAL RECEIVABLES POSTED TO CURRENT ASSETS</b>	<b>30,109,311</b>	<b>6,368,380</b>	<b>36,477,691</b>	<b>36,477,691</b>	<b>-</b>	<b>-</b>

The Company has exercised the option not to apply the amortised cost method to receivables in cases where the effects are immaterial, such as receivables due within 12 months; receivables are therefore valued at their estimated realisable value.

Trade receivables include € 3,195,511 relating to invoices sold to the factoring company and “subject to collection”, of which € 1,103,254 was utilised.

Tax credits include Research and Development tax credits for 2022 amounting to € 522,881. The amount refers to the benefit resulting from the incurring of costs classifiable as research and development in the period indicated above.

It should also be noted that tax receivables for IRES and IRAP (a total of € 237,307) are shown net of taxes paid for the year, offsetting advances paid, withholding taxes incurred and tax credits, showing the net tax credit in the financial statements.

Deferred tax assets have been allocated. The amount as at 31/12/2022 of € 113,874 relates to the advance payment of IRES on the following temporary differences between the balance sheet values and values recognised for tax purposes:

	Taxable				IRES paid on account					
	31/12/2021	Increases	Merger	Returns 31/12/2022	31/12/2021	Increases	Merger	Returns 31/12/2022		
Allowance for doubtful accounts - portion exceeding the tax limit	356,150	9,620	-41,092	324,678	85,476	-	2,309	-9,862	77,923	
Provision for risks and charges - derivative financial instruments payable	56,291		-56,291	-	13,510	-	-	-13,510	-	
Provisions for risks and charges - other	50,000			50,000	12,000	-	-	-	12,000	
Undeducted costs to be recovered	462,742	33,466	-396,413	99,795	111,058	-	8,032	-95,139	23,951	
	<b>925,183</b>	<b>-</b>	<b>43,086</b>	<b>-493,796</b>	<b>474,473</b>	<b>222,044</b>	<b>-</b>	<b>10,341</b>	<b>-118,511</b>	<b>113,874</b>

The "Merger" column contains amounts related to deferred tax assets of Star7 Engineering.

Receivables from others, amounting to € 2,423,891, primarily include:

- € 1,452,221 for costs incurred related to the construction of the new offices in front of the company headquarters; this work will be financed through a property lease;
- € 431,061 related mainly to the portion accrued for severance pay by the employees of SDS (the same amount has been charged to liabilities under the item severance pay), to which advance payments on account (€70,000) must be added. STAR7's lease of this business unit for a period of three years, originally expiring in November 2020, was extended for another year; the company was declared bankrupt on 3 March 2022 by the Civil Court of La Spezia. At the end of the lease of the company branch and in case of return of the same to the company SDS srl, the amounts will be offset;
- € 362,267 related to receivables from employees for holiday/flexitime paid with the January 2023 accrual;
- € 81,316 for credit notes to be received from suppliers.

The following table shows the relationships with subsidiaries, broken down by financial or commercial nature.

Receivables from subsidiaries	31/12/2022			31/12/2021		
	Financial	Trade	Total	Financial	Trade	Total
STAR USA LLC	4,468,634	1,581,967	6,050,601	4,468,634	1,220,989	5,689,623
AD STUDIO SRL			-	400,000	10,162	410,162
STAR ALBANIA	400,000	7,200	407,200	400,000	6,569	406,569
STAR COMUNICAÇÃO E SERVIÇOS LTDA	865,823	64,951	930,774	228,457	53,474	281,931
LOCALEYES LTD		252,000	252,000		49,875	49,875
STAR7 ENGINEERING SRL			-		7,898	7,898
THE GEO GROUP CORPORATION		20,766	20,766			
STAR GMBH - AUSTRIA		4,740	4,740		5,102	5,102
STAR7 PRINTING SRL		35,303	35,303		4,733	4,733
	<b>5,734,457</b>	<b>1,966,927</b>	<b>7,701,384</b>	<b>5,497,091</b>	<b>1,358,802</b>	<b>6,855,893</b>

Financial receivables due from STAR USA LLC mainly regard the funding provided to the subsidiary undertaking for the acquisition of Techworld Language Services Inc. (€ 3,091,812) and The Geo Group Corporation (€ 1,248,907).

Financial receivables from STAR Comunicação e Serviços Ltda and STAR Albania concern temporary liquidity needs.

The following tables also show transactions with subsidiary and associated companies (Dante s.r.l. and the various companies of the STAR AG group), broken down according to their financial or trade nature.

<b>RECEIVABLES DUE FROM ASSOCIATED COMPANIES</b>	<b>31/12/2022 TRADE</b>	<b>31/12/2021 TRADE</b>
STAR AG	54,342	1,077,354
STAR DEUTSCHLAND GMBH	31,790	43,282
STAR PARIS	21,887	37,685
STAR TECHNOLOGY SOLUTIONS	8,224	28,094
STAR SOFTWARE, TRANSLATION, ARTWORK, RECORDING GMBH	23,618	14,176
STAR JAPAN CO., LTD	891	8,115
STAR UK LIMITED	-	5,557
STAR SA	8,080	5,484
STAR GROUP SCANDINAVIA AB	3,125	3,252
STAR GROUP AMERICA, LLC	-	2,023
STAR CZECH S.R.O.	964	587
STAR SERVICIOS LINGUISTICOS SLU		356
STAR INFORMATION SERVICES LTD. STI.		112
DANTE SRL	317	-
STAR PREVJALSKE STORITVE D.O.O LJUBLJANA	411	-
	<b>153,649</b>	<b>1,226,077</b>

### Breakdown of receivables posted to current assets by geographical area

The breakdown of receivables as at 31/12/2022 by geographical area is shown in the following table (amounts shown gross of the allowance for doubtful accounts); Article 2427, first paragraph, no. 6, Civil Code).

	<b>ITALY</b>	<b>EU</b>	<b>NON EU</b>	<b>TOTAL</b>
Trade receivables included in current assets	22,884,605	1,085,618	542,985	24,513,208
Receivables from subsidiaries included in current assets	35,303	256,740	7,409,341	7,701,384
Receivables due from associates included in current assets	317	90,019	63,313	153,649
Current tax receivables	1,571,685			1,571,685
Deferred tax assets posted to current assets	113,874			113,874
Receivables due from others included in current assets	2,423,891			2,423,891
<b>TOTAL RECEIVABLES POSTED TO CURRENT ASSETS</b>	<b>27,029,675</b>	<b>1,432,377</b>	<b>8,015,639</b>	<b>36,477,691</b>

Movements in the allowance for doubtful accounts were as follows:

<b>BALANCE AS AT 31/12/2021</b>	<b>493,368</b>
Uses during the year	-178,311
Provision for the year	61,790
<b>BALANCE AS AT 31/12/2022</b>	<b>376,847</b>

An analysis of the risks of uncollectible receivables showed that the allowance for doubtful accounts is adequate, also in light of the worsening of the general economic situation due to the aftermath of the Covid-19 epidemic and the conflict in eastern Europe.

## Cash on hand

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
12,694,122	17,319,702	-4,625,580

The details are as follows:

	VALUE AT START OF YEAR	CHANGE DURING THE YEAR	VALUE AT END OF YEAR
Bank and postal deposits	17,318,293	-4,628,426	12,689,867
Cash and other valuables on hand	1,409	2,846	4,255
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>17,319,702</b>	<b>-4,625,580</b>	<b>12,694,122</b>

The balance represents cash and cash equivalents and the existence of cash and valuables at the end of the fiscal year. Reference should be made to the Statement of Cash Flows for a quantitative analysis of the cash flows that generated the change in the period.

