Annual Accounts 2016

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Engineering Ingegneria Informatica S.p.A.
Registered Office
00185 Rome – Italy
Via San Martino della Battaglia, 56
Tax code 00967720285
VAT number 05724831002
Rome Companies' Register 00967720285
Rome Chamber of Commerce 531128
Fully paid-in share capital Euro 31,875,000
Number of shares 12,500,000

ENGINEERING

Financial Statements

ENGINEERING INGEGNERIA INFORMATICA

Deloitte.

Deloitte & Touche S.p.A.
Via della Camilluccia, 589/A
00135 Roma
Italia

Tel: +39 06 367491
Fax: +39 06 36749282
www.deloitte.it

**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the sole Shareholder of
Engineering Ingegneria Informatica S.p.A.**

Report on the Financial Statements

We have audited the accompanying financial statements of Engineering Ingegneria Informatica S.p.A., which comprise the statement of financial position as at December 31, 2016, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Engineering Ingegneria Informatica S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of Engineering Ingegneria Informatica S.p.A., with the financial statements of Engineering Ingegneria Informatica S.p.A as at December 31, 2016. In our opinion the report on operations is consistent with the financial statements of Engineering Ingegneria Informatica S.p.A as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
April 12, 2017

This report has been translated into the English language solely for the convenience of international readers.

Directors' report on the Financial Statements as of December 31, 2016

I. Corporate Governance and Corporate Bodies

CORPORATE GOVERNANCE

The Corporate Governance system and the Bodies and Offices are established to achieve maximum equilibrium between the needs for flexibility and timeliness in decision making, a high degree of transparency in dealings between the various centres of responsibility and the external entities, and the exact identification of roles and consequent responsibilities.

Since August 4, 2016, with resolution taken by the Company's Extraordinary Shareholders' Meeting, the Company adopted the traditional system instead of the one-tier one.

BOARD OF DIRECTORS

On August 4, 2016, after the resolution of the Company's Ordinary Shareholders' Meeting and following the resolution of the Board of Directors held on the same day, a new Board of Directors and a new Board of Statutory Auditors were elected and will remain in office until the approval of the financial statements as of December 31, 2018.

Michele Cinaglia	Chairman
Paolo Pandozy	Chief Executive Officer
Armando Iorio	Director
Gabriele Cipparrone	Director
Giancarlo Rodolfo Aliberti	Director
Marco Bonaiti	Director
Emilio Voli	Director
Fabio Cosmo Domenico Cané	Director
Stefano Bontempelli	Director
Michele Quaranta	Director
Giovanni Camisassi	Director

BOARD OF STATUTORY AUDITORS

Francesco Tabone	Chairman
Rocco Corigliano	Statutory Auditor
Massimo Porfiri	Statutory Auditor

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Paolo Pandozy

SUPERVISORY BOARD

Roberto Fiore	Chairman
Spartaco Pichi	Member
Amilcare Cazzato	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

II. Introduction and general information on operations

INTRODUCTION

The financial statements as of December 31, 2016 of the Company Engineering Ingegneria Informatica S.p.A. (hereafter referred to as Engineering or simply the Company) have been prepared, as they have since 2005, in compliance with the recognition and measurement criteria established under International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), in addition to the IFRIC (International Financial Reporting Interpretation Committee) and SIC (Standing Interpretation Committee) interpretations issued by the International Accounting Standards Boards and endorsed by the European Union.

For further information regarding the result and the financial position of Engineering Ingegneria Informatica S.p.A., express reference is made to the explanatory notes to the financial statements of the year.

The financial statements have been prepared in accordance with the going-concern principle, as applicable to the Company in the near future.

The detailed description of the accounting principles, assumptions and estimates adopted is provided in the explanatory notes to the Engineering Group consolidated financial statements as of December 31, 2016, to which reference should be made. This report uses a number of alternative performance measures (“APM”) not provided for under IFRS accounting standards, in line with CESR recommendation 05-178b published on November 3, 2005. These APMs are deemed as significant for measuring the Group’s operating performance and allow for a better comparability over time of the same results, albeit they are not a substitute to measures envisaged by the IAS/IFRS international accounting standards.

In particular, the following is highlighted:

- EBITDA is determined, with reference to the Income Statement, as operating income before amortisation and depreciation, allocations and write-downs. It is therefore calculated by adding to EBIT any amortisation/depreciation, allocations (including the allocation to doubtful debt provision and to the provision for risks and charges, comprising allocations made for probable future losses on some orders) and write-downs (e.g. impairment losses on tangible and intangible fixed assets);
- EBIT is the operating income;
- net Capital Employed discloses the net total amount of non-financial assets and liabilities;
- net Working Capital discloses the net total amount of non-financial, current assets and liabilities.

A number of estimates and assumptions were used in preparing these accounts and were consistently applied for all interim periods presented which affect the financial values reported therein. Where, based on management’s best estimate, these estimates and assumptions differ in the future from the actual situation, they will be changed in the period in which the circumstances arise.

The above-stated valuations are founded on the reasonableness principle and take account of market practice, historic experience, the involvement of external consultants and market conditions.

The data relating to the net financial position is compared with that at the end of the previous year.
Unless specified otherwise, the monetary quantities in the statements in the report are exposed in millions of Euros, the accounting ones and the ones in the note in full.

GENERAL INFORMATION ON COMPANY OPERATIONS

The Company Engineering Ingegneria Informatica S.p.A. was established in Padua on June 6, 1980 and it is leading a Group operating in Software and IT Services. Engineering is the leading Italian provider of integrated ICT services, products and consultancy.

The Engineering market consists of medium-large clients, both in the private (banks, insurance companies, industry, services and telecommunications) and in the public sector (healthcare, local and central Public Administration and defence) to which SMEs and small municipalities have now been added, for which dedicated offers are targeted in the areas of ERP-CRM and tax collection, respectively.

The organisation is based on four market divisions: Finance, Industry, Energy & Telco and Public Administration. Engineering covers an important position in all the vertical sectors it operates in and retains a wide range of proprietary solutions:

- banking compliance (SISBA and ELISE);
- billing and CRM for Utilities (Net@SUITE);
- integrated solutions in the Health Care segment (AREAS);
- mobile platforms for TLC;
- business intelligence analytics systems (Knowage).

The Group plays a leadership role in software research, coordinating a number of national and international projects through a network of scientific partners and universities across Europe. It develops Cloud computing solutions and operates in the Open Source community.

In over 35 years, the range has been widened constantly thanks to the domain of innovative technologies, which are the result of considerable investments in research and development and of the constant monitoring of the changes in the market. As a result of its business model, Engineering creates tangible value in its various areas of operation, and can meet the needs of its existing and potential clients and concretely define, plan and develop efficient and effective IT strategies.

III. Market overview

ECONOMIC OVERVIEW

In its 2017 Global Outlook, issued in January 2017, the IMF estimated that economic growth might increase both in 2017 and in 2018, especially with a recovery of the emerging and developing countries.
Estimates on global growth, processed in October 2016, remained unchanged and envisaged an increase of around 3.4% in global richness, with Advanced Economies and Emerging Countries at 1.8% and +4.6%, respectively. In the emerging countries, in particular, a recovery is reported in the economies of Russia (+1.1%) and Brazil (+0.5%), with a positive sign after two years of negative performance in the economy.

The Eurozone was still subject to a highly favourable monetary policy of the ECB due to the Quantitative Easing (QE) tool which allowed countries of the European continent to access financial resources at a low cost.

The IMF forecasts a GDP growth for the Eurozone of around +1.5%, driven by the four main economies: Germany (+1.4%), France (+1.3%), Italy (+0.9%) and Spain (+2.2%).

THE ITALIAN ECONOMY

According to data recognised by ISTAT in 2016, the GDP grew by 0.9%.
As regards domestic demand, in 2016 a 1.2% growth, in terms of sales volume, was reported with respect to domestic final consumption and a 2.9% growth in gross fixed investments. As regards cash flows with foreign countries, exports of goods and services increased by 2.4%, as well as imports grew by 2.9%.
Domestic demand gave a positive contribution to the growth in GDP by 1.4 percentage points (0.9 including changes in stocks), while net foreign demand reported a negative consideration (-0.1 percentage points).

THE IT SECTOR

According to data published in March 2017 by Assinform, the year 2016 witnessed a strengthening of positive signs as regards the digitalization of the Country. In 2016, the Italian digital market (informatics, telecommunication and contents) grew by 1.8% compared to the previous year.

With respect to forecasts, a half-point improvement was reported, which strengthened the trend that began in 2015 (+1%), reversing the downward trend reported in the previous years.

With a view to 2017, projections give a hint of further improvement of around 2.3% (3.8% net of network services), driven by the segment components that are mostly linked to innovation.

The greater growth was reported in digital contents and advertising (+7.2%), ICT services (+2.5%, driven by Cloud) and even more in software and solutions (+4.8%, also thanks to IoT). If the various segments are considered in evaluating the various dynamics of the most innovative components (digital enabler), it can be noted that the Cloud reported 23% growth rate, IoT grew by 14.3%, the mobile business by 13.1%, and safety solutions by 11.1%.

IV. Operational overview

Within Italy, the solid positioning and the trend towards market consolidation make Engineering a technological and business partner to which an increasing number of customer companies entrust the management and development of their systems.

The focus on research and innovation was again confirmed in 2015, through the allocation of an adequate level of resources, in line with previous years.

R&D projects are pivotal for the success of the Company, recognised to be a reliable partner, boasting a unique mix of process expertise and technological content aligned to the best and most modern market trends.

The efficient organisation, which is focused on skill enhancement and the centralisation of the software development activities, allows important internal synergies to be achieved, thus guaranteeing the flexible and fast execution of the numerous projects the Company is involved in, with an operating model that allows us:

- to transfer the investments in technological innovation directly to the delivery, with immediate advantages for our clients;
- to guarantee the growth and constant update of the human and professional components;
- to consolidate our domain of the most complex and performing IT architectures;
- to develop in-depth knowledge of our clients' business, whether they are in the private sector or public institutions;
- to have cutting-edge technological infrastructure capable of providing very reliable services at a competitive price;
- to offer vertical solutions capable of competing on the international playing field;
- to rapidly integrate new units as a result of acquisition initiatives.

V. Financial highlights

KEY RESULTS

(in millions of Euros)

Description	31.12.2016	31.12.2015	Change	
			Amount	%
Total revenues	**791.9**	**760.8**	**31.1**	**+4.1**
Net Revenues	**763.1**	**734.0**	**29.1**	**+4.0**
EBITDA	**87.8**	**93.4**	**(5.6)**	**-6.0**
% of net revenue	+11.5	+12.7		
EBIT	**58.2**	**74.4**	**(16.1)**	**-21.7**
% of net revenue	+7.6	+10.1		
Net Profit	**43.4**	**49.8**	**(6.4)**	**-12.8**
% of net revenue	+5.7	+6.8		
Shareholders' Equity	**442.1**	**400.7**	**41.3**	**+10.3**
Net debt	**169.9**	**110.2**	**59.7**	**+54.2**
% Debt/equity				
ROE % (N.P./N.E.)	**+9.8**	**+12.4**	**-2.6**	**-21.0**
ROI % (EBIT/N.C.E.)	**+21.4**	**+25.5**	**-4.1**	**-16.0**
No. of employees	**5,830**	**6,179**	**(349)**	**-5.6**

Total revenues came to Euro 791.9 million, an increase of Euro 31.1 million (+4.1%) compared to 2015 (Euro 760.8 million).

Net revenues, equal to Euro 763.1 million, reported 4% increase compared to 2015 (Euro 734 million).

EBITDA stood at Euro 87.8 million, reporting a decrease of Euro 5.6 million compared to 2015 (Euro 93.4 million), mainly due to the transfer of the MO business unit to the subsidiary Engineering.mo S.p.A., as from October 1, 2016.

EBIT stood at Euro 58.2 million, recording a decrease of Euro 16.1 million, compared to 2015 (Euro 74.4 million), and included amortisation/depreciation amounting to Euro 10.7 million, in line with the previous year and allocations totalling Euro 18.9 million, higher than the previous year by Euro 10.6 million.
The increase in allocations is due to reorganisation and restructuring operations, which envisage the leave of managers and white-collar staff while benefiting from the early leave incentive schemes envisaged by the 2017 Stability Law.

Net profit amounted to Euro 43.4 million as of December 31, 2016.

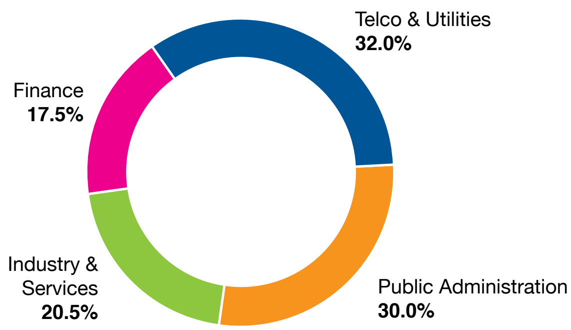
Net financial position as of December 31, 2016, reached Euro 169.9 million, up by Euro 59.7 million compared to the previous year (Euro 110.2 million).
The value of Treasury Shares was excluded from the results of the net financial position in 2015 and 2016, by reason of the fact that these shares are no longer listed as from July 8, 2016.

The attained results, shown hereunder by market segment, are fully in line with the forecasts of management that were communicated during the course of the year and confirm the efficacy of the management.

(in Euros)

Description	31.12.2016		31.12.2015		Change
		%		%	%
Total revenues					
Finance	133,663,191	+17.5%	122,754,049	+16.7%	+8.9
Public Administration	229,153,987	+30.0%	232,007,462	+31.6%	-1.2
Industry & Services	156,216,646	+20.5%	156,569,731	+21.3%	-0.2
Telco & Utilities	244,106,102	+32.0%	222,683,070	+30.3%	+9.6
Net revenues	**763,139,926**	**+100.0%**	**734,014,313**	**+100.0%**	**+4.0**
Other revenues	28,777,536		26,832,584		+7.2
Total revenues	**791,917,462**		**760,846,897**		**+4.1**

NET REVENUES 2016



FINANCE

In 2016, Finance focused on the increase in business volumes, thus benefiting from the results of the rationalisation process that had been implemented in the last few years and was aimed at consolidating the position, developing offers and streamlining operating models.
In particular, the increase in revenues is the consequence of the enhancement of assets, services and corporate skills that led to a transversal growth of the various market segments, in addition to a growth of the main Customers, that we recall are the major banking Groups in the Country.

The backlog recorded a significant growth compared to end 2015, up by 37% and with multi-annual orders.

These results were able to offset market turmoil and corporate reorganization being implemented in some large and medium-sized companies of the Country, which markedly slowed down their decision-making processes in the second half of 2016.

In 2016, specialisation skills strengthened their pivotal position within Finance. In addition to the traditional market leadership in the Compliance & Governance segment, in fact, the year 2016 recorded a significant success in the Customer&Credit area. The acquisition of projects based on proprietary solutions, especially Elise (Financing Area) and Visage (CRM Area), increased Engineering's relations with customers.

Other distinctive elements in 2016 of the Finance General Management were as follows:

- the start-up of strategic collaborations concerning consulting on primary market realities. In particular, the collaboration pursuant to IFRS 9 (new international accounting standard), has already allowed for the drawing up of an offer that the market is proving to appreciate and that will entail an enrichment focused on the corporate asset portfolio;
- the skill enhancement of Engineering on bank IT systems migration, which is a hot issue in view of the current market trends.

In particular, the key elements of the main projects that had been completed during 2016 are as follows:

- direct connection with the use of proprietary solutions of Engineering;
- the contribution in terms of streamlining of the Customer's operations, through organisation and process reviews and/or the streamlining of application platforms.