## Accrued income and prepaid expenses

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
1,742,177	1,444,079	298,098

This item can be broken down as follows (Article 2427, first paragraph, no. 7, Civil Code).

	31/12/2022	31/12/2021	CHANGE
Accrued income	83,662	-	83,662
Prepaid expenses:			
Real estate leasing existing contract	93,283	114,360	-21,077
Real estate leasing new property	270,000	270,000	-
Vehicle leasing	21,832	29,905	-8,073
Minibond issuance costs and mortgage underwriting	672,003	396,129	275,874
Other (telephone, insurance, fees, etc.)	601,397	633,685	-32,288
<b>TOTAL</b>	<b>1,742,177</b>	<b>1,444,079</b>	<b>298,098</b>

As at 31/12/2022, prepaid expenses with a duration of more than five years refer to:

- € 363,283 related to the existing real estate lease and the down payment for the new building under construction;
- € 524,706 related to bond issue costs (*minibond* of € 25 million).

## 4

## Notes, liabilities and shareholders' equity

### Net equity

(Ref. Article 2427, first paragraph, no. 4, 7 and 7-bis, C.C.)

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
26,997,260	21,447,086	5,550,174

Changes during the year in equity items:

Description	31/12/2021	Allocation of previous year's result		Other changes		Profit (loss) for the year	31/12/2022
		Dividends	Other uses	Increases	Decreases		
Share capital	599,340						599,340
Share premium reserve	11,728,160						11,728,160
Legal reserve	100,000		19,868				119,868
Other reserves:							
Special reserve	7,923,536		706,793				8,630,329
Capital contributions	2,846						2,846
Merger surplus reserve				1,105,815			1,105,815
Reserve Article 60 Decree Law 104/2020 (converted Law 126/2020)	390,003						390,003
Misc. other reserves	19,321						19,321
<b>TOTAL OTHER RESERVES</b>	<b>8,335,706</b>	<b>0</b>	<b>706,793</b>	<b>1,105,815</b>	<b>0</b>	<b>0</b>	<b>10,148,314</b>
Reserve for transactions to hedge expected cash flows	-42,781			349,349			306,568
Profit (loss) for the year	726,661		-726,661			4,095,010	4,095,010
<b>TOTAL EQUITY</b>	<b>21,447,086</b>	<b>0</b>	<b>0</b>	<b>1,455,164</b>	<b>0</b>	<b>4,095,010</b>	<b>26,997,260</b>



The "Reserve Article 60 Decree-Law 104/2020 (converted into Law 126/2020)", equal to €390,003, corresponds to the lower amortisation of intangible fixed assets charged to the income statement in 2020 by virtue of the suspension/reduction option pursuant to Article 60 Decree-Law 104/2020. The reserve is currently unavailable; it will become available after suspended amortisation has been reinstated.

The "Reserve for expected cash flow hedging transactions" (which became positive in 2022) is shown net of deferred taxes. It was recognised against "Derivative Assets" under Financial fixed assets.

## Details of the various other reserves

DESCRIPTION	AMOUNT
Reserve Article 60 Decree Law 104/2020 (converted Law 126/2020)	390,003
Amnesty reserve	19,321
<b>TOTAL</b>	<b>409,324</b>

## Availability and use of shareholders' equity

Shareholders' equity items are broken down according to origin, possibility of utilisation, distributability and utilisation in the previous three years as follows (Article 2427, paragraph 1, no. 7-bis, of the Civil Code)

	Amount	Origin/nature	Possible uses	Summary of uses made in the three previous years		
				Amount available	to cover losses	for other reasons
Capital	599,340		B			
Share premium reserve	11,728,160		A, B, C, D	11,728,160		
Legal reserve	119,868	Gains	A, B			
Other reserves						
Special reserve	8,630,329	Gains	A, B, C, D	8,630,329		
Capital contributions	2,846		A, B, C, D	2,846		
Merger surplus reserve	1,105,815	Gains	A, B, C, D	1,105,815		
Reserve Article 60 Decree Law 104/2020 (converted Law 126/2020)	390,003		AND			
Misc. other reserves	19,321		A, B, C, D	19,321		
<b>TOTAL OTHER RESERVES</b>	<b>10,148,314</b>			<b>9,758,311</b>		<b>0</b>
Reserve for transactions to hedge expected cash flows	306,568					
<b>TOTAL</b>	<b>22,902,250</b>			<b>21,486,471</b>		<b>0</b>
Non-distributable portion				392,855		
Residual distributable amount				21,093,616		

Legend: A: for capital increase B: for coverage of losses C: for distribution to shareholders D: for other statutory constraints E: other

There are non-distributable reserves pursuant to Article 2426 of the Civil Code: the extraordinary reserve (of an optional nature) is indirectly unavailable to the extent of the net book value of start-up and expansion costs (€ 392,855). There are no restrictions on distributability arising from the translation at year-end exchange rates of assets and liabilities in currencies other than the Euro.

## Formation and use of shareholders' equity items

As required by Article 2427, paragraph 1, number 4) of the Civil Code, the following information is provided (changes during the last two years):

	Share capital	Share premium reserve	Legal reserve	Extraord. reserve	Merger surplus	Reserve Decree Law 104/2020	Reserve Law 289/2002	Capital contribution	Reserve for transactions*	Profit (loss) for the year	TOTAL
<b>AT THE BEGINNING OF THE PREVIOUS YEAR</b>	500,000	0	100,000	7,291,413	0	0	19,321	2,846	-36,632	1,022,127	8,899,075
Allocation of the result for the year:											
other uses				632,123		390,003				-1,022,127	-1
Other changes											
increases	99,340	11,728,160							-6,149		11,821,351
decreases											0
Previous year's result										726,661	726,661
<b>AT THE END OF THE PREVIOUS YEAR</b>	599,340	11,728,160	100,000	7,923,536	0	390,003	19,321	2,846	-42,781	726,661	21,447,086
Allocation of the result for the year:											
allocation of dividends											0
other uses			19,868	706,793						-726,661	0
Other changes											
increases					1,105,815				349,349		1,455,164
decreases											0
Result for the current year										4,095,010	4,095,010
<b>AT THE END OF THE CURRENT FINANCIAL YEAR</b>	599,340	11,728,160	119,868	8,630,329	1,105,815	390,003	19,321	2,846	306,568	4,095,010	26,997,260

\*Reserve for transactions to hedge expected cash flows

In equity, the following items are present:

Reserves or other funds which, in the event of distribution, do not form part of the shareholders' taxable income regardless of the period of formation:

DESCRIPTION	AMOUNT
Capital contributions	2,846
<b>TOTAL</b>	<b>2,846</b>

## Provisions for risks and charges

(Ref. Article 2427, first paragraph, no. 4, Civil Code)

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
933,695	337,623	596,072

	PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS	PROVISION FOR TAXES, INCLUDING DEFERRED TAXES	FINANCIAL DERIVATIVE LIABILITIES	OTHER PROVISIONS	TOTAL PROVISIONS FOR RISKS AND CHARGES
Value at start of year	154,930	76,402	56,291	50,000	337,623
<b>CHANGES DURING THE YEAR</b>					
Provision for the year	64,000			492,605	556,605
Use during the year		-1,053			-1,053
Other changes		96,811	-56,291		40,520
<b>Total changes</b>	<b>64,000</b>	<b>95,758</b>	<b>-56,291</b>	<b>492,605</b>	<b>596,072</b>
Value at end of year	218,930	172,160	0	542,605	933,695