PUBLIC ADMINISTRATION

The result for 2016 marks an increase in revenues, with slightly reduced margins obtained despite lower public expenditure.

As regards Local Public Entities, in 2016 interesting recovery signs were reported, which we hope can further consolidate. The number of organizations, which are facing additional investments with respect to the ordinary management of the already existing IT systems, is even more growing. Therefore, by reason of the above, a very high number of tenders were launched.

Amongst the most interesting novelties, the regulatory drive towards digitalization of processes and procedures, both internal and addressed to citizens, companies and entities, is to be mentioned.

During 2016, the Healthcare market was characterised by important aggregation processes, both on the demand side, with continuous centralisation of healthcare companies and a remarkable reduction of potential customers, and on the offer side, which underwent important acquisitions. Within this context, the market continued to show recovery signs, started in 2015, after years of almost complete stagnation. In particular, during the year, some important tenders were launched, mainly related to Regional projects. The issues that were faced the most regarded electronic healthcare, namely transfusion diagnostics, monitoring systems of expenses through the creation of regional management systems which include administration-accounting processes, the Single Reservation Centre software system (CUP) and the electronic medical records.

Despite the above, the widespread feeling is that the market had not yet expressed all its potentialities. As regards each single Healthcare Company, in fact, projects have concerned a lower number of large projects. A greater attention was cast on the coverage of single functional areas, thus offering wide potentialities above all to companies that were historically present on the market, through implementation and development initiatives on the already installed systems.

INDUSTRY & SERVICES

The recovery signs of investments, only a hint in 2015, strengthened in 2016, further backed by the emphasis that the 4.0 digital revolution will cast on the manufacturing system from now on to 2020, which is considered as the symbolic milestone for the completion of this changing process.
Within this context, the Industry & Services market consolidated in terms of revenues, new names and innovative spaces.
The key elements of our business are the following offer lines:

- Managed Operations services;
- ERP system management;
- Transportation;
- Factory automation;
- Innovative solutions.

For each segment, the main aspects are described hereunder.

Managed Operations services increased both thanks to the good management of the already existing customer portfolio, and to the acquisition of new customers operating in the cruises and pharma segments. In particular, customers of the Cruises segment show interesting potentialities due to the fact that, besides the management of technological services, the application worlds and IoT will be open, resulting in a sure evolution towards digitalization.

As regards the ERP system management, the consolidation in the SME sector continues, further proving the effectiveness of our offer also for medium-sized enterprises, starting from the case of the pocket-sized multinational, for which we developed the ERP management system, and ending with Managed Operations services and products for production management.

As regards Transportation, the Metro Rio project was successfully completed, also under the image viewpoint. This project was critical for the fact that the servicing date could not be postponed. The works for the Milan Line 4 underground are fully operating and will continue for at least two more years.

In the “Factory automation” segment, as never before, this issue was so strictly intermingled with the issue of innovative solutions as we have completed our effort to provide an offer of Digital Transformation, which will be a primary area of operation and expenditure for companies in the coming years, due to the spreading of IOT technologies and systems for integrating huge amounts of data that are recorded on the field as well as algorithms that are capable of effectively exploiting the Big Data systems.

Within this context, we enriched our offer through the integration of Fair Dynamics of a top quality shop, specialised in predictive analyses through simulation modelling techniques. The new reality leads us to pharma multinationals, representing an excellent reference on the Italian market.
Another key aspect in the rich 4.0 offer will be the predictive maintenance systems. As regards this issue, during the year, a strategic agreement was signed with Comau, an Italian company of robotics that is operating all over the world. Thanks to their collaboration, products will be fine tuned for the data collection of production lines, their selection and above all the management of these data for the purpose of predictive maintenance.

This partnership will also allow us to start, in 2017, a widespread marketing programme, focused on introducing our vision of Digital Transformation to the main industrial districts.

Lastly, our presence was further consolidated on Pharma and Fashion Luxury clusters, sectors on which we invested in 2015. With the aim of completing the 4.0 offer, we also defined our reference partners with respect to Supply Chain products in the manufacture sector and to analytics for the Pharma world. We are currently striving to successfully achieve these partnerships, that we hope will become consolidated within our organisation.

In conclusion, a growing 2016, not only under the budget targets viewpoint, but also regarding the capacity of showing innovative and organizational skills to the market that are able to change according to the new requirements of a global market.

TELCO

In 2016, the Telco & Media market increased both revenues and margins, compared to the previous year, and this growth involved the following:

- the service area in Revenue Sharing with telephone operators (Mpay, Centro Stella, Servizi Premium), which continued the significant growth in revenues already reported in 2015;
- the growth on an important customer, thanks to the accurate trade action regarding Vendor Reeingeneering and VAS Multimedia, and following the obtaining of new project areas.
- the process to render structure costs more efficient, thanks to the constant monitoring on the use of competence center resources, both inside the Telco & Media division and within the Engineering Group.

As regards Booking, this was a very positive year, with the acquisition of new important initiatives, such as the outsourcing of all Tiscali's IT and the renewal of important contracts. In addition to the good commercial initiatives in place, the backlog envisages a positive trend for 2017, which is characterised by:

- a stabilisation of revenues related to services in Revenue Sharing;
- the starting of outsourcing activities on the customer Tiscali, finalised in December 2016;
- new initiatives with customers, which are already almost defined, and initiatives to make the operating machine more efficient.

In general, a growth of both revenues and margins is expected compared to 2016.

UTILITIES

In 2016, the Energy&Utilities market recorded an increase in both revenues and margins, compared to the previous year.

In a substantially stable situation of the Italian market, the 2016 result derived from a few significant elements, such as:

- the starting of large projects for a new major customer;
- the increase in high margin revenues on a specific project;
- the increase in sales of Net@SUITE licenses in a regulatory context.

As regards Booking, as already mentioned on revenues, the main increase was determined by the acquisition of contracts on the main operators of the market, while establishing the leading position of our product Net@ SUITE with respect to SAP ISU.

OPERATING EXPENSES

Overall operating expenses increased by approx. Euro 47 million, compared to 2015.
The main items involved in this increase were:

- "Costs for services". The increase in this item is mainly due to manufacturing activities connected with the mobile payment services for consumer clientele that purchased digital goods and services;
- "Costs for amortisation/depreciation and provisions". The increase in this item is due to allocations (Euro 15.6 million), connected with reorganisation and restructuring that envisage the leave of some managers and white-collar staff, benefiting from the early leave incentive schemes as per 2017 Stability Law.

(in Euros)

Description	31.12.2016	31.12.2015	Change	
			Absolute	%
Personnel costs	359,203,960	351,030,058	8,173,902	+2.3
Services	330,992,920	303,125,107	27,867,813	+9.2
Raw materials and consumables	11,051,965	10,298,796	753,169	+7.3
Depreciation, amort. and provisions	29,552,856	19,053,987	10,498,869	+55.1
Other costs	2,893,217	2,979,790	(86,573)	-2.9
Total operating expenses	**733,694,917**	**686,487,737**	**47,207,180**	**+6.9**

OPERATING PROFIT AND NET PROFIT

(in Euros)

Description	31.12.2016	31.12.2015	Change %
Operating profit after depreciation/amortisation (EBIT)	**58,222,545**	**74,359,161**	**-21.7**
Financial income (charges)	2,399,592	(2,073,577)	-215.7
Income/(Charges) from investments	2,221,707	(541,466)	-510.3
Profit before taxes	**62,843,845**	**71,744,117**	**-12.4**
% of net revenue	+8.2%	+9.8%	
Income taxes	19,419,363	21,931,565	-11.5
tax rate	+30.9%	+30.6%	
Net profit	**43,424,482**	**49,812,553**	**-12.8**
% of net revenue	+5.7%	+6.8%	

The profit before taxes, amounting to Euro 62.8 million, includes the item "Financial income/(charges)" and "Income/(Charges) from investments". For details, reference is made to paragraphs 39 and 40 of the Explanatory Notes.
The net profit, following the allocation of taxes, was equal to Euro 43.4 million.
The tax-rate, equal to 30.9%, remained substantially unchanged compared to last year.

VI. Statement of financial position

The cash flow statement presented below shows the cash flows for the Company according to the direct method. The cash flow statement is presented, as established by IAS 7, considering the assets and the liabilities of the companies acquired and/or sold and allocated to the relevant investing activity cash flow accounts. Only current cash and cash equivalents are thus shown.

(in Euros)

Description	31.12.2016	31.12.2015
Cash flow from operating activities		
Revenues from the sales of products /services - third parties	903,904,293	823,519,246
Revenues from the sales of products /services - Group	9,893,516	17,471,048
Costs for goods and services - third parties	(324,433,433)	(294,952,652)
Costs for goods and services - Group	(54,094,635)	(30,091,864)
Personnel costs	(365,953,199)	(360,115,575)
Interest received from operating activities	955,149	737,172
Interest paid for operating activities	(195,697)	(847,989)
Exchange differences	110,258	(45,867)
Income tax payments and reimbursements	(80,760,418)	(71,827,282)
Cash pooling	17,954,962	5,654,434
A) Total cash flow from operating activities	**107,380,795**	**89,500,672**
Cash flow from investing activities		
Sale of tangible fixed assets	7,132	1,534
Purchase of tangible fixed assets	(6,289,664)	(5,601,081)
Purchase of intangible fixed assets	(1,546,270)	(1,409,237)
Purchase of investments in subsidiaries	(17,301,184)	(1,951,703)
Purchase of business unit	(121,323)	(685,769)
Purchase of other investments and securities	(57,798)	
B) Total cash flow from investing activities	**(25,309,107)**	**(9,646,256)**
Cash flow from investing activities		
New loans	88,511,057	32,798,281
Repayment of loans	(17,911,825)	(42,069,781)
Loans disbursed/received to/from Group companies	(16,022,276)	(9,650,000)
Loans repaid/collected by Group companies	242,541	
Sale of treasury shares	264	
Purchase of treasury shares		(116,980)
Dividends distributed		(19,999,981)
Interest received for financing activities		841,570
Interest paid for financing activities	(863,564)	(1,333,736)
C) Total cash flow from financing activities	**53,956,198**	**(39,530,627)**
D) = (A+B+C) Change in cash and cash equivalents	**136,027,886**	**40,323,789**
E) Cash and cash equivalents at beginning of year	**161,742,442**	**121,418,653**
F) = (D+E) Cash and cash equivalents at end of year	**297,770,328**	**161,742,442**

In detail, operating cash flows recorded a positive balance of Euro 107.4 million, and from which it is necessary to deduct investment activities which totalled Euro 25.3 million and financing activities which recorded a balance of approximately Euro 54 million, essentially due to the balance of repayments of the credit lines used and disbursements of medium/long-term loans. As a result, the total of these flows generates a positive change of Euro 136 million in cash flows, which, added to opening short-term cash and cash equivalents, posts cash and cash equivalents at year-end of Euro 298 million.

NET FINANCIAL POSITION

The improvement of the net financial position resulted from a good management of the current assets, also through the use of sales, and of liabilities, with a careful management of cash outflows.

The net financial position does not include the value of treasury shares under item “Other liquid assets” as they are securities no longer listed as from July 8, 2016.

With order no. 8227 of July 1, 2016, Borsa Italiana S.p.A. ordered a trading suspension of the Engineering shares on the Electronic Equity Market (EEM) for the sessions of July 6 and 7, 2016 and their delisting on the Electronic Equity Market since July 8, 2016. For further information, reference is made to the OPA section in the Engineering website *www.eng.it*, Investor Relations page.

(in Euros)

Description	31.12.2016	31.12.2015
Cash	13,769	13,254
Other liquid assets	297,756,559	161,729,188
Cash and cash equivalents	**297,770,328**	**161,742,442**
Current financial receivables	**0**	**1,279,304**
Current bank payables	(14,452)	0
Current portion of non-current debt	(30,453,426)	(12,813,972)
Other current financial payables	(11,765,778)	(7,229,110)
Current borrowing	**(42,233,656)**	**(20,043,082)**
Net Current Financial Position	**255,536,673**	**142,978,664**
Non-current borrowing	(85,289,333)	(32,330,006)
Other non-current payables	(304,571)	(426,460)
Non-current borrowing	**(85,593,903)**	**(32,756,466)**
Net financial position	**169,942,769**	**110,222,198**

To allow for a correct and homogeneous comparison, also in the previous year, the values of treasury shares owned as of December 31, 2015, for an amount of Euro 7,988,043 were not included under item “Other liquid assets”.

CENTRALISED TREASURY

The presence of important credit lines, the now consolidated adoption of cash-pooling and an appropriate management of liquid funds have ensured adequate coverage of financial needs.

The significant levels of liquidity, after taking into account the cyclical trends in cash inflows and loans received, are still a central element of focus for financial management. As a result, and during the entire year, it was not necessary to utilise credit lines given that, during periods of low cash flows, it was possible to utilise currently available funds. The constant interaction and communications with different bank corporations has allowed for the attainment of much more favourable conditions for demand deposits compared to those typically applied within the market and which are generally more convenient compared to proposals relating to restricted or forward operations; they are therefore preferred. This has resulted in an average annual receivable rate of approximately 0.67% and the positive result has allowed use to obtain a balancing with respect to financial charges that is derived from medium to long term financing in place.

During the year the subsidiaries had to cover financial commitments that exceeded their liquidity. The cash-pooling provided most of them with facilitated access to the liquidity of the Parent Company at rates which could not have been achieved independently on the market. This advantage translated into the optimal allocation of financial resources within the Group and maximised efficiency in managing the working capital, thereby allowing them to exploit the best offered external conditions and on the basis of effective needs.

The above also shows the Group's care and attention cast in management, and confirms its ability to generate cash flows that are not only sufficient to remunerate and repay the debt and the capital, but that also indicate the ability for sustainable development and are one of the objective units to measure its performance.

WORKING CAPITAL

The net working capital decreased by Euro 46 million compared to 2015 (-18.4%), amounting to Euro 205 million.
The current assets increased by 0.6% while current liabilities increased by 13.9% due to improved management of payment terms for trade payables.

(in Euros)

Description	31.12.2016	31.12.2015	Change	
			Absolute	%
Current Assets				
Inventories and construction contracts	118,257,239	102,011,310	16,245,930	+15.9
Trade receivables	450,644,368	464,072,400	(13,428,033)	-2.9
Other current assets	46,793,127	45,728,340	1,064,788	+2.3
Total	**615,694,735**	**611,812,050**	**3,882,685**	**+0.6**
Current Liabilities				
Trade payables	(274,794,925)	(236,655,174)	(38,139,751)	+16.1
Other current liabilities	(135,968,603)	(124,112,844)	(11,855,759)	+9.6
Total	**(410,763,528)**	**(360,768,018)**	**(49,995,510)**	**+13.9**
Net Working Capital	**204,931,207**	**251,044,032**	**(46,112,825)**	**-18.4**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in Euros)

Description	31.12.2016	31.12.2015	Change	
			Absolute	%
Property, plant and equipment	15,371,689	21,062,786	(5,691,096)	-27.0
Intangible assets	8,155,440	12,138,217	(3,982,777)	-32.8
Goodwill	44,648,341	43,648,341	1,000,000	+2.3
Equity investments	54,230,612	28,750,520	25,480,091	+88.6
Fixed assets	**122,406,082**	**105,599,864**	**16,806,218**	**+15.9**
Short-term assets	615,694,735	611,812,050	3,882,685	+0.6
Short-term liabilities	(410,763,528)	(360,768,018)	(49,995,510)	+13.9
Net working capital	**204,931,207**	**251,044,032**	**(46,112,825)**	**-18.4**
Other non-current assets	16,580,188	13,058,307	3,521,881	+27.0
Post-employment benefits	(50,171,307)	(57,594,691)	7,423,384	-12.9
Other non-current liabilities	(21,613,501)	(20,308,791)	(1,304,710)	+6.4
Net Capital Employed	**272,132,668**	**291,798,720**	**(19,666,052)**	**-6.7**
Total Shareholders' Equity	**442,075,438**	**400,741,614**	**41,333,824**	**+10.3**
M/LT (Liquidity)/Borrowing	85,593,903	32,756,466	52,837,438	+161.3
ST (Liquidity)/Borrowing	(255,536,673)	(141,699,360)	(113,837,313)	+80.3
(Liquidity)/Borrowing	**(169,942,769)**	**(108,942,894)**	**(60,999,875)**	**+56.0**
Total sources	**272,132,668**	**291,798,720**	**(19,666,052)**	**-6.7**

The Company's statement of financial position has a highly sound structure, and is represented by the following indicators:

- a Shareholders' Equity/Fixed Assets ratio of 3.6x;

- a positive net financial position of Euro 170 million, which, along with the availability of short-term credit lines at advantageous market conditions, provides a great deal of flexibility and the ability to make suitable investments and sustain possible financial stress without threatening the overall capital balance;

- the net working capital reached Euro 272 million, equal to 34.8% of the total revenues compared to 38% of 2015.