Provisions for risks and charges are made up as follows:

- provisions for Directors' Severance Indemnity equal to € 218,930;
- provision for deferred taxes: this corresponds mainly to tax savings for lower current taxes in 2020, related to unrecognised amortisation of intangible assets, which was, however, deducted for tax purposes in 2020; details of deferred tax liabilities are shown in the table below:

	31/12/2021	Taxable		31/12/2022	Deferred IRES 24% and IRAP 3.90%		31/12/2022	
		Increases	Returns		31/12/2021	Increases		Returns
Suspended depreciation Article 60 Decree Law 104/2020 (conv. Law 126/2020)	261,991			261,991	73,095	-	-	73,095
Reserve for derivative liabilities (IRES only)		403,379		403,379	-	96,811	-	96,811
5% dividends to collect from Star Comunicação Ltda (only IRES)	13,778		-4,392	9,386	3,307	-	-1,053	2,254
	<b>275,769</b>	<b>403,379</b>	<b>-4,392</b>	<b>674,756</b>	<b>76,402</b>	<b>96,811</b>	<b>-1,053</b>	<b>172,160</b>

- the mark-to-market as of 31/12/2022 relating to 4 interest rate swap hedging contracts was set to zero; please refer to the notes on “Derivative Assets” and “Information on the *fair value* of financial derivatives” for further details;
- the risk provision of € 50,000 allocated in previous years for commercial risks and prudentially maintained, was increased by € 492,605 against the forthcoming accession to the R&S bonus amnesty (DL 146/2021), following the Report on R&S activities, carried out by STAR7 and Star7 Engineering, prepared by the Federico II University of Naples - D.I.E.T.I. Department.

## Provision for employee severance indemnity

(Ref. Article 2427, first paragraph, no. 4, Civil Code)

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
4,225,228	3,024,162	1,201,066

Changes during the year are shown in the following table:

EMPLOYEE SEVERANCE INDEMNITY	
Value at start of year	3,024,162
<b>CHANGES DURING THE YEAR</b>	
Provision for the year	1,173,127
Use during the year	-644,370
Other changes	672,309
<b>Total changes</b>	<b>1,201,066</b>
Value at end of year	4,225,228

The provision set aside represents the actual debt accrued to employees in accordance with the law and current labor contracts, taking into account all forms of remuneration of an ongoing nature.

The provision corresponds to the total of the individual indemnities accrued up to 31 December 2022 in favour of employees at the closing date of the financial statements, net of advances paid, and is equal to the amount that would have been payable to employees if they had terminated their employment on that date.

The fund does not include allowances accrued as at 1 January 2007, allocated to supplementary pension schemes pursuant to Legislative Decree no. 252 of 5 December 2005.

The other changes concern the employee severance indemnity provision for employees acquired as a result of the merger by incorporation of Star7 Engineering and AD Studio.

## Payables

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
61,282,288	63,814,937	- 2,532,649

## Changes and maturity of payables

The maturity of payables is broken down as follows (Article 2427, first paragraph, no. 6, Civil Code).

	VALUE AT START OF YEAR	CHANGE DURING THE YEAR	VALUE AT END OF YEAR	PORTION DUE WITHIN THE YEAR	PORTION DUE AFTER THE END OF THE YEAR	OF WHICH WITH RESIDUAL DURATION OF MORE THAN 5 YEARS
Bonds	25,000,000	-	25,000,000	4,166,667	20,833,333	4,166,667
Borrowings from banks	20,334,159	673,680	21,007,839	11,529,061	9,478,778	
Borrowings from other lenders	5,037,290	-1,740,968	3,296,322	1,530,466	1,765,856	
Trade payables	5,076,261	-111,936	4,964,325	4,964,325		
Due to subsidiaries	1,748,474	667,200	2,415,674	2,415,674		
Payables to associated companies	486,685	182,987	669,672	669,672		
Tax payables	594,988	-117,059	477,929	477,929		
Payables to social security institutions	849,827	333,404	1,183,231	1,183,231		
Other payables	4,687,253	-2,419,957	2,267,296	2,267,296		
<b>TOTAL PAYABLES</b>	<b>63,814,937</b>	<b>-2,532,649</b>	<b>61,282,288</b>	<b>29,204,321</b>	<b>32,077,967</b>	<b>4,166,667</b>

The most significant payables as at 31/12/2022 are as follows:

- bonds the item refers to two "mini-bond" issues totalling € 25 million to partially finance the acquisition of 100% of the LocalEyes Ltd. Group; the duration is 7 years with one year grace period (full repayment by 25/10/2028), and a fixed interest rate of 4.75%; a pledge was issued as a guarantee, on 100% of the shares/units of LocalEyes Ltd;
- borrowings from banks: this item includes several medium/long term loans provided by various banks; it also includes short term loans granted by various banks relating to invoice advance accounts and to "hot money" loans, all short term loan transactions used by the Company to cover very short-term needs;
- borrowings from other lenders: the item includes, above all, the residual debt related to the acquisition of 100% of the LocalEyes Ltd Group (€ 3 million to be paid as follows: € 1.5 million by 31/12/2023 and € 1.5 million by 31/12/2024). to guarantee the debt, UNICREDIT CORPORATE SPA has issued to CUBIC VENTURE S.A. on behalf of STAR7 S.p.A. a bank guarantee on first demand in the amount of € 3,000,000. The transaction was guaranteed by SACE. At the same time, CUBIC VENTURE S.A. issued a guarantee from a leading banking institution in favour of STAR7 SPA for the same amount, to guarantee the exact and timely fulfilment of the covered obligations. In addition, this item includes the minimum price adjustment to be paid to previous shareholders of Vertere s.r.l. (€ 265,856) and, finally, residual loans for the purchase of capital goods (€ 30,466)

Tax payables refer exclusively to withholding taxes to be paid as withholding agent. There are no payables for IRES and IRAP as the advances paid are higher than the current taxes paid for the year.

Other payables include almost exclusively payables to employees for current and deferred remuneration (€ 2,161,550).

As far as bank loans are concerned, the Company benefited from the moratorium in 2020 introduced by legislation to combat the Covid-19 epidemiological emergency,

starting from Decree Law 23/2020 (Liquidity Decree). The amount of the capital shares subject to the benefit totalled € 705,471 in 2020.