VII. Research and innovation activity

R&D activities developed along with the track traced in the last few years, aiming at consolidating technological innovations to enrich projects, solutions and innovative products on the market.
The research activities continued along two intermingled tacks:

- deepening and experimentation of technological-architectural solutions;
- application of innovative technologies and/or architectures that have been experimented in the various market application domains.

As regards the first item, in 2016 attention was cast on deepening and experimenting the following:

- machine algorithms and deep learning within Big Data and Analytics. Meanwhile, we also invested to increase the number of resources specialised on these issues, by hiring various data scientists, a new specialistic profession that was born after the widespread of Big Data and that identifies the experts in analytics algorithms;

- microservice architecture, within the Cloud issue: the Cloud architecture can be now considered as the mainstream, albeit this has opened a wide research and innovation area concerning the development of applications able to best exploit the peculiar characteristics of these technological architectures;

- blockchain, within the Security issue: the blockchain technology, initially developed to protect transactions based on the digital BitCoin, became the object of attention by various market players by virtue of the fact that its intrinsic features make it applicable also to domains different from the one for which it was originally intended for. The huge growth of information exchanges on Internet makes security of these exchanges even more critical and blockchain seems to be the possible solution to this problem. For this reason, in 2016, we began various studies and experimentations on this solution;

- Internet-of-Things (IoT): the very large amount of sensors that are able to detect data of the various type enhanced the use of these sensors on a very wide range of devices, thus creating the issue of "Internet-of-Things". We have been carrying out research on this issue by some time and in 2016 we focused our attention on the control evolution modalities of the sensors, on data collection and above all on the handling of the huge amount of data collected through machine learning techniques to avert any possible faults in apparatus or plants, to permit a remote assistance of patients, to detect environmental parameters, etc..

As regards applications on which the technological innovations had to be tested, in 2016 we focused on:

- Intelligent Transportation System: smart systems aimed at mobility with both private and public means. In many countries rationalization of transportation is one of the issues where significant investments are being made, given the effects that transportation has on environment, quality of life and economic transactions. The use of Big Data technologies for transportation, with the aim of improving efficiency and ensuring monitoring, has been and will be research fields for us;

- CyberSecurity & Homeland Security: cybersecurity to safeguard the systems from hackers, the protection from possible terrorist attacks, the detection of frauds through internet, the survey on illegal traffics through the network are all fields where information research is of key importance. This year we significantly increased research activities on both CyberSecurity, which studies the technologies to avert, detect and manage any attack to information systems, and Homeland Security, which deals with the study of technologies applicable to ensure the physical security of critical infrastructures;

- Industry 4.0: the term Industry 4.0 means the branch of information research dealing with technologies aimed to improve efficiency in the industrial processes. This has become one of the key issues over the last two years. We started various research projects with the objective of exploiting technologies as IoT, Big Data and Cloud in the industrial processes;

- Energy: for some years now we have been focusing on a research topic dealing with the use of IT to save energy and the efficient production of energy through renewable sources. These activities continued in 2016 as well.

Most of the activities of the above-mentioned segments were carried out within research projects acquired in the various domestic and European programmes in which we have taken part for many years now. As regards quantity, in 2016 we performed research activities for a total amount of around Euro 30 million. The main research programmes in which we took part are listed hereunder.
The European programme Horizon 2020, in which we have taken part since 2014. In 2016, in addition to scientific and technical objectives, already described in the introduction, we strived to achieve the target of improving previous years' performance both in terms of quality, by enlarging the areas where the projects are to be introduced (in 2016 we made various proposals in the area of CyberSecurity and Industry 4.0), and of quantity (number of projects acquired). To this purpose, we deem it important to highlight that, based on the report "Horizon 2020 Monitoring Report 2015", issued by the European Commission and describing the results of the CALL 2015, Engineering ranks the 16th position amongst the "Top-50 PRC organisations", with a total of thirteen projects that exceed, in aggregate, Euro 7 million of financing. No Italian companies operating in the same sector are ranked in the same classification. This result was also achieved thanks to the acquisition of projects on research topics, such as Industry 4.0, that had not been previously dealt with by the Company. At the same time, the result is also due to the success rate of over 20% compared to the projects submitted (in other words, more than double the average success rate of Italian participants).
The FIWARE initiative, in 2016, together with ATOS, Telefonica and Orange: our Company promoted the creation of the "FIWARE Foundation", a no profit association with registered office in Berlin. This initiative strengthens Engineering's commitment in fostering the development and adoption of the FIWARE platform, as an enabling factor for the creation of the European "digital single market". Investments connected with the technological development therefore continued, together with the implementation of FIWARE-based, innovative services. Always last year, we started to use the platform of our commercial offer and an important information campaign began at various customers (with special reference to town councils), aiming at promoting FIWARE's potentialities for the development of Smart Services.
We contributed to the creation of ECSO, i.e. "The European Cyber Security Organisation", a non profit organisation, established in Belgium in June 2016. ECSO is intended to support all initiatives and projects aimed at developing, promoting and fostering the Cyber Security at European level. Thanks to a public-private partnership agreement, signed with the Euopean Commission, ECSO will benefit from dedicated loans for over Euro 400 million.
We strengthened our investments in EIT-Digital, European association aiming at financing projects for accelerating the transfer of innovative solutions to the market. Also in this case, our efforts were successful and a substantial increase was recorded compared to past years.

At national level, the Company focused mainly on Domestic PON projects issued by the Ministry of Economic Development (MISE) and on some Regional tenders.

As regards Regional tenders, the programme contract in Puglia should be mentioned, which received the first approval by the Region, condition precedent to the submission of the final project. This is a contract with a total value of Euro 10 million, co-financed by the Puglia Region. To this purpose, Engineering proposed, and has recently signed, an agreement with the University and the Polytechnic of Bari for accessing the best talents to be hired in the Company's staff. Albeit the project is at national level, the first user will be the same Puglia Region. This project, in fact, is aimed at studying innovative processes and services for the Public Administration. Within this context, the collaboration with the DHITECH district will continue, with companies in the territory and the University of Salento.

Engineering also took part in both the PON MISE H2020 tender, with a project that is currently being examined, and the PON MISE Grandi Progetti tender, with four large projects (all well positioned in the evaluation ranking). During 2017, the Company estimates that some of the above-mentioned projects might be started partially.

Lastly, a special note deserves the effort made to take part in the first Pre-Commercial Procurements (PCPs). This is a new procurement modality, made available to Public Administrations to acquire innovative services. This instrument is likely to accelerate the use of solutions that are typical of R&D towards the market, therefore creating strong synergies between business and research structures. Also in this case, we took part to the first PCPs issued and in one of them we successfully concluded the entire process.

VIII. Personnel

WORKFORCE AND TURNOVER

As of December 31, 2016 the Company workforce with indefinite-term contracts numbered 5,830, of which only 63 with temporary contracts.
Total personnel turnover was in overall equal to 585 new hires, including 86 individuals from subsidiaries and 934 leaves, of which 682 to subsidiaries, especially to Engineering.mo S.p.A., due to the transfer of the MO business unit occurred on October 1, 2016.

In summary, compared to the previous year, workforce decreased in total by 349 individuals but, net of Group turnover, the Company hired 247 external resources.

The structural characteristics of the workforce are as follows:

- employees with degrees totalling 59.1%;
- women totalling 33.6%;
- the number of executives was equal to 5%;
- employees with Super Management/Management qualifications totalling 24.2%.

With regard to geographical location, it is distributed 41.2% in the north, 58.5% in centre/south and 0.3% abroad.

TRAINING

During 2016, 354 different editions of training courses, related to 197 different courses, were held in the classrooms of the Engineering's IT & Management School "Enrico Della Valle", an increase of 7.9% with respect to 2015. The educational activities involved about 3,426 participants, totalling 14,078 man-days of classroom training, a 13.5% increase with respect to 2015. The various initiatives of remote training through wbt and webinars, available to Group employees are to be mentioned.

There were numerous training projects created specifically in 2016 which focused on specific training requirements of Group Employees. Worth mentioning among the many initiatives are the following:

- the training projects destined to Group managers and aiming at the linguistic training through individual language courses for English, French and Portuguese (with "full immersion" modalities at some of the main European towns), and the strengthening of the main skills for the management of HR and cost centres, as well as the analysis and interpretation of the new scenarios in the IT world;

- the didactic activities were aimed at obtaining professional certificates for the Engineering staff on the main technologies and methods in the IT world. Through these training actions, in 2016, 800 Group employees successfully passed the exams and obtained prestigious certifications such as PMP and ITIL, Prince2, Microsoft, Oracle, SAP, Cisco, VMware, Red Hat and others. This result was possible due to the accreditation of the School of Ferentino as official Testing Center and the continual refinement of the specific intensive exam preparation processes;

- the launch of a new series of seminars, on a monthly basis, at the IT & Management School, dedicated to the impact of the Digital Transformation and the IT Innovation on the Companies' business models, called "I Martedì dell'Innovazione" (Tuesdays of innovation). Assigned to experts and exceptional teachers in the sector, this series of seminars faced concepts such as Sharing Economy, Industry 4.0, Social CRM and others, starting from the analysis of real successful cases and of the main epic fails, while defining both the impact that innovation had on the social and cultural scenario in which the case is included, and the new opportunities and business models that innovation may generate;

- the completion of the new edition of MeM corporate Master: Master Engineering in Management that achieved the objective of enriching, with high-level educational contents, the CV of 53 young managers of elevated specialization and who will undertake growing responsibilities within the Group over the medium period. The Master envisaged the participation of renowned University professors and testimonials from the Italian industrial and journalistic sector, through 11 training modules of three days each. They were focused on issues related to the management of Human Resources, the development of individual skills and the knowledge of elements of international and corporate economy;

- the company induction program which benefits the many young new employees hired during 2015 and 2016, and structured into specifically residential training courses whose objective is to illustrate the history, values and foundational principles of the Engineering Group culture in addition to developing interpersonal and teamwork skills;

- of particular note was the training activity completed within the external entities and involving 334 participating employees within 303 training courses and conferences in Italy and the EU; its themes were Methodological, Technological and Project Management.

IX. Significant events during the year

During 2016, after a Public Tender Offer (OPA) launched by the Apax and NB Renaissance investment funds on all shares, Engineering Ingegneria Informatica S.p.A. unlisted from the telematic marked managed by Borsa Italiana S.p.A.. A brief report on the events related to this operation is given hereunder.

On April 22, 2016, pursuant to Article 114 of the Legislative Decree of February 24, 1998, Mic Bidco S.p.A. signed a purchase agreement of shares, equal to 44.30% of the share capital of Engineering Ingegneria Informatica S.p.A. (hereinafter Engineering), with the following modalities:

- the Investment Agreement was finalised to govern to transaction envisaging the purchase by Renaissance and Apax VIII investors, through Holdco, Newco and Bidco, of the initial investments and the following promotion, by Bidco, of a mandatory Public Tender Offer on the remaining share capital of Engineering, excluding the shares owned by Bidco. Moreover, it should be highlighted that Michele Cinaglia, founder and Chairman of Engineering, together with the Company's top management, transferred a portion of his own shares in the so-called new-co, with the aim of carrying on Engineering's development plans and giving more value to the Company's business over the medium-long term, while maintaining the leadership of the company in Italy, in the IT service sector, and expanding abroad;

- on May 3, 2016, Mic Bidco S.p.A. then filed in Consob the offer destined to publication, related to the entire Public Tender Offer, pursuant to Articles 106 and 109 of the CLF (Consolidated Law on Finance), having as object matter 6,962,072 ordinary shares of Engineering Ingegneria Informatica S.p.A., for a consideration granted to those adhering to the offer of Euro 66.00 each share of the Issuer included in the Offer and purchased, for a maximum amount of the Offer, in the event of total adhesion, of Euro 459,496,752;

- on May 19, 2016, Consob approved the mandatory Public Tender Offer on the ordinary shares of Engineering Ingegneria Informatica S.p.A., and the OPA was made public on May 20, 2016;

- on July 8, 2016, following the purchase of 100% of the share capital of the Issuer, Borsa Italiana S.p.A., with measure no. 8227 of July 1, 2016, ordered a trading suspension of the Issuer's shares on the Electronic Equity Market (EEM) for the sessions of July 6 and 7, 2016 and their delisting on the Electronic Equity Market since July 8, 2016.

For further information on the mandatory Public Tender offer, reference is made to the section on investor relations of the institutional site of the Tender offer subsection Group.

The main events, without considering the aforesaid Tender offer, are described hereunder:

- on April 1, 2016, the Company acquired the Business Unit from Engineering Excellence Center S.r.l., which deals with IT processes, activities and services consisting in the implementation of advanced logistics SAP solutions;

- on April 14, 2016, the Company acquired the remaining 15% of the Company's share capital from the subsidiary MHT S.r.l.. With this transaction, Engineering Ingegneria Informatica S.p.A. now owns 100% of MHT S.r.l.'s share capital;

- on April 29, 2016, the Company's Ordinary Shareholders' Meeting approved the financial statements as of December 31, 2015, as submitted for approval by the Board of Directors and the earnings of Euro 49,812,553 were carried forward;

- on June 10, 2016, the Company acquired the residual minority interest (25%) of the share capital of the subsidiary Engineering do Brasil S.A. from the company Metalma Investimentos Ltda. After this purchase, Engineering Ingegneria Informatica S.p.A. now wholly owns the share capital of Engineering do Brasil S.A.;

- on June 23, 2016, the Company acquired a further 20% of the Company's share capital from the subsidiary WebResults S.r.l.. With this transaction, Engineering Ingegneria Informatica S.p.A. now owns 71% of the company's share capital;

- on June 30, 2016, 51% of the companies DST Consulting GmbH and EMDS GmbH, both wholly owned by F-Net AG, acting in Germany, was purchased from the German group F-Net AG;

- on July 13, 2016, the Board of Directors resolved on the transfer of two business units to Engineering.mo S.p.A. (as from October 1, 2016) and Engineering Tributi S.p.A., now Municipia S.p.A. (as from January 1, 2017). The related deeds were finalised on September 28, 2016, with consequent supplementary deed on October 27, 2016 as regards the transfer of the MO business unit to Engineering.mo S.p.A. and on December 29, 2016 as regards the transfer of the PAL business unit to Municipia S.p.A.. The related considerations involved a change in the share capital of Engineering.mo S.p.A. to Euro 2,000,000.00 and of Municipia S.p.A. to Euro 13,000,000.00;

- on July 27, 2016, the Company finalised the establishment of a new wholly owned company named Engineering Ingegneria Informatica Spain S.L.;

- on August 4, 2016, following the resolution of the Extraordinary Shareholders' Meeting, the previous administration and control system was modified from the one-tier system to the traditional system, and the Articles of Association were amended accordingly. Following the expiration of the Board's mandate, the Ordinary Shareholders' Meeting appointed a new Board of Directors and a Board of Statutory Auditors;

- on August 4, 2016, through resolution of the Company's Board of Directors, Michele Cinaglia was appointed Chairman of the Board of Directors and Paolo Pandozy was appointed Chief Chief Executive Officer;

- on September 27, 2016, the related Boards of Directors of Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A. resolved on the reverse merger project of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.. This transaction is not concluded yet as we are awaiting for the Ordinary Court of Rome to appoint an expert in charge of drawing up the report, as per Article 2501-*sexies*, paragraphs I and II of the Italian Civil Code;

- on November 2, 2016, the Company acquired an investment of 2.80% of the share capital of Sedapta s.r.l., a company offering a complete series of IT products and services for the transformation and evolution of the supply chain, manufacturing processes and industrial automation of plants and related operators;

- on November 28, 2016, the Company acquired 5.1809% of the share capital of Consorzio Cefriel S.c.a.r.l..