As the moratorium did not entail any change in contractual conditions or in the interest rates applied, which are in line with market rates, the amortised cost method was not applied, even to these loans, partly because the effects would not be significant. The Company has obtained the SACE / Mediocredito guarantee provided for by the Covid-19 epidemiological emergency regulations on the following loans:

LENDING INSTITUTION	AMOUNT OF LOAN	MAXIMUM AMOUNT GUARANTEED BY THE FUND	STATE AID QUANTIFICATION	LEGAL REFERENCE	GUARANTOR
UNICREDIT	2,000,000	1,800,000	-	Article 1 Decree Law 23/2020	SACE
CREDIT AGRICOLE	2,250,000	2,030,000	89,117	Guarantee Fund Law 662/96	MEDIOCREBITO
BANCA SELLA	1,000,000	1,000,000	-	Innovfin Guarantee	FEI FUND
INTESA SANPAOLO	1,650,000	1,320,000	52,245	Guarantee Fund Law 662/96	MEDIOCREBITO
BPM	500,000	450,000	17,811	Guarantee Fund Law 662/96	MEDIOCREBITO
BPM	1,500,000	1,200,000	47,495	Guarantee Fund Law 662/96	MEDIOCREBITO
INTESA SANPAOLO	3,000,000	2,700,000	-	Article 1 Decree Law 23/2020	SACE
<b>TOTAL</b>	<b>11,900,000</b>	<b>10,500,000</b>	<b>206,669</b>		

### Debts backed by collateral on company assets

There are no debts backed by collateral on company assets (Article 2427, first paragraph, no. 6, Civil Code), with the exception of information reported previously on debts for *minibonds* (a pledge of 100% on shares/units of LocalEyes issued). Moreover, as indicated, the debt to other lenders of € 3 million for the remaining price to be paid against the acquisition of the LocalEyes Ltd Group is guaranteed by a surety issued by UNICREDIT CORPORATE SPA in favour of CUBIC VENTURE S.A. Refer to the table above for guarantees obtained on bank loans. The table below shows amounts due to subsidiaries:

PAYABLES TO SUBSIDIARIES	31/12/2022 TRADE	31/12/2021 TRADE
STAR7 PRINTING SRL	1,908,773	1,093,518
AD STUDIO SRL	-	302,083
STAR ALBANIA SH.P.K	283,066	263,505
STAR7 ENGINEERING SRL	-	68,989
STAR GMBH	42,920	13,713
TECHWORLD LANGUAGE SERVICES	25,983	4,794
LOCALEYES LTD	11,680	
VERTERE SRL	141,990	
STAR COMUNICAÇÃO E SERVIÇOS LTDA	1,262	1,872
	<b>2,415,674</b>	<b>1,748,474</b>

Techworld Language Services Inc. is indirectly controlled through STAR USA LLC.

The tables below show payables to associated companies:

<b>PAYABLES TO SUBSIDIARIES</b>	<b>31/12/2022 TRADE</b>	<b>31/12/2021 TRADE</b>
STAR AG	206,487	66,139
STAR CZECH S.R.O.	40,265	57,301
STAR POLAND	32,589	44,737
STAR PREVAJALSKE STORITVE D.O.O Ljubljana	47,607	39,633
STAR JAPAN TOKYO	8,606	27,717
IAMDEV	26,238	27,118
STAR SERV.LINGUISTICOS LDA	19,793	26,406
STAR INFORMATION ENGINEERING S.L.	14,935	22,031
STAR SERVICIOS LINGUISTICOS - BARCELONA	1,182	21,721
STAR SOFTWARE SHANGHAI CO. LTD	6,665	18,647
STAR HUNGARY KFT	13,866	16,246
STAR EGYPT MIDDLE EAST LTD CAIRO	2,978	15,904
STAR UK LIMITED	4,576	14,025
STAR Information Services & Tools S.R.L.	7,625	12,023
STAR KOREA AG	30,885	11,137
STAR SPB - RUSSIA	-	9,676
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD	149	8,863
STAR DEUTSCHLAND GMBH	10,468	8,087
STAR AG TAIWAN BRANCH	4,186	7,964
STAR PARIS	-	7,782
STAR GROUP AMERICA LLC	8,563	7,596
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA	1,593	5,159
DANTE SRL	-	3,050
STAR SOFTWARE INDONESIA	197	2,594
STAR GROUP SCANDINAVIA AB	6	2,090
STAR TURKEY INF.SERVICES LTD STI	2,049	1,163
STAR TECHNOLOGY SOLUTIONS	698	639
GRAFICA E EDITORA STARCOM LTDA	-	629
STAR J&M FINNLAND OY	1,237	341
STAR CO., LTD	-	232
STAR SL	175,300	-
STAR GMBH	893	-
STAR SA	35	35
	<b>669,672</b>	<b>486,685</b>

## Breakdown of payables by geographical area

The breakdown of payables as at 31/12/2022 according to geographical area is shown in the following table (Article 2427, paragraph 1, no. 6 of the Civil Code).

	ITALY	EU	NON EU	TOTAL
Bonds	25,000,000			25,000,000
Borrowings from banks	21,007,839			21,007,839
Borrowings from other lenders	296,322		3,000,000	3,296,322
Trade payables	4,199,581	228,180	536,564	4,964,325
Due to subsidiaries	2,050,762	54,600	310,312	2,415,674
Payables to associated companies	26,238	366,465	276,969	669,672
Tax payables	477,929			477,929
Payables to social security institutions	1,183,231			1,183,231
Other payables	2,267,296			2,267,296
<b>TOTAL PAYABLES</b>	<b>56,509,198</b>	<b>649,245</b>	<b>4,123,845</b>	<b>61,282,288</b>

## Accrued expenses and deferred income

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
1,793,127	2,104,728	311,601

The division between accruals and deferrals is as follows:

	VALUE AT START OF YEAR	CHANGE DURING THE YEAR	VALUE AT END OF YEAR
Accrued expenses	1,094,870	-605,368	489,502
Deferred income	1,009,858	293,767	1,303,625
<b>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>2,104,728</b>	<b>-311,601</b>	<b>1,793,127</b>

The most significant amounts of accrued expenses include accrued interest on the bond loan in the amount of € 159,418, payables to personnel for accrued production bonuses yet to be paid in the amount of € 249,999, and other minor amounts for credit card expenses incurred in December but debited to the current account in January, employee expense accounts, and bank fees.

The decrease compared to 2021 is explained by the allocation for MBO accrued in the previous year amounting to € 747,700, which is higher than the allocation for the current year.

Deferred income relates to invoices issued in advance in 2022 but related to activities to be performed in 2023, as well as an income from Mr Josef Zibung related to IPO costs accruing in future years (€ 570,208).

As of 31/12/2022 there are no accruals or deferrals with a duration of more than five years.



# 5

## Notes, Income Statement

### Value of production

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
54,050,456	44,006,715	10,043,741

The details are as follows:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Revenues from sales and services	52,872,904	43,568,017	9,304,887
Change in inventories of work in progress, semi-finished and finished products	74,054	0	74,054
Other revenues and income			
grants related to income	522,881	253,653	269,228
others	580,617	185,045	395,572
<b>Total other revenues and income</b>	<b>1,103,498</b>	<b>438,698</b>	<b>664,800</b>
<b>TOTAL VALUE OF PRODUCTION</b>	<b>54,050,456</b>	<b>44,006,715</b>	<b>10,043,741</b>

The increase in sales and services revenues benefited in part from the incorporation of Star7 Engineering, since AD Studio's revenues are entirely intra-group with STAR7 S.p.A. and were therefore eliminated after the merger.

The change is closely related to the matters discussed in the Report on Operations.

"Other revenues and income" include € 248,413 in operating grants relating to:

- tax credit for research and development (€ 522,881): this was recorded in the 2022 financial statements in the income statement for the entire period of reference, similar in substance to operating grants, given the recognition in the income statement of all the underlying subsidised expenses.
- the item is posted to A5 "Other revenues and income" in the Income Statement, on an accruals basis and in the period in which the right to receive them arises with certainty;

Other income mainly comprises ordinary contingent assets for € 471,633.