X. Shareholders and treasury shares

With the conclusion of the above-mentioned Public Tender Offer, Engineering Ingegneria Informatica S.p.A. is currently wholly owned by the company Mic Bidco S.p.A., which exercises direction and coordination activities. With respect to provisions set out by Article 2497-*bis*, paragraph 5, of the Italian Civil Code, it is underlined that, during the year, the Company had no relations with Mic Bidco S.p.A..

TREASURY SHARES

The treasury shares held as of December 31, 2016 totalled 343,213 (2.746%) for a value of Euro 7,998,201, recorded as a reserve under Shareholders' Equity in accordance with IAS 32, at an average carrying value of Euro 23.304 per share.

As of the date of approval of this report, the number of treasury shares held in the portfolio by the Company has remained unchanged.

XI. Subsequent events to the year-end

The main events occurred after the reporting date are described hereunder:

- on January 24, 2017, the Company purchased the Business Unit from the company Dekra Italia S.r.l.. Dekra operates in the field of managerial consultancy services through applications and technological platforms;

- on February 23, 2017, the Company acquired two lease contracts, no. 890731 and no. 890732, in place with Mediocredito Italiano S.p.A.. This operation refers to the lease of a real estate property in Turin (TO), in the area of former Officine Savigliano, located in the area within Corso Mortara, via Nuova, Via Tesso, via Giachino and via Udine. As regards the contract no. 890731, the principal including instalments still to be paid, in addition to the redemption price, is Euro 4,643,878.53. The settlement of the last instalment is expected by December 23, 2023. As regards the contract no. 890732, the principal including instalments still to be paid, in addition to the redemption price, is Euro 4,642,875.39. Also for this contract, the settlement of the last instalment is expected by December 23, 2023;

- on March 1, 2017 the Extraordinary Shareholders' Meetings of Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A. resolved on the authorization of the merger by reverse absorption of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.. The related deeds were filed at the pertaining Chambers of Commerce on March 10, 2017. The execution of the related merger deed was scheduled on May 15, 2017;

- on March 7, the deed was executed in relation to the acquisition, by Engineering Ingegneria Informatica S.p.A., of the portion corresponding to 19% the Share Capital of the company Consel S.r.l. – Pubblico & Privato, with registered office in Casciago (VA), Via Pozzi no. 33, share capital of Euro 10,200. Consel S.r.l. - Pubblico & Privato operates in the sector of general consultancy services, especially in the fields of marketing and communication;

- on March 7, 2017, the Company acquired 100% of the share capital of the company Fair Dynamics Consulting srl, with registered office in Milan, via Carlo Farini, no. 5. Fair Dynamics consulting S.r.l. was established as a professional and university centre specialised in the management of complexity, by supplying solutions for business critical issues through simulation techniques and methods;

- on March 23, 2017, the Company acquired 5.1809% of the share capital of Consorzio Cefriel S.c.a.r.l. from Eutelia S.p.A.. Through this acquisition, Engineering Ingegneria Informatica S.p.A. now owns15.5427% of the share capital of Consorzio Cefriel S.c.a.r.l..

XII. Outlook

In 2016, the offer of the Company will focus even more on digitalisation, with specific focus on those sectors where the investments of our customers are concentrated.
Solutions for the management of customer relations are of particular importance.
Ranging from CRM to business analytics, the Engineering offer is enriched with know-how on the best market solutions and original assets which provide our services with a distinctive quality.

This applies to both the private sector as well as for finance and public administration: anywhere competition moves towards product and process innovation as well as more effective management of channels for a more precise knowledge of customer needs.

The results attained in 2016, not only in economic terms but, in particular, market positioning, allow us to forecast a consolidation of our leadership in the domestic market for 2017.

XIV. Other information

TRANSACTIONS WITH RELATED PARTIES

Pursuant to IAS 24, enacting provisions concerning transactions with related parties, Engineering Ingegneria Informatica S.p.A. approved through Board of Directors' resolution of November 12, 2010 the procedure for the identification and carrying out of Transactions with Related Parties. No movements with related parties were recorded.

MAIN RISKS AND UNCERTAINTIES

As in all companies, risk factors which may affect Group results exist and for this purpose numerous preventative actions have been put in place.

The internal control system and procedures referred to in this document are consistent with applicable guidelines prepared by relevant associations and international best practices.

These were fully and transparently implemented and with a sense of responsibility concerning internal and external relations, offering sufficient guarantees for correct and efficient management.

For full details, refer to paragraph XIV, Other Information of the Directors' Report of the Consolidated Financial Statements.

TAX CONSOLIDATION

The Company does not adhere to the "National tax consolidation".

TAX AUTHORITY RELATIONS

With reference to the general audit for the purposes of direct taxes, IRAP (Regional Business Tax) and VAT charged to Engineering Ingegneria Informatica S.p.A. for 2009 by the Lazio Regional Authority – Office of Large-Scale Taxpayers, it is highlighted that the assessment notice regarding the tax period 2011 was served in December 2016 and settled in February 2017. The report on findings notified in December 2012, at the end of the audit, contained some claims that mainly concerned some entries regarding previous years, which did not have an impact worthy of assessment, and a claim for IRAP and VAT purposes relating to the reclassification of a contract that concerned the tax period 2008 and the tax periods after 2009.

In December 2016, the company Enginering.IT (merged in Engineering Ingegneria informatica in 2013) was served with an assessment notice related to VAT for transactions undergone with Banca Antonveneta first, and then with Consorzio Operativo Gruppo Monte Paschi, in the 2011-2013 period. This audit resulted from the report sent by the Management of the Tuscany Region after the tax audit on Consorzio Operativo Gruppo Monte Paschi, carried out by the Italian Tax Police that objected the VAT exemption. In February 2017, Engineering Ingegneria Informatica filed a voluntary demand of assessment and defence briefs, while asking the cancellation of the aforesaid assessment notice. To date, no news are available thereon.

XV. Conclusions and Shareholders' Meeting proposals

The net profit amounted to Euro 43,424,482.

The Board of Directors proposes to resolve on carrying forward the entire net profit for the year (less personnel costs recognised as bonuses to employees for the results achieved).

If this proposal is accepted by the Shareholders' Meeting, the net profit will be fully allocated to the reserve of non-distributed profit.

On behalf of the Board of Directors, Chairman Michele Cinaglia underlines that the accounts are subject to audit by the audit firm Deloitte & Touche S.p.A..

STATEMENT OF FINANCIAL POSITION

(in Euros)

Statement of Financial Position - Assets	Note	31.12.2016	31.12.2015
A) Non-current assets			
Property, plant and equipment	4	15,371,689	21,062,786
Intangible assets	5	8,155,440	12,138,217
Goodwill	6	44,648,341	43,648,341
Equity investments	7	54,230,612	28,750,520
Deferred tax assets	8	15,113,732	12,346,874
Other non-current assets	9	1,466,457	711,433
Total non-current assets		**138,986,270**	**118,658,171**
B) Non-current assets held for sale			
C) Current assets			
Inventories	10	42,035	90,158
Construction contracts	11	118,215,205	101,921,151
of which from related parties		10,260,035	10,114,194
Trade receivables	12	450,644,368	464,072,400
of which from related parties		113,048,318	95,732,582
Other current assets	13	46,793,127	45,728,340
Cash and cash equivalents	14	297,770,328	161,742,442
Total current assets		**913,465,063**	**773,554,492**
Total assets (A + B + C)		**1,052,451,333**	**892,212,663**

(in Euros)

Statement of Financial Position - Liabilities	Note	31.12.2016	31.12.2015
D) Shareholders' equity			
Share Capital	17	30,999,807	30,999,807
Reserves	18	211,799,788	211,799,788
Retained earnings/(losses carried forward)	19	155,851,361	108,129,466
Profit/(Loss) for the year		43,424,482	49,812,553
Total Shareholders' Equity	16	**442,075,438**	**400,741,614**
E) Non-current liabilities			
Non-current financial liabilities	20	85,593,903	32,756,466
Deferred tax liabilities	21	18,582,729	18,595,398
Non-current provisions for risks and charges			0
Other non-current liabilities	22	3,030,773	1,713,393
Post-employment benefits	23	50,171,307	57,594,691
Total non-current liabilities		**157,378,712**	**110,659,948**
F) Current liabilities			
Current financial liabilities	24	42,233,656	20,043,082
Current tax payables	25	3,008,740	13,120,192
Current provisions for risks and charges	26	20,373,981	3,881,005
Other current liabilities	27	112,585,882	107,111,646
of which from related parties		1,288,531	925,081
Trade payables	28	274,794,925	236,655,174
of which from related parties		77,972,760	38,969,701
Total current liabilities		**452,997,184**	**380,811,101**
G) Total liabilities (E + F)		**610,375,896**	**491,471,049**
Total liabilities and Shareholders' Equity (D + G)		**1,052,451,333**	**892,212,663**

INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

(in Euros)

Income Statement	Note	31.12.2016	31.12.2015
A) Total revenues			
Revenues		763,139,926	734,014,313
Other revenues	31	28,777,536	26,832,584
Total revenue	30	**791,917,462**	**760,846,897**
of which related parties		18,000,201	23,039,220
B) Operating expenses			
Raw materials and consumables	33	11,051,965	10,298,796
Services	34	330,992,920	303,125,107
Personnel costs	35	359,203,960	351,030,058
Amortisation and Depreciation	36	10,683,087	10,774,309
Provisions	37	18,869,768	8,279,678
Other costs	38	2,893,217	2,979,790
Total operating expenses	32	**733,694,917**	**686,487,737**
of which related parties		69,273,219	49,672,891
C) Operating profit (A - B)		**58,222,545**	**74,359,161**
Other financial income		4,177,841	2,754,494
Other financial charges		1,778,249	4,828,071
D) Net financial income (charges)	39	**2,399,592**	**(2,073,577)**
of which related parties		792,142	(11,653)
E) Income/(Charges) from investments			
Income/(Charges) from other investments	40	2,221,707	(541,466)
Total income/(charges) from investments		**2,221,707**	**(541,466)**
F) Profit before taxes (C + D + E)		**62,843,845**	**71,744,117**
G) Income taxes	41	**19,419,363**	**21,931,565**
H) Profit/(Loss) from continuing operations		**43,424,482**	**49,812,553**
I) Profit/(Loss) from discontinued operations			
L) Profit/(Loss) for the year		**43,424,482**	**49,812,553**

(in Euros)

Comprehensive Income Statement	Note	31.12.2016	31.12.2015
L) Profit/(Loss) for the year		**43,424,482**	**49,812,553**
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		(2,750,866)	3,982,563
Tax effect related to other profit/(loss) which will not be reclassified in Profit/(loss) for the year		660,208	(1,351,321)
Changes in other equity reserves			0
Tax effect of changes in other equity reserves			81,518
Total other profit/(loss) which will not be reclassified in profit/(loss) for the year, net of tax effect		**(2,090,658)**	**2,712,760**
N) Total other profit/(loss) which will be reclassified in profit/(loss) for the year:			0
Profit/(Loss) on cash flow hedge instruments			0
Tax effect related to other profit/(loss) which will be reclassified in Profit/(loss) for the year			0
Translation gains/losses on non Euro accounts			
Taxation on translation gains/losses on non Euro accounts		0	0
Total other profit/(loss) which will be reclassified in profit/(loss) for the year, net of tax effect		**0**	**0**
Total other profit/(loss), net of tax effect		**(2,090,658)**	**2,712,760**
O) Total comprehensive income for the year (L + M + N)		**41,333,824**	**52,525,313**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euros)

Description	Share Capital	Reserves	Retained earnings	Profit/(Loss) for the year	Shareholders' Equity
Balance as of 01.01.2015	**31,007,521**	**211,799,788**	**91,236,985**	**34,100,465**	**368,144,758**
Net profit/(loss)				49,812,553	49,812,553
Other net comprehensive items		0	2,712,760		2,712,760
Comprehensive profit	**0**	**0**	**2,712,760**	**49,812,553**	**52,525,313**
Allocation of profit			14,100,465	(14,100,465)	0
Dividends distributed				(20,000,000)	(20,000,000)
Incr./decr. treasury shares	(7,714)		(109,267)		(116,980)
Incr./decr. share capital	0	0	0	0	0
Transactions with Shareholders	**(7,714)**	**0**	**13,991,198**	**(34,100,465)**	**(20,116,980)**
Other changes	0	0	188,523	0	188,523
Balance as of 31.12.2015	**30,999,807**	**211,799,788**	**108,129,466**	**49,812,553**	**400,741,614**
Net profit/(loss)				43,424,482	43,424,482
Other net comprehensive items		0	(2,090,658)		(2,090,658)
Comprehensive profit	**0**	**0**	**(2,090,658)**	**43,424,482**	**41,333,824**
Allocation of profit			49,812,553	(49,812,553)	0
Dividends distributed	0	0	0	0	0
Incr./decr. treasury shares	0		0		0
Incr./decr. share capital	0	0	0	0	0
Transactions with Shareholders	**0**	**0**	**49,812,553**	**(49,812,553)**	**0**
Other changes	0	0	0	0	0
Balance as of 31.12.2016	**30,999,807**	**211,799,788**	**155,851,361**	**43,424,482**	**442,075,438**

For further details on the Shareholders' Equity, reference is made to paragraphs 16-17-18-19 herein.

CASH FLOW STATEMENT

This statement is prepared according to the direct method and shows the movements of the cash flows generated by the Company's operating, investment and financing activities.

(in Euros)

Description	31.12.2016	31.12.2015
Cash flow from operating activities		
Revenues from the sales of products /services - third parties	903,904,293	823,519,246
Revenues from the sales of products /services - Group	9,893,516	17,471,048
Costs for goods and services - third parties	(324,433,433)	(294,952,652)
Costs for goods and services - Group	(54,094,635)	(30,091,864)
Personnel costs	(365,953,199)	(360,115,575)
Interest received from operating activities	955,149	737,172
Interest paid for operating activities	(195,697)	(847,989)
Exchange differences	110,258	(45,867)
Income tax payments and reimbursements	(80,760,418)	(71,827,282)
Cash pooling	17,954,962	5,654,434
A) Total cash flow from operating activities	**107,380,795**	**89,500,672**
Cash flow from investing activities		
sale of tangible fixed assets	7,132	1,534
Purchase of tangible fixed assets	(6,289,664)	(5,601,081)
Purchase of intangible fixed assets	(1,546,270)	(1,409,237)
Purchase of investments in subsidiaries	(17,301,184)	(1,951,703)
Purchase of business unit	(121,323)	(685,769)
Purchase of other investments and securities	(57,798)	
B) Total cash flow from investing activities	**(25,309,107)**	**(9,646,256)**
Cash flow from financing activities		
New loans	88,511,057	32,798,281
Repayment of loans	(17,911,825)	(42,069,781)
Loans disbursed/received to/from group companies	(16,022,276)	(9,650,000)
Loans repaid/collected by group companies	242,541	
Sale of treasury shares	264	
Purchase of treasury shares		(116,980)
Dividends distributed		(19,999,981)
Interest received for financing activities		841,570
Interest paid for financing activities	(863,564)	(1,333,736)
C) Total cash flow from financing activities	**53,956,198**	**(39,530,627)**
D) = (A+B+C) Change in cash and cash equivalents	**136,027,886**	**40,323,789**
E) Cash and cash equivalents at beginning of year	**161,742,442**	**121,418,653**
F) = (D+E) Cash and cash equivalents at end of year	**297,770,328**	**161,742,442**

NET FINANCIAL POSITION

We report below the breakdown of the Company net financial position.

The net financial position came to Euro 169,943 thousand, an improvement of Euro 59,721 thousand compared to 2015, thanks to the good performance of collections, partly subject to non-recourse sales (Euro 38.4 million), which were derecognised from the Statement of Financial Position, as set out by IAS 39.

(in Euros)

Description	31.12.2016	31.12.2015
Cash	13,769	13,254
Other liquid assets	297,756,559	161,729,188
Cash and cash equivalents	**297,770,328**	**161,742,442**
Current financial receivables	0	**1,279,304**
Current bank payables	(14,452)	-
Current borrowing	(30,453,426)	(12,813,972)
Other current financial payables	(11,765,778)	(7,229,110)
Current borrowing	**(42,233,656)**	**(20,043,082)**
Net Current Financial Position	**255,536,673**	**142,978,664**
Non-current borrowing	(85,289,333)	(32,330,006)
Other non-current payables	(304,571)	(426,460)
Non-current borrowing	**(85,593,903)**	**(32,756,466)**
Net financial position	**169,942,769**	**110,222,198**

Compared to the previous year, the net financial position does not include the value of treasury shares under item “Other liquid assets” as they are securities no longer listed as from July 8, 2016.
It should be noted, in fact, that Engineering Ingegneria Informatica S.p.A. was listed at the Milan Stock Exchange until July 8, 2016.

With order no. 8227 of July 1, 2016, Borsa Italiana S.p.A. ordered a trading suspension of the Engineering shares on the Electronic Equity Market (EEM) for the sessions of July 6 and 7, 2016 and their delisting on the Electronic Equity Market since July 8, 2016. For further information, reference is made to the OPA section in the Engineering website *www.eng.it*, Investor Relations page.

To allow for a correct and homogeneous comparison, also in the previous year, the values of treasury shares owned as of December 31, 2015, for an amount of Euro 7,998,043 were not included under item “Other liquid assets”.

1 General information

Engineering Ingegneria Informatica S.p.A., with registered office in Rome at Via San Martino della Battaglia, 56, is a primary Italian operator in Information Technology services, over multiple lines of business, including system integration, the provision of organisational consulting and specialist services, proprietary application solutions and application management.

Engineering Ingegneria Informatica S.p.A.'s market consists of medium to large customers in all primary market segments, including both private companies (banks, insurance firms, service industry, telecommunications and utility firms) and public bodies (local and central public administration).

Engineering Ingegneria Informatica S.p.A. is no longer listed on the Milan Stock Exchange since July 8, 2016.

1.1 SIGNIFICANT OPERATIONS

As widely described in the Directors' Report, to which reference is made, in a view of reorganizing the Group's business, two extraordinary transactions were performed with Group companies that led to the acquisition of a business unit from the subsidiary Engineering Excellence Center S.r.l. (as from April 1, 2016), and the transfer of a business unit of Engineering Ingegneria Informatica S.p.A. to the subsidiary Engineering.mo S.p.A. (as from October 1, 2016).

As these transactions were performed with subsidiaries and are substantially attributable to the reorganization of the Group's business, they were recognised consistently with provisions set out by OPI 1. Assets and liabilities of the business subjected to the extraordinary transaction were therefore recognised at their historical book value, without any difference between the transfer value and the historical book values of the transferred business.

The financial positions of both transactions are shown hereunder:

Engineering Excellence Center S.r.l.
Statement of financial position - Business Unit as of March 31, 2016

(in Euros)

Description		Description	
Assets		**Liabilities**	
Property, plant and equipment	3,309,46	Deferred tax liabilities	4,882,50
Goodwill	1,000,000,00	Other non-current liabilities	720,000,00
Trade receivables	892,651,67	Post-employment benefits	128,381,50
Other current assets	342,30	Other current liabilities	349,184,64
		Trade payables	389,216,64
Total Assets	**1,896,303,43**	**Total Liabilities**	**1,591,665,28**
		Net sale proceeds	**304,638,15**

Transfer of the "M.O." business unit of Engineering Ingegneria Informatica S.p.A. into Engineeering.mo S.p.A.
Statement of Financial Position as of September 30, 2016

(in Euros)

Description		Description	
Assets		**Liabilities**	
Property, plant and equipment	5,156,427	Payables for employee post-employment benefits	7,701,361,44
Intangible assets	723,707	Payables related to employees	7,131,079,74
Intangible assets in progress	171,491	Trade payables	3,159,348,62
Trade receivables	9,121,548		
Construction contracts	595,356		
Other current assets	2,651,761	**Total liabilities**	**17,991,789,80**
Total Assets	**18,420,290,00**	**Net sale proceeds**	**428,500,20**

2 Basis of preparation criteria and accounting principles

These financial statements were drawn up pursuant to the international accounting standards (IAS-IFRS), endorsed by the European Commission, and the related IFRIC interpretations.

These financial statements are expressed in Euro and, in compliance with IAS 1 "Presentation of Financial Statements" include the Statement of Financial Position, the Income Statement and the Comprehensive Income Statement, the Statement of changes in Shareholders' Equity, the Cash Flow Statement and the related Explanatory Notes.

The standards utilised are the same as those used for the preparation of the last annual financial statements and were applied evenly, except for the IFRS and IFRIC accounting standards, amendments and constructions applicable for accounting periods beginning on January 1, 2015, as indicated in par. 3.29.

In the Statement of Financial Position assets and liabilities are classified according to the "current/non-current" criterion with separation of assets and liabilities held-for-sale.

Current assets are those held for sale or used in the normal business operating cycle or in the twelve months following the year-end.

Current liabilities are expected to be settled in the normal operating cycle or within 12 months following the year-end.

The Income Statement is classified according to the nature of the costs while the Cash Flow Statement uses the direct method.
Transactions with related parties are disclosed in the Statement of Financial Position, the Income Statement and the Cash Flow Statement.
The transactions with related parties concern subsidiaries, associated companies and Directors and Executives with strategic responsibilities. Please see paragraph 3.28.

The financial statements are accompanied by the Directors' Report prepared by the Board of Directors in compliance with Article 2428 of the Italian Civil Code, which contains more detailed information on Company operations and significant events after the year-end.

USE OF ESTIMATES AND MEASUREMENTS

The preparation of the financial statements in compliance with IFRS also requires the use of estimates and assumptions in determining the values of the assets and liabilities, costs and revenues and contingent assets and liabilities. The estimates and assumptions are based on the best information available at the reporting date and on prior experience where the book value of assets and liabilities is not easily inferable from other sources. The items that are most influenced by estimates are construction contracts, provisions for risks and charges, revenues and the measurement of post-employment benefits and of the fair value of derivative instruments.

However, actual results could differ from those estimates. Estimates and assumptions are periodically revised and changes are immediately reflected in the Income Statement.

3 Accounting principles

The accounts in the financial statements are recognised on a going concern basis.
These financial statements were prepared using measurement criteria based on historical cost, with the exception of the fair value measurement of the derivative financial instrument hedging the variable interest rate risk relating to an existing loan.

The criteria adopted in the preparation of the financial statement are detailed below.

3.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include assets with long-term use held for the production or supply of goods and services, to be used under lease or for administrative purposes. This definition does not include property held principally or exclusively for rental purposes or for capital appreciation or for both of these reasons ("Investment property").
Property, plant and equipment are recognised at acquisition cost. The acquisition cost is the fair value of the price paid and any other cost directly related and necessary for the correct functioning of the asset with regard to the use for which it was acquired.
The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased is solely made within the limits established to be separately classified as assets or part of an asset. Financial charges incurred for the acquisition of tangible fixed assets are never capitalised.

Land, both with and without civil and industrial buildings, is recorded separately and is not depreciated as it has an indefinite useful life.
Property, plant and equipment are recorded net of the relative accumulated depreciation and any losses in value. The amount to be depreciated is comprised of the carrying amount gross of depreciation and net of write-downs. Given the uniformity of the assets included in the various fixed asset categories, the useful life by category is as follows (except in specific cases):

Category	Useful life
Land	Indefinite
Buildings	33 years
Plant and machinery	3 – 6 years
EDP	3 – 6 years
Furniture, office machinery and equipment	6 – 8 years
Motor vehicles	4 years

Property, plant and equipment are depreciated on a straight line basis over the useful estimated life of the asset which is reassessed at least at the end of each year to apply any changes.
The carrying value of a tangible fixed asset is recognised within the value limits that this asset may recover through use. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

Depreciation starts when the asset is available and ready for use.

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between sale price and the book value) is recorded to the Income Statement.

3.2 LEASING

In the case that the Company is the lessee

Lease contracts relative to activities in which the Company holds all the risks and benefits deriving from the property are classified as finance leases. Assets acquired under finance leases are recorded at cost under tangible fixed assets, and against the financial payable to the lessor and depreciated according to the nature of the individual asset.

The financial charge is incurred in the Income Statement for the duration of the contract. Lease contracts in which the lessor retains a significant amount of the risks and benefits deriving from the ownership are instead classified as operating leases; the lease payments are booked in the Income Statement on a straight-line basis for the whole duration of the contract.

In the case that the Company is the lessor

For assets leased under a finance lease contract, the current rental amount under the lease is recognised as a financial receivable. The difference between the net carrying amount and the current amount of the receivable is recognised to the Income Statement as financial income. Assets leased under operating lease contracts are however included in tangible or intangible fixed assets and depreciated or amortised in a similar manner to assets owned, with rental instalments recognised on a straight line basis over the duration of the contract.

3.3 INTANGIBLE ASSETS

Intangible assets, all with a definite useful life, are recorded when they are identifiable, controlled by the Company and are capable of producing future economic benefits.

Intangible assets are initially recognised at acquisition or production cost. The acquisition cost is the fair value of the price paid to acquire the asset and any other direct costs incurred to prepare the asset for use. For intangible assets generated internally, the generation of the asset is broken down into the periods of research (non-capitalised) and the period of development (capitalised). Where the two periods are indistinguishable, the entire project is considered as research and is recorded directly to the Income Statement.

Realised assets are amortised from the time of use or when they are sold. To date they have been classified under assets-in-progress.

Financial charges incurred to acquire an intangible fixed asset are never capitalised.

After initial recognition, intangible assets are recognised on a cost basis, net of accumulated amortisation and any impairment. Amortisation is applied on the straight-line basis over the period of expected use. Given the homogeneity of the assets included within financial statement categories, with the exception of specific significant cases, the useful lives per category are as follows:

Category	Useful life
Software	3 - 8 years
Trademarks and licenses	3 - 8 years
Other	2 - 5 years

The amortisation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each year in order to take any significant changes into account.
The book value of an intangible asset is maintained in the accounts as long as there is evidence that this value may be recovered through asset usage. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

Intangible assets, all with a definite useful life, are recorded when they are identifiable, controlled by the Company and are capable of producing future economic benefits.

Software
Costs directly associated with information technology products, created internally or acquired from third parties are capitalised as intangible assets, subject to evidence of:

- the technical feasibility and intention to complete the product in order that the latter may be available for use or sale;
- the capacity to use or sell the product;
- a definition of the manner by which the product will generate probable and future economic benefits (the existence of a market for the product, or its internal use);
- the availability of adequate technical, financial and other resources for the purposes of completing the development and the use/sale of the product;
- the capacity to reliably estimate the cost attributable to intangible assets during development of the product.

Expenses for substantial updating of products are capitalised as improvements and added to the original cost of the software. Development costs that improve product performance or upgrade the product to regulatory requirements are reflected in projects created for customers and are thus expensed during the financial year in which they are incurred.

Trademarks and licenses
Costs related to the acquisition of trademarks and licences are capitalised under intangible fixed assets. The cost comprises the fair value of the price paid to acquire the right and any other direct costs incurred for its adaptation or for implementation within the operating or productive context of the entity. The period of amortisation does not exceed the lower between the useful life and the duration of the legal/contractual rights.

3.4 GOODWILL

Goodwill is the excess of an acquisition cost in comparison to the Company share of the fair value of the identifiable assets and liabilities at the acquisition date.
Goodwill from the acquisition of companies for payment is not amortised and is subject to an impairment test at least once a year. For this purpose, goodwill is allocated to one or more Cash Generating Units. Potential reductions in value emerging from the impairment test are not reversed in subsequent periods.
In the case of the sale of assets (or part of an asset) of a CGU, any goodwill associated is included in the book value of the asset in order to determine the profit or loss from sale in proportion to the value of the CGU sold.
Goodwill relating to associated companies or other companies is included in the book value of these companies.

At period-end, goodwill is subject to impairment testing and adjusted for any losses. Losses are booked directly to the Income Statement.

For this purpose and in line with acquisitions of previous years, the different Cash Generating Units have been identified, which respect the independence criteria in the organisational structure and the independent capacity to generate cash flow, and are then measured using impairment testing.

A Current Value is determined for the relevant asset using a Discounted Cash Flow Model (DCF) based on the end of year account situation for each CGU. The Current Value is compared with the net book value

and goodwill recorded in the financial statements to determine whether it is necessary to write-down the investment and record a loss in the financial statements.
Measurement methods are based on the criteria of maximum caution using capital cost parameters greater than the market average and introducing sensitivity analysis that validates maintaining goodwill value even where future scenarios are problematic.

3.5 LOSS IN VALUE OF AN ASSET (IMPAIRMENT)

A loss in value is established wherever the book value of an asset is greater than the recoverable value. Where indicators of a loss in value exist, an estimate of the recoverable value of the asset is made (impairment test) and any write-down is applied. An impairment test is carried out at least annually, irrespective of the existence of such indicators.

The recoverable value of an asset is recorded at the greater of its fair value, net of sales costs, and its usage value. The recoverable value is calculated for each individual asset, unless it is not capable of generating cash flows from continuous use sufficiently independent of cash flows generated from other assets or groups of assets, in which case the test is carried out at the level of the smallest independent Cash Generating Unit which comprises the relevant assets.

3.6 BUSINESS COMBINATIONS

In IFRS 3, business combinations are defined as “a transaction or an event in which a purchaser obtains control of one or more businesses”.
A business combination can be created through various procedures based on legal, fiscal or other motives. It may also involve the acquisition by an entity of share capital of another entity, acquisition of the net assets of another entity, undertaking of the liabilities of another entity or the acquisition of part of the net assets of another entity which, combined, establish one or more Company activities. The combination may be realised through issue of instruments representing share capital, the transfer of cash or other liquid assets or other assets, or by a combination of the above. The operation may take place between Shareholders of an entity which combine or between an entity and Shareholders of another entity. It may entail the incorporation of a new entity that controls the entities taking part in the combination or net assets transferred or the restructuring of one or more of the participating entities.