## Breakdown of revenues from sales and services by category of activity

(Ref. Article 2427, first paragraph, no. 10, Civil Code)

BUSINESS SECTOR	31/12/2022	31/12/2021	CHANGE
Product knowledge, Engineering and Experience	28,804,504	22,869,785	5,934,719
Global Content	14,766,449	14,160,461	605,988
Printing	8,446,038	6,255,904	2,190,134
Other services	855,913	281,867	574,046
<b>TOTAL</b>	<b>52,872,904</b>	<b>43,568,017</b>	<b>9,304,887</b>

## Breakdown of revenues from sales and services by geographical area

(Ref. Article 2427, first paragraph, no. 10, Civil Code)

GEOGRAPHICAL AREA	31/12/2022	31/12/2021	CHANGE
Italy	45,830,885	38,056,184	7,774,701
EU	3,552,523	3,239,479	313,044
Non EU	3,489,496	2,272,354	1,217,142
<b>TOTAL</b>	<b>52,872,904</b>	<b>43,568,017</b>	<b>9,304,887</b>

## Cost of production

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
50,980,435	42,719,010	8,261,425

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Raw and ancillary materials and goods	987,406	1,041,357	-53,951
Services	26,557,103	23,898,286	2,658,817
Leased assets	1,135,597	927,336	208,261
Wages and salaries	13,610,250	10,296,811	3,313,439
Social security contributions	4,127,089	2,828,130	1,298,959
Employees' leaving entitlement	1,173,127	641,446	531,681
Pensions and similar obligations	-	-	-
Other personnel costs	129,494	164,344	-34,850
Amortisation	2,080,222	1,803,579	276,643
Depreciation	304,725	165,230	139,495
Other write-downs of fixed assets	-	-	-
Write-downs of receivables in current assets	61,790	-	61,790
Change in inventories Raw materials	-30,646	-	-30,646
Provisions for risks	64,000	64,000	-
Other provisions	-	-	-
Sundry operating expenses	780,278	888,491	-108,213
<b>TOTAL</b>	<b>50,980,435</b>	<b>42,719,010</b>	<b>8,261,425</b>

Notes to the Separate Financial Statements for the year ended 31/12/2022

The incremental trend in production costs is due in part to the merger by incorporation of Star7 Engineering and AD Studio, in particular with regard to services and employee costs, while intra-group costs have been eliminated.

### Cost of raw materials, ancillary materials, consumables and goods for resale and Cost of services

They are closely related to the information provided in the Report on Operations and the performance of item A (Value of production) in the Income Statement.

### Personnel costs

This item includes all expenses for employees, including merit payments, changes in category, contingency payments, the cost of unused vacation time and provisions pursuant to legislation and collective labour agreements. It should be noted that in 2021 and 2022 the Company applied the welfare measures provided for in the regulations issued to counter the negative effects of the Covid-19 epidemiological emergency (Articles 19-21 of Decree Law 18/2020 and subsequent measures), while in 2020 the temporary redundancy fund CIG was used at three different times during the year, regarding an average of 150 employees). The use of the wage supplementation allowance was the subject of an audit in the early months of 2021 by the Tax Authorities, which ended without any findings regarding the Company, having correctly complied with the provisions of the Law

### Amortisation and depreciation

Depreciation/amortisation has been calculated on the basis of the useful life of the assets and their participation in the production phase.

## Financial income and charges

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
1,878,121	-313,140	2,191,261

The details are as follows:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Dividends from investee companies	3,685,684	152,232	3,533,452
Income other than the above	1,631	18,018	-16,387
Interest expense and other financial charges	-1,785,002	-483,201	-1,301,801
Exchange gains (losses)	-24,192	-189	-24,003
<b>TOTAL</b>	<b>1,878,121</b>	<b>-313,140</b>	<b>2,191,261</b>

Income from equity investments refers to dividends distributed by the subsidiaries Localeyes Ltd (€ 3,500,000) and Star Comunicação e Serviços Ltda (€ 185,684), all received.

## Breakdown of interest and other financial expense by type of debt

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Payables to banks for current accounts and advances	173,107	106,515	66,592
Borrowings from banks - mortgages	288,046	215,309	72,737
Bonds/ <i>mini-bonds</i>	1,276,911	159,417	1,117,494
Others	46,938	1,960	44,978
<b>TOTAL</b>	<b>1,785,002</b>	<b>483,201</b>	<b>1,301,801</b>

## Other financial income

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
Bank and post office interest	1,631	418	1,213
Others	-	17,600	-17,600
<b>TOTAL</b>	<b>1,631</b>	<b>18,018</b>	<b>-16,387</b>

The details of exchange gains and losses are not indicated as the amounts are not significant. The balance in the income statement refers entirely to realised exchange differences.

## Value adjustments to financial assets and liabilities

No adjustments were made to the value of financial assets and liabilities.

## Information on the *fair value* of financial derivatives

Pursuant to Article 2427-bis, first paragraph, Civil Code, we inform you that the Company has entered into the following, unlisted, derivative financial contracts, of which the main characteristics and their *fair value*, recognised in the financial statements in accordance with accounting standard OIC 32, are summarised below.

TYPE OF CONTRACT	PURPOSE	NOTIONAL VALUE	FAIR VALUE		DATE OF EXECUTION	EXPIRY
			POSITIVE	NEGATIVE		
Intesa San Paolo Interest rate swap	hedging	3,000,000	1,103	-	06/06/19	28/04/2023
Intesa San Paolo Interest rate swap	hedging	3,000,000	165,743	-	29/01/21	31/12/2026
Unicredit interest rate swap	hedging	1,900,000	93,475	-	18/11/20	30/09/2026
Credit Agricole interest rate swap	hedging	2,250,000	143,058	-	05/10/20	05/10/2026
		<b>10,150,000</b>	<b>403,379</b>	<b>-</b>		

Please refer to the note on "derivative assets" under financial fixed assets.

## Current and deferred income taxes

BALANCE AS AT 31/12/2022	BALANCE AS AT 31/12/2021	CHANGE
853,132	247,904	605,228

The details are as follows:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE
<b>Current taxes</b>	<b>351,719</b>	<b>357,695</b>	<b>-5,976</b>
IRES	212,280	190,209	22,071
IRAP	139,439	167,486	-28,047
<b>Prior year taxes</b>	<b>492,605</b>	<b>0</b>	<b>492,605</b>
<b>(Deferred) tax assets</b>	<b>8,808</b>	<b>-109,791</b>	<b>118,599</b>
Deferred IRES/IRAP arising during the year		1,267	-1,267
Deferred IRES/IRAP liabilities resolved during the year	-1,054		-1,054
Prepaid IRES/IRAP arising during the year		-111,058	111,058
Deferred IRES/IRAP assets resolved during the year	9,862		9,862
<b>TOTAL</b>	<b>853,132</b>	<b>247,904</b>	<b>605,228</b>

Taxes for the year have been recorded.

Taxes relating to previous years (€ 492,605) were allocated against the forthcoming accession to the amnesty for bonuses R&S (DL 146/2021), following the Report on R&D activities, carried out by STAR7, Star7 Engineering and AD Studio, prepared by the Federico II University of Naples - D.I.E.T.I. Department.

### Deferred tax assets/liabilities

For details of deferred tax assets, please refer to the table included in the note on receivables from current assets, while reference is made for details of deferred tax liabilities to the table included in the note on provisions for risks and charges.

### Cash flow statement

With regard to the Cash Flow Statement, the following should be noted:

- the item "Total adjustments for non-monetary items without a balancing entry in net working capital" includes, among others, employee severance indemnities arising from the merger by incorporation of Star7 Engineering and AD Studio (€ 672,309) and the change in the provision for risks and charges for derivative liabilities.

## 6

## Notes, Other information

### Employment figures

The average number of staff, broken down by category, underwent the following changes with respect to the previous year:

STAFF	31/12/2022	31/12/2021	CHANGE	AVERAGE NO.
Executives	7	4	3	3
Middle managers	8	8	-	8
Office workers	412	278	134	275
Manual workers	3	2	1	2
Others	-	-	-	-
	430	292	138	288

The national employment contract applied is that of the commerce, tertiary, distribution and services sector.

### Fees, advances and credits granted to directors and statutory auditors and commitments undertaken on their behalf

	ADMINISTRATORS	STATUTORY AUDITORS
Fees	950,012	34,972

No advances were paid or loans granted to directors and auditors, nor were guarantees issued in their favour.

### Fees to the statutory auditor or auditing company

In accordance with the law, the fees for the year for services provided by the Independent Auditors and by entities belonging to their network are shown:

	AMOUNT
Legal audit of annual accounts	19,000
<b>TOTAL FEES PAYABLE TO THE STATUTORY AUDITOR OR THE AUDITING FIRM</b>	<b>19,000</b>

### Categories of shares issued by the company

The share capital, fully subscribed and paid-up, is composed as follows (Article 2427, first paragraph, nos. 17 and 18, Civil Code)

STOCKS/QUOTAS	NUMBER	NOMINAL VALUE IN EURO
Ordinary Shares	7,649,752	without par value
PAS Special Shares	1,350,000	without par value
	8,999,752	

We recall that in 2021 the following shares were issued (Extraordinary Shareholders' Meeting of 29/11/2021 and Board of Directors' meeting of 20/12/2021):

#### SHARES ISSUED BY THE COMPANY BY CATEGORIES

DESCRIPTION	ORDINARY SHARES	PAS SPECIAL SHARES
Shares subscribed during the year, number	7,649,752	1,350,000
Shares subscribed during the year, par value	not indicated	not indicated
Opening amount, number	500,000	
Closing amount, number	7,649,752	1,350,000
Opening amount, par value	500,000	
Closing amount, par value	not indicated	not indicated

For the purpose of admission to listing on the Euronext Growth Milan market, the existing ordinary shares as at 31/12/2020 (500,000 with a unit value of € 1.00) were cancelled as new ordinary shares were issued, dematerialised, with no indication of the par value. Of the latter, 1,350,000 were converted into PAS special shares in accordance with Article 6 of the Bylaws (of which 750,000 held by Dante s.r.l. and 600,000 held by STAR AG).

On 20 December 2021, the Board of Directors subsequently resolved on a capital increase with the issue of 1,499,752 new ordinary shares, of which 429,752 subscribed by Kairos Partners SGR S.p.A. and 1,070,000 offered for placement on the market.

#### Securities issued by the company

As already mentioned, the Company issued the following securities during the year 2021 that are not included in the share capital:

two bond/*minibond* issues totalling € 25 million to partially finance the acquisition of 100% of the LocalEyes Ltd. Group; the duration is 7 years with one-year grace period (full repayment by 25/10/2028), and a fixed interest rate of 4.75%; as a guarantee, a pledge has been issued on 100% of the shares/units of LocalEyes Ltd.

#### Commitments, guarantees and contingent liabilities not shown in the balance sheet

Commitments for lease instalments due under current lease agreements are as follows.

	AMOUNT
Commitments	1,173,927
<b>TOTAL</b>	<b>1,173,927</b>

Letters of patronage were issued in favour of the subsidiary Star7 Printing s.r.l..

In addition, as security for the repayment of the bonds/*minibonds* issued in 2021, a pledge was issued on 100% of the shares/units of LocalEyes Ltd.

### **Information on transactions with related parties**

Our company is 33.4% owned by the Swiss-based company STAR AG, and has investments in subsidiaries and associates in Italy and abroad; during 2022 and 2021, business relations were conducted exclusively on market terms. On 28 June 2021, the Company purchased 50,000 treasury shares from STAR AG at a price of EUR 60 each for the purpose of applying for listing on the AIM market operated by Borsa Italiana. During the year, only commercial relationships at market conditions were maintained with the associated companies DANTE S.r.l. and STAR AG. The costs for services rendered by DANTE S.r.l. amounted to € 450,000 and refer to consulting in the areas of finance, technical management, human resources, marketing, external relations and insurance consulting.

Turnover from services rendered to STAR AG during the year amounted to € 34,258, while services received from STAR AG during the year amounted to € 386,781.

Details of costs and revenues with subsidiary and associated undertakings are provided in the Report on Operations.

### **Details of other financial instruments issued by the company (Ref. Article 2427-bis, first paragraph, no. 1, Civil Code)**

The Company has not issued any financial instruments other than shares and the *mini-bond*, already commented on.

### **Information on assets and financing allocated to a specific business**

Not applicable.

### **Information on agreements not shown in the balance sheet (Ref. Article 2427, first paragraph, no. 22-ter, Civil Code)**

The company has no agreements in place that are not reflected in the Balance Sheet

### **Information on significant events after the end of the financial year**

At the end of 2022, the leasing of a business unit (starting 01/01/2023) with an option to purchase the companies C.A.A.R. S.p.A. and STI S.r.l. was finalised.

These companies are strategic and conducive to the development of the engineering and defence business, with offices located both in Italy (Turin and Bolzano) and abroad (Brazil and Serbia). Given that the two companies were in a critical financial situation, a business leasing contract was envisaged at an early stage in order to minimise legal, financial and operational risks. Subsequently – only when the outcome of debt restructuring agreement that the company C.A.A.R. S.p.A. is going to propose to its creditors, and in particular to the Italian tax authority, in consideration of the accumulated debts is approved by the competent bankruptcy court – the business lease contract will be transformed into a purchase contract, for an amount defined between the parties, so that C.A.A.R. S.p.A. can honour the agreement entered into with the creditors.

In early 2023, the integration of the companies into STAR7 SPA proceeded successfully. No significant events occurred after the end of the year that could have significant capital, economic and financial effects on the financial statements as at 31/12/2022.



## Information pursuant to art.1, paragraph 125 of Law 4 August 2017 n.124

It should be noted that income from tax credits for research and development activities pursuant to Decree Law 145/2013 has been recognised for a total of € 522,881 (€ 252,547 in 2021).

Grants for the Covid-19 emergency (in 2021 € 1,106 for Covid-19 sanitisation) were not accounted for.

State aid relating to the guarantees obtained by Sace/Mediocredito on loans payable, under Covid-19 regulations, was equal to a total of € 206,669, as indicated in the specific table in the note on Payables.

In 2021, the Company received the following benefits that qualify as “State aid”:

DESCRIPTION/ REGULATORY SOURCE	DATE GRANTED	GRANTING BODY	REGULATION/ COMMUNICATION	AID ELEMENT
Exemption from the payment of social security contributions for companies that do not require redundancy payments (Article 3 of Decree Law 104/2020)	19/02/2022	INPS	TF Covid-19 - Section 3.1 of the Commission Communication of 19.03.2020 C(2020) 1863 final as amended	91,577
Contribution grant for employment in disadvantaged areas - Southern decontribution (art. 27 Decree Law 104/2020)	25/02/2022	INPS	TF Covid-19 - Section 3.1 of the Commission Communication of 19.03.2020 C(2020) 1863 final as amended	696
Exemption from the payment of social security contributions for new permanent hires/transformations in the two-year period 2021 - 2022 (art. 1 paragraphs 10 - 15 Law 178/2020)	25/11/2022	INPS	TF Covid-19 - Section 3.1 of the Commission Communication of 19.03.2020 C(2020) 1863 final as amended	11,556
SupportItalia Guarantee (Aid Decree)	21/12/2022	SACE	TF Ukraine Crisis - Section 2.2 of Commission Communication of 23.3.2022 C(2022) 1890 final as amended	1,500,000

## Firms that prepare the financial statements of the larger/smaller set of firms to which you belong as a subsidiary

Pursuant to the law, we provide the information required by Article 2427, first paragraph, no. 22 quinquies and sexies) of the Civil Code.