The business combinations are recorded under the purchase method. This method considers that the acquisition price must be reflected in the value of the assets of the entity acquired and this allocation must be at fair value (of the assets and of the liabilities) and not of their book value. Any difference (negative) represents the goodwill (badwill).
The changes in the interest of the Parent Company in a subsidiary, which does not lead to loss of control, are recognised as capital operations. In this event, the book values of the holdings must be adjusted to reflect the changes in their relative holdings in the subsidiaries. Any difference between the adjusted value of the minority holdings and the fair value of the amount paid or received is directly recorded to shareholders’ equity and allocated to shareholders of the Parent Company.

3.7 OTHER NON-CURRENT ASSETS

Financial receivables with a due date beyond 12 months and equity investments in other companies are recorded under other non-current assets.
Investments in other companies refer to equity investments other than subsidiaries, associates and joint ventures and are entered at cost adjusted for any impairment whose effect is recognized in the Income Statement.

3.8 INVESTMENTS

Acquisitions are recorded at the fair value of the investment plus any directly attributable costs.
A significant and prolonged decrease in equity investment fair value below the initial booked cost is considered an objective indication of value loss.

Subsidiary Companies
Subsidiaries are considered to be companies for which Engineering Ingegneria Informatica S.p.A. has the ability to directly or indirectly determine financial and operational policies and to retain rights over its benefits. Control is presumed where more than half of the effective or potentially exercisable voting rights are held at the reporting date.

Associated companies
Associated companies are defined as those in which significant influence is exercised. Such influence is presumed where more than 20% of the effective or potentially exercisable voting rights are held at the reporting date

3.9 INVENTORIES

Inventories are assets held for sale within the normal course of business or employed or to be employed in the productive processes for sale or services.

Inventories are measured at the lower between purchase cost and the fair value. The fair value is the sales price estimated for normal activity, net of completion costs and sales expenses. Any potential write-down is eliminated in subsequent years if the reason for the write down no longer exists.

3.10 CONSTRUCTION CONTRACTS

Construction contracts concerns specific projects in the course of completion based on long-term contracts.

If the result of a project in course can be reliably estimated, the contractual revenues and costs are recorded based on the percentage of completion method (so-called cost to cost), so as to attribute the revenues and profits over the entire duration of the contract.

If the result of a project in course of completion cannot be reliably estimated, the contractual revenues are recorded for the amount of costs incurred if it is probable that such costs are recoverable.

The sum of costs incurred and the result on each project is compared with the invoices issued on account at the date of the preparation of the accounts. If the costs incurred in addition to the profits recorded (deducting losses) are greater than the invoices issued on account, the difference is recorded under current assets in the account “Construction contracts”. If the invoices on account are greater than the costs incurred plus the profits (deducting the losses), the difference is classified under current liabilities in the account “Trade payables”.

3.11 TRADE RECEIVABLES

Trade receivables are initially recognised at the fair value of future cash flows and subsequently valued at amortised cost and reduced by any potential write-downs or impairment. A financial asset is subject to impairment if there is an objective indication that one or more events occurring after the initial booking of the asset had a negative impact on the estimated future financial flows for that asset.
The objective indication that a financial asset has suffered impairment can include insolvency or failure to pay on the part of a debtor, restructuring of the debt with the Company on terms that the company would not otherwise have accepted, indications of the bankruptcy of a debtor or an issuer and the non-existence of an active market for the security. These financial assets are derecognised from the financial statements when, due

to their sale or settlement, the Company is no longer involved in their management, nor holds the relative risks and benefits relating to these instruments settled/sold.

3.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits on demand, other short-term financial assets with original expiry not greater than 3 months and current account overdrafts. These latter in the preparation of the statement of financial position are included under “Financial liabilities”. Cash and cash equivalents are recognised at fair value.

3.13 DISCONTINUED OPERATIONS

A discontinued operation is a Company component that has been sold or is reclassified as held for sale and represents an important independent operation or geographical area of operation or a subsidiary acquired solely for the purpose of resale. An operating activity is classified as discontinued at the moment of the sale or when the conditions have been satisfied for classification in the category “Held for sale”, if prior. When an operation is classified as sold, the separate Income Statement and the comparative comprehensive Income Statement are re-determined as if the operation was discontinued at the beginning of the comparative period.

3.14 SHARE CAPITAL

Share capital consists of fully paid-up and subscribed capital. Treasury shares are recorded as a reduction of the share capital for the nominal value of the shares while the excess of the book value compared to the nominal value is recorded as a reduction of the other reserves. No profit/(loss) is recorded to the Income Statement for the purchase, sale or cancellation of equity instruments held.

3.15 RESERVES

Reserves consist of capital and profit reserves with a specific use.

3.16 RETAINED EARNINGS/(LOSSES CARRIED FORWARD)

The “Retained earnings/(losses carried forward)” item includes the net profit of the current and previous periods which was neither distributed nor allocated to reserves (in the case of profits) or recapitalised (in the case of losses). This item also includes the transfers from other equity reserves when those reserves are no longer required as well as the effects of the recording of changes to accounting policies and material errors.

3.17 FINANCIAL LIABILITIES

Unlike derivative instruments, financial liabilities are initially booked at the fair value of collected sums, plus any directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest criteria. For short-term liabilities as for trade payables, the amortised cost is equal to the nominal value.

Derivative financial instruments
Derivatives recognised at fair value are designated as hedge instruments when the relationship between the derivative and the subject being hedged is formally documented and the effectiveness of the hedge, which is periodically verified, is within the limits provided for under IAS 39. For these instruments the fair value is determined on the basis of evaluation techniques taking as reference the indicators that can be observed on the market (so-called level 2, as per IFRS 7). The report must contain the evaluation method of the efficacy of the hedging instrument to offset the exposure to changes in the fair value of the item hedged or the cash flows relating to the hedged risk, and must be highly effective for all of the years for which the hedge was designated.

The type established by the Group is a cash flow hedge in order to offset the risk of changes in interest expense for the loan covered by the hedge, converting the loan to a fixed interest rate.

The hedge was created through agreeing an interest rate swap contract, against which the Company receives an indexed variable interest rate and expiry and time periods in line with the hedged loan and paying a fixed interest rate.

The efficacy, measured periodically, is verified with the perfect hedge derivative method. Changes in the fair value of the derivative are calculated based on the methods utilised for prospective or retrospective assessment of efficacy in the hedging report and are compared with the changes in the fair value of a similar derivative instrument.
The hedging is considered effective when the differential between the changes of the fair value of the derivative and the changes of the value of the hypothetical derivative is between 80% and 125%.
The effective hedging component is recorded under other Comprehensive Income Statement items and Shareholders' Equity reserve and is calculated as the lower value between the accumulated changes in hedge derivative fair value and the changes in fair value of the hypothetical derivative. The ineffective hedging component is recorded to the Income Statement.

3.18 EMPLOYEE BENEFITS

Short-term employee benefits
Short-term employee benefits are recorded in the Income Statement for the period in which the work is carried out. The Company records a liability for the amount that it expects will have to be paid in the form of profit-sharing and incentive plans when it has a current, legal or implicit obligation to make such payments as a consequence of past events and for which the obligation can be reliably estimated.

Post-employment benefits
Post-employment benefits are recorded as costs when the Company has committed, in a demonstrable way and without a realistic possibility of withdrawal, to a formal detailed plan that provides for the termination of employment before the normal retirement date or following an offer prepared to encourage voluntary redundancy. In the case of an offer prepared by the Company to encourage voluntary redundancy, the benefits owed to employees for termination of employment are recorded in the accounts as a cost if the offer is likely to be accepted, and if the number of employees, expected to accept the offer, can be reliably estimated. Benefits owed after twelve months following the closing date of the financial year are discounted.

Defined benefit plans
Post-employment benefits represent a plan of defined benefits which are certain in terms of their existence and sum but uncertain in terms of the vesting of the post-employment benefits accrued as of December 31, 2006. The liability is determined as the current value of the benefit obligation defined at the date of reporting, in compliance with Italian regulations in force, and adjusted in order to take actuarial profits/losses into account. The amount of the defined obligation is calculated and certified annually by an independent actuary based on the "Projected unit credit" method.
Actuarial gains and losses are recognised in the Comprehensive Income Statement and recorded under Shareholders' Equity on an accrual basis.

Defined contribution plans
As from January 1, 2007, the Company has participated in defined contribution pension plans by means of the payment of contributions to publicly or privately managed programs; the latter may be mandatory, contractual or voluntary. Payment of the contributions fulfils the Company's obligation to its employees. Contributions thus constitute costs for the period in which they are due.

3.19 PROVISIONS FOR RISKS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

According to IAS 37 provisions for risks concern the probable liabilities of uncertain amount and/or maturity relating to past events whose fulfilment will necessitate the use of resources.
Allocations are recognised when: a) there is a current legal or implicit obligation, which originates from a past event; b) it is probable that fulfilment of the obligation will be onerous; c) the amount of the obligation can be reliably estimated.
The amount represents the best estimates in relation to resources required for fulfilling the obligation, including legal defence charges. Where the effect of the current amount of the payment is significant, the amount of the provision is represented by the value of resources considered necessary to satisfy the obligation on maturity discounted at a nominal rate without risks. The contingent assets and liabilities (possible assets and liabilities or not recorded as the amount may not be reliably estimated) are not recorded in the financial statements. Information in this regard is provided however.

3.20 REVENUES AND COSTS

Revenues generated from the sale of goods is recognised when the typical risks and benefits of ownership are transferred to the purchaser.
Revenues and costs are recognised on the accruals basis, in so far as it is possible to reliably establish their value.
Revenues from construction contracts are recorded as described in the relevant paragraph.
Interest is recorded at the effective rate based on the accruals principle.

Costs relating to the acquisition of new knowledge or discoveries, to the study of alternative products or processes, of new techniques or models, to the design and construction of prototypes or incurred for other scientific research activities or technological development are generally considered current costs and recorded to the Income Statement in the year in which they are incurred.

Costs for research undertaken in order to gain new technical expertise are recorded in the Income Statement in the year in which they are incurred. These costs are almost entirely attributable to personnel costs.

3.21 DIVIDENDS

Dividends are recognised in the fiscal year in which they are approved by the Shareholders.

3.22 GRANTS

Grants are recognised when there is reasonable certainty that they will be received and that the conditions required for obtaining them are met.
When grants relate to cost components, they are recorded as revenues, and systematically allocated to different periods to offset the costs to which they relate.
When the grants relate to an asset, for example plant, they are recorded to the Income Statement under revenues rather than as an adjusted item of the book value of the asset for which it was obtained. Subsequently the useful life of the asset for which it was granted is taken into account using the deferral technique.
Public grants drawn down as compensation of expenses and costs already incurred or with the intention to provide immediate financial aid to the entity without which there would be future costs are recorded as income in the year in which they become payable.

3.23 DEFERRED AND CURRENT TAXES

Current income taxes for the financial year are calculated based on an estimate of taxable income in compliance with tax law provisions.
Deferred taxes are recognised with reference to the time differences between the book value of the assets and liabilities recorded in the financial statements and the corresponding values recognised for tax purposes.
Deferred tax assets are recognised for tax losses and tax credits not used and carried over, as well as the assumed time differences, insofar as there is a probable future taxable income for which the assets can be used. The value of deferred tax assets is revised at the closing date of each financial year, and reduced in the measure that it is no longer probable that the related tax benefit will be realised.

3.24 TRANSLATION OF ACCOUNTS IN FOREIGN CURRENCIES

Functional and presentation currency
The financial statement items are valued utilising the currency of the principle of economic environment in which the entity operates ("functional currency").

Operations and balances
Currency operations are translated into the presentation currency by using the exchange rate effective on the transaction date. Exchange gains and losses from the settlement of these transactions and the conversion of monetary assets and liabilities in foreign currencies at the date of preparation of the accounts are recorded to the Income Statement.

3.25 CHANGES IN ACCOUNTING STANDARDS, ERRORS AND CHANGE OF ESTIMATES

Changes in accounting standards
Accounting principles are changed from one year to the next only where the change is required by a standard or if it contributes to providing more reliable and significant information about the effects of transactions on financial standing, as well as on the economic results or cash flows, of the entity. The changes in accounting principles are recorded retrospectively with the recording of the effect to Shareholders' Equity of the first of the period presented; the comparative information is restated accordingly. The prospective approach is made only when it is impractical to reconstruct the comparative information. The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard itself. If the standard does not provide for transition procedures, the change is booked in accordance with the method described in the previous paragraph.

Correction of errors from previous periods
In the case of significant errors, the same method that is used for changes in accounting standards illustrated in the previous paragraph is applied. In the case of non-significant errors, these are accounted for in the Income Statement in the period in which they are noted.

Changes in accounting estimates
Changes in accounting estimates are recognised and are booked to the Income Statement in the period in which the change occurs, so long as the change only affects this period; where the change also affects future periods, the changes are booked in both the period in which the change occurs and in the future period.

3.26 RISK AND CAPITAL MANAGEMENT

The Company's risk management policies aim at identifying and analysing risks to which the Company is exposed, establishing appropriate limits and controls and monitoring risks with respect to those limits. These policies and the related systems are regularly revised to reflect any variations in market conditions and Group activities. For information on Risk Management, see paragraph XVI of the Group Directors' Report.

Maximum credit risk exposure for Engineering Ingegneria Informatica S.p.A. is examined in more detail in paragraph 12 of this document.
With reference to liquidity risk, defined as difficulty in fulfilling obligations related to financial liabilities settled in cash or through another financial asset, the Company provides, where possible, for sufficient funds (via centralised management of the Group treasury) to fulfil its obligations upon maturity both under normal conditions and in the event of financial difficulty, without having to incur excessive charges or risk damaging its reputation. A detailed analysis of the due dates for financial liabilities is contained in paragraph 20 of this note.

The Board of Directors provides for a high level of capital management policies in order to maintain trust among investors, creditors and the market, allowing for future development. The Board also monitors capital returns, understood as the result from operations compared with total Shareholders' Equity. Furthermore, the Board of Directors monitors the level of dividends to be distributed to holders of ordinary shares.
For details on the Company's debt/equity ratio, see paragraph VIII of the Directors' Report.

3.27 SEGMENT INFORMATION

An operating segment is a component of the Company engaged in corporate activity that generates revenues and costs and whose operating results are periodically reviewed by Management for the purpose of making decisions on the resources to allocate to the sector and evaluating the results on the basis of information contained in the financial statements. For more information, please see the Explanatory Notes to the financial statements.

3.28 RELATED PARTIES

Engineering Ingegneria Informatica S.p.A. approved the procedure for the identification and carrying out of Transactions with Related Parties through Board of Directors' resolution of November 12, 2010, effective on January 1, 2011. During the financial year the Company carried out transactions with a number of related parties. All balances with related parties were determined under normal market conditions. The general conditions governing transactions with senior executives and their related parties do not appear to be any more favourable than those applied, or which may have been reasonably applied, in the event of similar transactions under normal market conditions with Executives without strategic responsibility of the same entities.

3.29 NEW IFRS AND IFRIC INTERPRETATIONS

Accounting standards, amendments and IFRS and IFRIC interpretations applied from January 1, 2016

The accounting standards adopted for the drawing up of these annual financial statements are the same as those used for the annual financial statements as of December 31, 2015, with the exception of the standards and interpretations listed below:

- **Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"**

  On November 21, 2013, the IASB issued some amendments to the IAS 19 - **"Defined Benefit Plans:Employee Contributions"**, which aim at allocating the contribution (related only to the service rendered by the employee during the year) paid by the employees or third parties to defined benefit plans in order to reduce the service cost for the year in which this contribution is paid. The necessity of this proposal arose with the introduction of the new IAS 19 (2011), where such contributions are to be interpreted as part of a post-employment benefit, rather than a short-time benefit and, therefore, this contribution should be apportioned along the entire service period of the employee.
  The adoption of these amendments had no impact on the Company financial statements.