Following the listing of the shares on the Euronext Growth Milan market, the case no longer exists, as STAR AG (based in Switzerland, tax identification number CHE-02.892.540), which at 31/12/2020 held 50% of the shares of STAR7 S.p.A., currently holds 33.4%.

## Communications pursuant to Article 10 Law 72/1983 and subsequent revaluation laws

It is acknowledged that in preparing the financial statements of previous years, with reference to assets still existing, no monetary revaluations were carried out in the past pursuant to law, nor were any exceptions made to the valuation criteria pursuant to Article 2423, third paragraph, of the Civil Code.

### Proposed allocation of profits or coverage of losses

As it is not possible to distribute dividends since the Company has obtained a SACE guarantee on certain loans, a proposal is put to the Shareholders' Meeting to allocate the year's earnings as follows:

<b>OPERATING RESULT AS AT 31/12/2022</b>	<b>EURO</b>	<b>4,095,010</b>
to the legal reserve	Euro	-
to extraordinary reserve	Euro	4,095,010
to dividend	Euro	-
to unavailable reserve art. 60 of Law Decree no. 104/2020	Euro	-

These notes have been prepared in accordance with the provisions of the Civil Code and accounting standards issued by the OIC. In order to comply with publication requirements in the Companies Register, once approved, it will be converted to XBRL format; therefore, there may be some formal changes necessary to make this note compatible with the filing format.

These financial statements, which comprise the Balance Sheet, Income Statement, Cash Flow Statement and Notes, present a true and fair view of the Company's financial position and results of operations for the period, and correspond to the underlying accounting records.

Valle San Bartolomeo (Alessandria), 28 March 2023

**Chairman of the Board of Directors**  
**Lorenzo Mondo**

# **INDEPENDENT AUDITORS' REPORT**

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**on the Separate Financial Statements  
as at 31/12/2022**

  
**STAR7 S.p.A.**

Independent auditors' report pursuant to  
art. 14 of Legislative Decree no. 39 of  
27 January 2010

Consolidated as at 31 December 2022

  
ABNG/MSCC/Abro-RC085002022BD1417



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10121 Turin

**Report of the independent auditors**  
pursuant to article 14 of Legislative Decree 39 of 27 January 2010

To the shareholders of  
Star7 S.p.A.

**Report on the audit of the financial statements**

**Judgment**

We have audited the accompanying financial statements of Star7 S.p.A. (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, the statement of cash flows for the year then ended, and the related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Italian law governing the preparation of financial statements.

**Elements underlying the opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for Auditing the Financial Statements* section of this report. We are independent with respect to the Company in accordance with the rules and principles on ethics and independence applicable in Italian law to the auditing of financial statements. We believe that we have acquired sufficient and appropriate evidence on which to base our opinion.

**Responsibility of the directors and the Board of Statutory Auditors for the consolidated financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing the criteria for their preparation and, within the terms of the law, for that part of the internal control they consider necessary to enable the preparation of financial statements that do not contain any significant errors due to fraud or unintentional conduct or events.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the annual financial statements, for the appropriateness of using the going concern assumption, as well as for adequate disclosure in this regard. The directors use the going concern basis of accounting in preparing the financial statements unless they have assessed that the conditions for the Company's liquidation or discontinuance exist or have no realistic alternative to those choices.

The Board of Statutory Auditors is responsible for supervising, within the terms of the law, the process of preparing the Company's financial reports.

Bari, Bologna, Brescia, Cagliari, Florence, Genoa, Milan, Naples, Padua, Palermo, Rome, Turin, Verona

BDO Italia S.p.A. - Registered Office: Viale Abruzzi, 94 - 20131 Milan - Share Capital Euro 1,000,000 fully paid up.  
Tax ID Code, VAT number and Milan Company Register no. 07722780967 - R.E.A. Milan 1977842  
Entered in the Register of Auditors at no. 167911 with Ministerial Decree of 15/03/2013 G.U. no. 26 of 02/04/2013  
BDO Italia S.p.A., an Italian joint-stock company, is a member of BDO International Limited, a company limited by guarantee under English law, and is part of the international BDO network of independent companies.



#### Responsibility of the independent auditors for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, taken as a whole, are free of material misstatement, whether due to fraud or unintentional conduct or events, and to issue an audit report that includes our opinion. Reasonable assurance is defined as a high level of assurance that an audit performed in accordance with International Standards on Auditing (ISA Italy) will always detect a material misstatement, if any. Errors may derive from fraud or unintentional conduct or events and are considered significant when they can reasonably be expected, either individually or collectively, to influence the economic decisions taken by users on the basis of the financial statements.

As part of an audit performed in accordance with International Standards on Auditing (ISA Italy), we exercised professional judgment and maintained professional scepticism throughout the audit. Also:

- we identified and assessed the risks of material misstatement of the financial statements due to fraud or unintentional conduct or events; we defined and performed audit procedures in response to these risks; we have obtained sufficient and appropriate evidence on which to base our opinion. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error resulting from unintentional conduct or events, as fraud may involve collusion, falsification, intentional omissions, misrepresentation, or forcing of internal control;
- we have obtained an understanding of internal control relevant to the audit for the purpose of designing audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we assessed the appropriateness of the accounting policies used as well as the reasonableness of the accounting estimates made by the directors, including the related disclosures;
- we have reached a conclusion as to the appropriateness of the directors' use of the going concern assumption and, based on the evidence we have obtained, as to whether there is a material uncertainty about events or circumstances that may cast significant doubt about the Company's ability to continue as a going concern. If there is a material uncertainty, we are required to draw attention in the audit report to the relevant financial statement disclosures or, if such disclosures are inadequate, to reflect that fact in the formulation of our opinion. Our conclusions are based on the evidence obtained through the date of this report. However, subsequent events or circumstances may result in the Company ceasing to operate as a going concern;
- we evaluated the presentation, structure, and content of the financial statements as a whole, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that provides a fair presentation.

We communicated to those responsible for governance activities, identified at an appropriate level as required by ISA Italy, among other matters, the planned scope and timing of the audit and the significant findings that arose, including any significant deficiencies in internal control identified during the audit.



#### Report on other statutory and regulatory requirements

##### Judgment pursuant to art. 14, paragraph 2, letter e), of Legislative Decree no. 39/10

The directors of Star7 S.p.A. are responsible for the preparation of the report on operations of Star7 S.p.A. as at 31 December 2022, including its consistency with the related financial statements and its compliance with legal requirements.

We have performed the procedures indicated in Auditing Standard (SA Italy) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Star7 S.p.A. as at 31 December 2022, and on their compliance with legal requirements, as well as to issue a statement on any significant errors.

In our opinion, the report on operations is consistent with the financial statements of Star7 S.p.A. for the year ended 31 December 2022, and has been prepared in accordance with the requirements of the law.

With reference to the statement pursuant to art. 14, paragraph 2, letter e), of Legislative Decree no. 39/10, issued on the basis of the knowledge and understanding of the company and its context acquired during the audit, we have nothing to report.

Turin, 12 April 2023

BDO Italia S.p.A.

Anna Maria Bongiovanni  
Shareholder

# **BOARD OF STATUTORY AUDITORS' REPORT**

**on the Financial Statements as at 31/12/2022**



**STAR -7 SpA**

Share capital €599,340 fully paid up  
Registered office in Valle San Bartolomeo  
Via Alessandria 37/B  
TAX ID NO 01255170050

**Report of the Board of Statutory Auditors  
to the financial statements as at 31 December 2022**

*To the Shareholders' Meeting*

*The financial statements for the year ended 31 December 2022, which the Board of Directors is submitting for your approval, show a profit for the year of €4,095,010.*

*They are*

- made up of the Balance Sheet and Income Statement, drawn up in compliance with the relevant legislation, as well as the Notes to the Accounts and the Cash Flow Statement;*
- accompanied by the Report on Operations.*

*Pursuant to Article 2429 of the Italian Civil Code, the Board of Statutory Auditors shall report to the Shareholders' Meeting on its observations and proposals regarding the financial statements approved by the Board of Directors on 28 March 2023 and proposed for approval.*

*In carrying out its duties, the Board of Statutory Auditors has supervised compliance with the law and the Articles of Association, as well as respect for the principles of proper administration and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the company, making reference in the performance of its duties to the guidelines contained in the rules of conduct for Boards of Statutory Auditors recommended by the Italian Accounting Profession.*

*During the financial year ended 31 December 2022, the activities of the Board of Statutory Auditors were still partially affected by the limitations imposed by the Covid 19 health emergency and were therefore carried out through the acquisition of documentation and the holding of both face-to-face and audio-video conference meetings. Having said that, the Board of Statutory Auditors met 5 times; despite the limitations imposed by Covid 19, we believe that carrying out audio-video conference meetings did not lead to any particular limitations on the supervisory activity.*

*During the year, we carried out the supervisory activity required by law pursuant to art. 2403 of the Italian Civil Code, since the legal audit of the accounts was carried out by the Independent Auditors BDO S.p.A., appointed by shareholders' resolution on 4 May 2021, which today issued its reports on the separate and consolidated financial statements as at 31 December 2022, without any remarks or requests for information.*

*The Independent Auditors BDO S.p.A. also issued its report on the statement of expenses incurred for research and development activities, prepared for the purposes set forth in Article 1 of Law No. 160 of 27 December 2019 and the Decree of 26 May 2020 issued by the Minister of Economic Development; no remarks were made.*

*Having regard to the manner in which our activity has been carried out we acknowledge:*

- to have attended the meetings of the Board of Directors and the Shareholders' Meetings during the year;*
- that we have acquired the information necessary to carry out the activity for which we are responsible concerning the assessment of the degree of adequacy of the Company's organisational structure and compliance with the principles of correct administration, by means of direct inquiries and the gathering of information from the heads of the functions concerned;*
- to have ascertained the reliability of the administrative-accounting system in receiving and correctly representing management events and in translating them into reliable data systems for compulsory external information and internal control requirements.*

*During the course of the year, we were periodically informed about the company's operating performance, its outlook and the most important economic, financial and capital transactions carried out by the Company. The Company did not carry out any further transactions in the course of the year that were significant enough to be worthy of mention here given the extensive and thorough information provided in the Report on Operations, to which reference should be made. In this regard, we can reasonably affirm that the actions taken are in the company's interest, comply with the law and the bylaws and are not manifestly imprudent, risky or such as to compromise the integrity of the company's assets.*

*On the basis of what has emerged from direct interventions and the information gathered, the resolutions adopted by the Board of Directors comply with the law and the Bylaws, as well as with the principles of proper administration, are consistent and compatible with the size of the Company's assets, and comply with the provisions of Article 2391 of the Italian Civil Code, concerning the interests carried by the Directors, on their own behalf or on behalf of third parties.*

*During the year, no reports were made pursuant to art. 2408 of the Italian Civil Code, no complaints were received, and no omissions, reprehensible acts or irregularities were reported by the heads of company departments that would require mention in this Report.*

*During the year, we did not make any reports to the Board of Directors pursuant to and for the purposes of Article 15 of Legislative Decree No. 118/2021 or pursuant to and for the purposes of Article 25-octies of Legislative Decree No. 14 of 12 January 2019, and no reports were received from qualified public creditors pursuant to Article 25-novies of Legislative Decree No. 14 of 12 January 2019 or pursuant to and for the purposes of Article 30-sexies of Legislative Decree No. 152 of 6 November 2021, converted by Law No. 152 of 29 December 2021, no. 233, as amended.*

*At the Board meeting of 28 March 2023 the Supervisory Board's annual report was reviewed. The activities carried out and the checks carried out, in the light of the information received and the documents handed over, did not reveal any reprehensible facts or violations of the Model or any acts or conduct entailing a breach of the provisions contained in Legislative Decree no. 231/2001.*

*During the year, the Board of Statutory Auditors exchanged information with the Independent Auditors and the Supervisory Board.*

*We did not issue any opinions during the year.*

*With reference to the financial statements, we acknowledge that:*

- the draft financial statements, accompanied by the Notes to the Accounts and the Cash Flow Statement, and the Report on Operations, prepared by the Directors, were delivered to us within the time limits required by law;*
- the draft financial statements correspond to the results of the accounting books and records;*
- the draft financial statements correspond to the facts and information that have come to our knowledge following our participation in the meetings of the Corporate Bodies, which made it possible to acquire adequate information on the most important economic, financial and asset operations carried out by the Company;*
- we have verified compliance with the legal requirements relating to the formation and layout of the financial statements; in particular, that the financial statements are prepared in accordance with the statutory schemes, possibly also reclassifying the quantitative evidence of the previous year as at 31 December 2021;*
- the valuation of the Company's assets was carried out with a view to the continuation of the Company's business, in accordance with the provisions of article 2426 of the Italian Civil Code;*
- there were no changes in the valuation criteria with respect to the previous year;*
- no recourse was made to departures from legal provisions pursuant to art. 2423, paragraph 4 of the Italian Civil Code;*
- we expressed our consent to the recognition of start-up and expansion costs of €392,855 and goodwill of €1,416,538;*
- the administrative body also approved the consolidated financial statements for the year ended 31 December 2022, together with the notes, the cash flow statement and the Report on operations, which it delivered to us together with the financial statements for the same period. The Board of Statutory Auditors also acknowledges that it has supervised the observance of procedural and legal standards regarding its formation and the respect of the Directors' and Independent Auditor's duties in this area.*

*Considering the outcomes of the work we have performed and the opinion expressed in the audit report issued by the statutory auditor, we do not find any reasons to prevent the shareholders from approving the financial statements for the year ended 31 December 2022, as prepared by the directors.*

*The Board of Statutory Auditors agrees with the directors' proposal on the allocation of the profit for the year as per the notes to the financial statements.*

*Milan, 12 April 2023*

*THE BOARD OF STATUTORY AUDITORS*

*Mr. Fabio Maria Venegoni*

*Mr. Alberto Bodiglio*

*Mr. Vincenzo Gambaruto*