- **“Annual Improvements to IFRSs: 2010-2012 Cycle”**

  On December 12, 2013 the IASB published the document **“Annual Improvements to IFRSs: 2010-2012 Cycle”**, which includes the amendments to certain standards within the annual improvement process. The main amendments involve:

  - IFRS 2 Share Based Payments – Definition of vesting condition. Amendments to definitions of “vesting condition” and “market condition” were made and further definitions of “performance condition” and “service condition” (previously included in the definition “vesting condition”) were added;

  - IFRS 3 Business Combination – Accounting for contingent consideration. The amendment clarifies that a contingent consideration, within a business combination classified as financial asset or liability, should be remeasured at fair value at each financial statement date and changes in fair value should be recognised in the Income Statement or amongst the components of the Comprehensive Income Statement, pursuant to requirements set out by IAS 39 (or IFRS 9);

  - IFRS 8 Operating segments – Aggregation of operating segments. The amendments require that an entity should give information on the valuations made by management in applying the criteria of operating segment aggregation, including a description of the aggregated operating segments and economic indicators considered in determining whether such operating segments are similar;

  - IFRS 8 Operating segments – Reconciliation of total of the reportable segments’ assets to the entity’s assets. The amendment requires the reconciliation of segment assets to total assets is to be provided solely where the total assets of the operating segments are regularly reviewed by the entity’s top management;

  - IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions was changed in order to clarify that, with the release of IFRS 13, and consequent amendments to IAS 39 and IFRS 9, the possibility to record trade receivables and payables is still effective without recognising the effects of discounting, if such effects are not material;

  - IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The amendments eliminated inconsistencies in the recognition of accumulated amortisation/depreciation when a tangible or intangible asset is revalued. The requirements envisaged by amendments clarify that the gross carrying amount should be accordingly consistent with the write-up of the carrying value of assets and that the accumulated amortisation/depreciation should be equal to the difference between gross carrying amount and the carrying amount, net of recorded impairment losses;

  - IAS 24 Related Parties Disclosures – Key management personnel. The standard clarifies that, if the services of key management personnel are rendered by an entity (and not a physical individual), this entity is to be considered a related party in any case.

  Amendments are applicable at the latest to accounting periods beginning on or after February 1, 2015. The adoption of these amendments had no impact on the Company financial statements.

- **Amendment to IFRS 11 “Joint Arrangements – Accounting for acquisitions of interests in joint operations”**

  On May 6, 2014, the IASB published an amendment to **IFRS 11 “Joint Arrangements – Accounting for acquisitions of interests in joint operations”** which concerns the booking of the acquisition of interests in a joint operation whose operations constitute a business according to the meaning of IFRS 3. The amendments require that, in these cases, the standards reported by IFRS 3 relative to the booking of effects of a business combination are applied. The amendments can be applied as from January 1, 2016.
  The adoption of this amendment had no impact on the Company financial statements.

- **Amendments to IAS 16 "Property, plant and Equipment" and to IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation"**

  On May 12, 2014, the IASB issued certain amendments to **IAS 16 "Property, plant and Equipment" and to IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation"**. The amendments to IAS 16 state that the criteria for depreciation/amortisation which are determined on the basis of revenues are not appropriate given that, according to the amendment, the revenues generated from an asset which includes the use of assets subject to depreciation/amortisation generally reflect factors that are not limited to the sole consumption of economic benefits of the asset itself - a requirement which, on the other hand, is applicable for depreciation/amortisation. Amendments to IAS 38 introduce a relative presumption according to which a depreciation/amortisation criterion based on revenues is considered typically inappropriate for the same reasons outlined by the changes introduced to IAS 16. In the case of intangible assets, this presumption can moreover be overcome but only in limited and specific circumstances. The amendments can be applied as from January 1, 2016.
  The adoption of these amendments had no impact on the Company financial statements.

- **"Annual Improvements to IFRSs: 2012-2014 Cycle"**

  On September 25, 2014 the IASB published the document "Annual Improvements to **IFRSs: 2012-2014 Cycle"**. The amendments introduced by the document are applicable to accounting periods beginning on or after January 1, 2016. The document introduces amendments to the following standards:

  - IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The amendment to the standard introduces specific guidelines in the case that an entity reclassifies an asset (or a disposal group) from the held-for-sale category to the held-for-distribution category (or vice versa) or when the requirements for classification of an asset as held-for-distribution cease to be applicable. The changes define that (i) the same criteria for classification and valuation remain valid for these re-classifications; (ii) the assets which no longer comply with the classification criteria for the held-for-distribution category should be booked in the same manner as an assets which ceases to be classified as held for sale;

  - IFRS 7 – Financial Instruments: Disclosure. The amendments regulate the introduction of additional guidelines in order to clarify whether a servicing contract constitutes a residual involvement in an asset transferred for the purposes of the requested information and in relation to the transferred assets. In addition, a clarification is made that the reported information on the compensation of financial assets and liabilities is not typically requested for interim financial statements, except in the case of significant information;

  - IAS 19 – Employee Benefits. The document introduces amendments to IAS 19 in order to clarify that the high quality corporate bonds used to determine the post-employment benefits discount rate should be in the currency used for the payment of the benefits. The amendments specify that the extent of the high quality corporate bonds to consider should be in terms of currency and not the country of the entity subject to reporting;

  - IAS 34 – Interim Financial Reporting. The document introduces modifications in order to clarify the requirements which must be complied within in the case that the requested information is presented within the interim financial report but outside of the interim financial statements. The modification specifies that this information should be included through a cross-reference from the interim financial statements to other parts of the interim financial report and that this document should be available to readers of the financial statements with the same modalities and with the same time periods as the interim financial statements.

  The adoption of these amendments had no impact on the Company financial statements.

- **Amendment to IAS 1 - Disclosure Initiative**

  As of December 18, 2014, the IASB issued the amendment to IAS 1 - Disclosure Initiative. The objective of the amendments is to provide clarifications in relation to reporting elements, which could be perceived as impediments to the clear and intelligible preparation of financial statements. The applied changes are as follows:

  - Materiality and aggregation: it is clarified that an entity must not hide information by aggregating or de-aggregating it and that any considerations pertaining to materiality are applicable to financial statement outlines, explanatory notes and specific reporting requirements of the IFRS. The document specifies that the disclosures which are specifically requested by the IFRS must only be supplied if the information is material;

  - Statement of financial position and statement of comprehensive income: it is clarified that the list of items specified by IAS 1 for these statements can be de-aggregated and aggregated, depending on the case. In addition, a guideline for the use of subtotals within the statements is also supplied;

  - Reporting of elements of Other Comprehensive Income ("OCI"): it is clarified that the quota of OCI of associated companies and joint ventures – measured according to the equity method – must be reported as an aggregate figure within a single item and in turn subdivided between components which can or can not be re-classified in the future to the Income Statement;

  - Explanatory Notes: it is clarified that the entities retain flexibility in defining the structure of the Explanatory Notes and supply guidelines on how to establish a systematic order for the notes themselves, for example:
    - by giving precedence to those which are most relevant for the purposes of understanding the financial position (e.g. by grouping information on specific assets);
    - grouping items that are measured by the same criterion (e.g. assets measured at fair value);
    - following the order of the elements reported in the statements.

The amendments introduced by the document are applicable to accounting periods beginning on or after January 1, 2016. The adoption of this amendment had no impact on the Company financial statements.

- **Amendment to IAS 27 Equity Method in Separate Financial Statements**

  On August 12, 2014, IASB published the amendment to **IAS 27 - Equity Method in Separate Financial Statements**. The document introduces the option of utilising – within the separate financial statements of an entity – the equity method for the valuation of the shareholdings in subsidiaries, joint ventures and affiliated companies. As a result, and following the introduction of the amendment, an entity must book these shareholdings within its separate financial statements either:
  - at cost; or
  - in accordance with the provisions of IFRS 9 (or IAS 39); or
  - by utilising the equity method.

  The amendments can be applied as from January 1, 2016. The adoption of this amendment had no impact on the Company financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance by the Company

- **IFRS 15 – Revenue from Contracts with Customers**

  On May 28, 2014, the IASB published the standard **IFRS 15 – Revenue from Contracts with Customers**, which, together with further clarifications published on April 12, 2016, aims to replace the standards IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for revenue recognition which will be applied to all contracts stipulated with customers, with the exception of those falling within the realm of application of other IAS/IFRS standards such as leasing, insurance and financial instrument contracts. The fundamental steps for booking revenues according to the new model are as follows:
  - identification of the contract with the customer;
  - identification of the performance obligations of the contract;
  - price determination;
  - allocation of the price to the performance obligations of the contract;
  - criteria for registration of the revenue when the entity satisfies each performance obligation.

The standard is applicable as from January 1, 2018 but early application is allowed.

Conversely, amendments to IFRS 15 Clarifications to IFRS 15 - Revenue from Contracts with Customers, issued by IASB in April 2016, have not been endorsed by the European Union.

The Directors estimate that the application of IFRS 15 might have a significant impact on the amounts booked as revenues, as well as on the related information reported in the financial statements of the Company. However, it is not possible to supply a reasonable estimate of the effects until the directors have completed a detailed analysis of the contracts with customers.

- **IFRS 9 - Financial Instruments**

On July 24, 2014, the IASB published the final version of **IFRS 9 - Financial Instruments**. The document incorporates the results of the phases relative to classification and valuation, impairment and hedge accounting as well as the project of the IASB which aims to replace IAS 39. The new standard, which supersedes the previous versions of IFRS 9, must be applied by the financial statements as of January 1, 2018 or after.
The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, and in the case of financial assets, the new standard utilises a unique approach based on the modalities for management of financial instruments and on the characteristics of contractual cash flows of the financial assets themselves, in order to determine the valuation criterion, thereby replacing the various rules provided for by IAS 39. In the case of financial liabilities, on the other hand, the primary modification concerned the booking of changes in the fair value of a financial liability classified as a financial liability and valuated at fair value in the Income Statement in the case that these changes were due to a change in the credit rating of the issuer of the liability itself. According to the new standard, these changes must be booked in “Other comprehensive income” and no longer in the Income Statement.
With reference to impairment, the new standard requires that the estimate of losses on receivables must be implemented on the basis of the model of expected losses (and not the model of incurred losses utilised by IAS 39) by using supportable information that is available without unreasonable charges or efforts and which include historical, current or forecasted data. The standard requires that this impairment model be applicable to all financial instruments, i.e. to financial assets measured at their amortised cost as well as those measured at fair value through other comprehensive income, receivables deriving from rental contracts and trade receivables.
Finally, the standard introduces a new model of hedge accounting in order to adjust the requirements needed by the current IAS 39, which are occasionally considered too strict and unsuitable to reflect the risk management policies of companies. The primary novelties within the document include the following:

- an increase in the type of transactions eligible for hedge accounting, even including the risks of non-financial assets/liabilities which are eligible to be managed in hedge accounting;
- a change in the modalities for booking forward contracts and options when these are included in a hedge accounting relationship and in order to reduce the volatility of the Income Statement;
- changes to the efficacy test through the replacement of the current modalities based on the 80-125% parameter with the principle of the “economic relationship” between the hedged item and hedging instrument; in addition, an evaluation of the retrospective efficacy of the hedging relationship will no longer be requested.

The increased flexibility of the new accounting rules is counterbalanced by additional requests for reporting on the risk management activities of the Company.

The Directors expect that the application of IFRS 9 does not have a significant impact on the amounts as well as on the information reported within the financial statements of the Company. However, it is not possible to provide a reasonable estimate of the effects until the Company has completed a detailed analysis.

Accounting standards, amendments and interpretations not yet approved by the European Union

As of the date of reference of these annual financial statements, the competent bodies of the European Union had not yet completed the process of approval that is necessary for the adoption of the amendments and standards described below.

- On January 30, 2014, the IASB published the standard **IFRS 14 – Regulatory Deferral Accounts**, which allows only those parties which adopt the IFRS for the first time to continue to book the amounts relative to activities subject to regulated rates ("Rate Regulation Activities"), according to the previously adopted accounting standards. Given that the Company is not a first-time adopter, this standard is not applicable.

- On January 13, 2016, the IASB published the standard **IFRS 16 – Leases** which will supersede the standard IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of a good in order to distinguish leasing contracts from service contracts while identifying the following as discriminating factors: identification of the good, the right of replacement of the latter, the right to substantially obtain all the economic benefits deriving from the use of the good and the right to manage the use of the good underlying the contract.
  The standard provides for a single model for the recognition and measurement of leasing contracts for the lessee and which includes the booking of the assets also subject to an operating lease under assets and with an offsetting item equal to a financial payable, thereby providing for the possibility of not recognizing contracts, which involve low-value assets, as well as leases with a contractual duration equal to or less than 12 months, as leasing contracts. On the contrary, the standard does not include significant changes for lessees.
  The standard is applicable as of January 1, 2019 but early application is allowed solely for companies which applied IFRS 15 - Revenue from Contracts with Customers in advance.
  The Directors expect that the application of IFRS 16 might have a significant impact on the booking of leasing contracts as well as on the related information reported in the financial statements of the Company. However, it is not possible to provide a reasonable estimate of the effects until the Company has completed a detailed analysis of the relative contracts.

- On January 19, 2016, IASB published the document **"Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)"**, which contains amendments to the international accounting standard IAS 12. The document aims at supplying some clarification on the recording of deferred tax assets on unrealised losses upon occurrence of determined circumstances and the estimate of taxable income for future financial years. Amendments are applicable as of January 1, 2017 but early application is allowed.
  The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company's financial statements.

- On January 29, 2016, IASB published the document **"Disclosure Initiative (Amendments to IAS 7)"**, which contains amendments to the international accounting standard IAS 7. The document aims at supplying some clarification to improve information on financial liabilities. In particular, amendments require to supply disclosures that allow users of the financial statements to understand changes in liabilities resulting from lending transactions, including changes resulting from monetary movements and changes resulting from non-monetary movements. The amendments do not envisage a specific format to be used for disclosures. However, the amendments introduced require that an entity should provide for a reconciliation between opening balance and closing balance for liabilities resulting from lending transactions. Amendments are applicable as from January 1, 2017 but early application is allowed. Comparative information related to previous years is not required.
  The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company's financial statements.

- On June 20, 2016, IASB published the document **"Classification and measurement of share-based payment transactions (Amendments to IFRS 2)"**, which contains amendments to the international accounting standard IFRS 2. Amendments supply some clarification in relation to accounting of the effects of vesting conditions, in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of amendments to terms and conditions of a share-based payment, which modify the classification from cash-settled to equity-settled. Amendments are applicable as from January 1, 2018 but early application is allowed.
  The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company's financial statements.

- On December 8, 2016, IASB published the document **"Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)"**. This interpretation aims at supplying guidelines from transactions carried out in a foreign currency, where non-monetary advances and payments on account are recognised in the financial statements before the recognition of the related assets, costs or revenue. This document gives indication on how the entity should determine the date of a transaction and therefore the spot exchange rate to be used when transactions in foreign currency are carried out, in which the payment is made or received in advance.
  The interpretation clarifies that the transaction date is the earlier between:
  a) the date in which the advanced payment or the payment on account received are recorded in the entity's financial statements; and
  b) the date in which the assets, the cost or the revenue (or part of the same) is recorded in the financial statements (with consequent reverse of the advanced payment or the payment on account received).
  In the event of a number of advances or payments on account received, a transaction date must be identified for each of these transactions. IFRIC 22 is applicable as of January 1, 2018 but early application is allowed. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company's financial statements.

- On December 8, 2016, IASB published the document **"Transfers of Investment Property (Amendments to IAS 40)"**, which contains some amendments to the international accounting standard IAS 40. These amendments clarify transfers of investment property to, or from investment property. In particular, an entity should reclassify a property under, or from item Investment Property only when there is evidence that a change in use of the property occurred. A change in use must be related to a specific event occurred and shall not be limited to a change in the management's intentions of an entity for the use of a property. These amendments are applicable as from January 1, 2018 but early application is allowed.
  Directors deem that the adoption of these amendments will have no material impact on the Company financial statements.

- On September 11, 2014, the IASB published an amendment to **IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**. The document was published for the purposes of resolving the current conflict between IAS 28 and IFRS 10.
  In accordance with the provisions of IAS 28, the profit or loss resulting from the transfer or conferment of a non-monetary asset to a joint venture or associate company in exchange for a share capital quota of the latter is limited to the quota retained in the joint venture or associate by other investors which are external to the transaction. On the contrary, the standard IFRS 10 provides for the booking of the entire profit or loss in the case of loss of control of a subsidiary, even if the entity continues to retain a non-controlling quota and including in this case even the transfer or conferment of a subsidiary company to a joint venture or associate. The amendments introduced envisage that in the sale or transfer of an asset or a subsidiary company to a joint venture or associated company, the measurement of a profit or loss to be recognised in the financial statements of the transferring /receiving company will depend on whether the assets or the subsidiary sold or transferred represent a business, as envisaged by IFRS 3. If the assets or subsidiary company sold or transferred represent a business, the entity shall recognise the profit or loss on the entire portion previously held. Conversely, the portion of profit or loss, related to the interests which is still held by the entity, should be derecognised. At the moment, the IASB has suspended the application of this amendment.
  The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company's financial statements.

3.30 SEASONALITY OF COMPANY OPERATIONS

The activities of the Company are not subject to seasonality.

A) Non-current assets

4 Property, plant and equipment

(in Euros)

Description	31.12.2016	31.12.2015	Change
Property, plant and equipment	15,371,689	21,062,786	(5,691,096)

The changes in property, plant and equipment in the year were as follows:

(in Euros)

Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in progress	Leasehold improvement	Total
Balance as of 01.01.2015	**8,442,604**	**3,595,884**	**8,122,802**	**1,879,224**	**0**	**677,749**	**22,718,264**
Increase	14,000	607,807	3,143,963	353,383	0	0	4,119,154
Decrease	0	(31,189)	(1,119,255)	(54,844)	0	(149)	(1,205,437)
Decrease of acc. depreciation	0	31,189	1,110,733	54,844	0	149	1,196,915
Depreciation	(295,754)	(716,970)	(4,168,485)	(445,314)	0	(139,587)	(5,766,109)
Balance as of 31.12.2015	**8,160,850**	**3,486,722**	**7,089,758**	**1,787,294**	**0**	**538,162**	**21,062,786**
Increase	54,829	742,977	3,155,524	393,200	0	0	4,346,531
Decrease	0	(895,023)	(50,145,176)	(61,135)	0	(265,713)	(51,367,048)
Decrease of acc. depreciation	0	751,100	45,114,102	59,782	0	263,617	46,188,602
Depreciation	(297,343)	(744,760)	(3,221,172)	(467,176)	0	(128,731)	(4,859,181)
Balance as of 31.12.2016	**7,918,336**	**3,341,016**	**1,993,037**	**1,711,965**	**0**	**407,335**	**15,371,689**

All property, plant and equipment are operational and effectively utilised in company operations and no obsolete assets of significant value or requiring replacement in the short-term, which were not depreciated exist.

The increases are due to purchases of goods made in 2016:

- the increase in “Plant and machinery”, equal to Euro 743 thousand, relates to the installation of new air conditioning and cooling systems in the Data Centres in some offices of the Company;
- the increase in “Industrial and commercial equipment”, equal to Euro 3,156 thousand, mainly relates to the purchase of hardware for in-house use;
- the increase in “Other assets”, amounting to Euro 393 thousand, refers to the purchase of furniture and fittings;

Decreases, less the related accumulated depreciation, are due to the transfer of the MO business unit (Euro 5,156 thousand) in the subsidiary Engineering.mo S.p.A..

5 Intangible assets

(in Euros)

Description	31.12.2016	31.12.2015	Change
Intangible assets	8,155,440	12,138,217	(3,982,777)

The changes in intangible assets are detailed as follows:

(in Euros)

Description	Development costs	Industrial patents and intellectual property	Concessions, licences and trademarks	Assets in progress	Other assets	Total
Balance as of 01.01.2015	**0**	**7,861,344**	**0**	**829,394**	**5,752,292**	**14,443,030**
Increase	1,036,625	1,442,506	0	224,255	0	2,703,386
Amortisation	(74,653)	(2,375,307)	0	0	(2,558,240)	(5,008,199)
Balance as of 31.12.2015	**961,971**	**6,928,544**	**0**	**1,053,649**	**3,194,052**	**12,138,217**
Increase	1,408,831	1,300,347	0	1,435,981	0	4,145,159
Decrease	0	(18,784,352)	(520)	(1,580,323)	(658,904)	(21,024,099)
Decrease of acc. amortisation	0	18,125,816	520	0	593,734	18,720,070
Amortisation	(422,670)	(2,891,626)	0	0	(2,509,610)	(5,823,906)
Balance as of 31.12.2016	**1,948,133**	**4,678,728**	**0**	**909,307**	**619,272**	**8,155,440**

Intangible assets increased by Euro 4,145 thousand, broken down as follows:

- the item "Development costs", equal to Euro 1,409 thousand, related to two internally developed products included in the finance area: one is aimed at rendering the Governance, Risk and Compliance of Engineering (GRACE) platform accessible to customers in Cloud and integrated with SpagoBD, and the other is targeted to support the financial bodies in fulfilling the new Basel III regulation of the Basel Committee. The development of these products was concluded in May 2016 and as from June 2016 they are in use and will be amortised over a period of three years.
- the item "Industrial patents and intellectual property" increased by Euro 1,300 thousand, for the purchase of software programmes;
- the item "Assets in progress" reported a net increase of Euro 909 thousand for in-house investments connected with the new Cloud platform. The decrease are due, in the amount of Euro 1,409 thousand, to the capitalisation of products included in the finance area, as better specified in item "Development costs" and, in the amount of Euro 171 thousand, to the transfer of assets in progress to the subsidiary Engineering.mo S.p.A..

Decreases in item "Industrial patents and intellectual property" and "Other assets", less the related accumulated amortisation, are due to the transfer of the MO business unit (Euro 724 thousand) to the subsidiary Engineering.mo S.p.A..

The average residual amortisation period is as follows:

(in Euros)

Description	Amortisation, remaining years	Remaining Amount
Development costs	3	1,948,133
Total development costs		1,948,133
Industrial patents and intellectual property	5	4,678,728
Total industrial patents and intellectual property		**4,678,728**
Other assets	1	619,272
Total other assets		**619,272**
Total Intangible assets		**7,246,133**

6 Goodwill

(in Euros)

Description	31.12.2016	31.12.2015	Change
Goodwill	44,648,341	43,648,341	1,000,000

Goodwill is allocated to Cash Generating Units that benefit from synergies resulting from the acquisition, which generated the goodwill itself.

The balance of the account "Goodwill" is allocated to the various sectors of the Company:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Goodwill Finance	21,603,000	21,603,000	0
Goodwill Public Administration	2,169,000	2,169,000	0
Goodwill Industry & Services	1,000,000		1,000,000
Goodwill Telco & Media	6,833,340	6,833,340	0
Goodwill Energy & Utilities	13,043,000	13,043,000	0
Total	**44,648,341**	**43,648,341**	**1,000,000**

The change of Euro 1 million refers to the goodwill of CDN Consulting business unit, purchased in 2014, by the subsidiary Engineering Excellence Center S.r.l., which, in April 1, 2016, was in its turn acquired by Engineering Ingegneria Informatica S.p.A. by effect of the transfer of the business unit carried out by the subsidiary.

The value of goodwill as of December 31, 2016, recorded in the Statement of Financial Position, amounted to Euro 44,648,341, and tested for impairment, as set out by IAS 36 and IFRS 3.

Based on the tests carried out according to the methods described above and according to special modalities described hereunder, the aggregate value of the goodwill tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows.

There is no evidence at the present date for the Company to proceed with any write-down.

The goodwill was tested at individual CGU level, identifying these as independent Cash Generating Units.

As to the definition of CGU, in line with 2014, reference is made to:

- characteristics of the business;
- the operating regulations and market rules for each CGU;
- the technical and management organisation and structure;
- management reporting monitoring criteria and instruments.

It should be noted, if still necessary, that the recoverable value of the CGUs was prudently estimated and in compliance with the relevant accounting standard and in line with IFRS measurement practices.

For the identification of the recoverable value – the "value in use" of the CGU – obtained through discounting, of the cash flows (DCF Model) extrapolated from the four year business plans drawn up by the Management of the divisions and approved by the Board of Directors, the following elements were considered:

a) estimates of future cash flows generated by the entity;
b) expected possible changes in these cash flows in terms of the amount and time periods;
c) cost of money, comprising the current market risk-free rate of interest;
d) cost to assume the risk related to implicit uncertainty in the management of the CGU;
e) other risk factors concerning the operations of a specific market and changes over time.

The parameters utilised for discounting the cash flows and the Terminal Value under the DCF model illustrated above were as follows:

• Risk free rate equal to the gross yield of BTP 5 years sold on January 30 and 31, 2017 > 0.92%;
• Risk premium equal to market Equity Risk Premium > 6.25%;
• Debt cost, equal to the average indebtedness cost (long and short term) of the Group > 0.57%;
• Beta unlevered equal to 1;
• LTG, equal to 0.5%;
for a WACC with a prevalence of 7.17%.

Expected future cash flows include a Terminal Value used to estimate future results after the explicitly considered timing. The impact related to the Terminal Value was in any case limited to 70% maximum of the total amount of discounted free cash flows and of the Terminal Value itself.

7 Investments

(in Euros)

Description	31.12.2016	31.12.2015	Change
Equity investments	54,230,612	28,750,520	25,480,091

The following table show changes occurred over the year:

CHANGES IN INVESTMENTS

(in Euros)

Investments	Value as of 31.12.2015	Increase	Decrease	Write-downs	Value as of 31.12.2016
In subsidiary companies	28,631,197	25,683,613	(203,522)		54,111,289
In associated companies	119,323				119,323
Total	**28,750,520**			-	**54,230,612**

a) Subsidiaries

(in Euros)

	Value as of 31.12.2015	Increase	Decrease	Write-downs	Value as of 31.12.2016
Municipia S.p.A.	10,000,000	3,000,000			13,000,000
OverIT S.p.A.	1,297,893				1,297,893
Nexen S.r.l.	3,647,533				3,647,533
Engineering International Inc.	7				7
Engineering do Brasil S.A.	6,455,973	9,159,034			15,615,006
Engineering.mo S.p.A.	1	1,000,000			1,000,001
MHT S.r.l.	4,264,252	1,237,214			5,501,466
Engineering Excellence Center S.r.l.	200,000		(200,000)		
WebResults S.r.l.	1,530,000	600,000			2,130,000
EngNor AS	3,522		(3,522)		
Engineering ITS AG		9,533,666			9,533,666
Engineering Ingegneria Informatica Spain S.L.		3,000			3,000
Engineering International Belgium S.A.	61,500				61,500
Engiweb Security S.r.l.	1,150,000				1,150,000
Engineering Sardegna S.r.l.	20,000				20,000
Engi da Argentina S.A.	517	1,150,699			1,151,216
Sicilia e-Servizi Venture S.c.r.l.	0				0
Total	**28,631,197**	**25,683,613**	**(203,522)**		**54,111,289**

- The increase, equal to Euro 3,000 thousand, in Municipia S.p.A., refers to the subscription of the capital increase. As from January 1, 2017, Engineering Ingegneria Informatica S.p.A. will transfer the business unit, related to services rendered to Municipalities managed by the PAL division, to the subsidiary;
- the increase in Engineering do Brasil S.A., equal to Euro 9,159 thousand, is due to the acquisition of Metalma shares, in the amount of Euro 6,186 thousand, and to the capital increase of Euro 2,973 thousand. Through the above-mentioned transactions, the company is now 100% directly controlled;
- the increase in Engineering.mo S.p.A., equal to Euro 1,000 thousand, is due to the capital increase, through transfer of the MO business unit. The above-mentioned transaction took place on October, 1, 2016;
- as regards MHT S.r.l., the increase of Euro 1,237 thousand is due to the acquisition of further 15%. The company is now wholly owned;
- as regards WebResults S.r.l., the increase of Euro 600 thousand is due to the acquisition of further 20%. Through this transaction, the company is 71% owned;
- the amount of Euro 9,534 thousand is the aggregate cost of the transaction concluded in Germany in the second half of the year. ITS Holding AG, owned by Engineering Ingegneria Informatica S.p.A. at 51% and by F-NET AG at 49%, wholly owns other two German companies: “DST Consulting GmbH” and “EMDS GmbH”;
- the amount of Euro 3 thousand refers to the formation costs of Engineering Ingegneria Informatica S.L., a wholly owned company;
- the increase of Euro 1,151 thousand is related to the capital increase of the company Engi da Argentina S.A., with an equity investment of 91.37%. The remaining shareholding is owned by Engineering do Brasil S.A..

The decrease of Euro 204 thousand refers to the cancellation of two investments, sold in December 2016:

- Engineering Excellence Center S.r.l., amounting to Euro 200 thousand;
- EngNor AS amounting to Euro 4 thousand.

International accounting standards, and IAS 36 in particular, establish the rules that an entity must follow to ensure that its assets are recognised at a value not greater than their recoverable value.
Firstly, it is necessary to establish, at the end of each year, whether indications exist to suggest that an asset may have undergone impairment. If such indications exist, the entity must estimate the recoverable value of the asset.

The indications that may suggest that an asset has undergone impairment are:

1. from internal sources (for example, obsolescence or physical deterioration of an asset);
2. from external sources to the entity (for example, significant decrease in the market value of the asset, changes in the technological, market, economic or regulatory environment in which the company operates or in the market in which it carries out operations).

It is should be noted that, due to the occurrence of a negative difference between the pro rata Shareholders' Equity and the corresponding carrying amount of MHT S.r.l. Engineering do Brasil S.A. and Engi da Argentina S.A., the Company performed impairment tests on the value of these equity investments. The identification of the Enterprise value (from which the Net Financial Position was added to determine the Equity Value of the related companies) was obtained through discounting the cash flows (DCF Model) extrapolated from the four year business plans drawn up by the Management.

Moreover, in the Impairment Test the following parameters were taken into account:
• Risk free rate equal to the gross yield of BTP 5 years sold on January 30 and 31, 2017 > 0.92%;
• Risk premium equal to market Equity Risk Premium > 6.25%;
• Cost of debt equal to the average debt (long and short-term) >;
  - 2.59% for MHT;
  - 0.57% for Engi da Argentina S.A.;
  - 5% for Engineering do Brasil S.A..
• Beta unlevered equal to 1;
• LTG, equal to 0.5%.
As well as a WACC of 7.07% for MHT, 7.17% for Engi da Argentina and 7.33% for Engineering do Brasil S.A..

Based on test performed, consistently with provisions set out by IAS 36, the value of the equity investments in question was deemed as adequately supported in terms of expected economic results and related cash flows.

It is worth noting that, consistently with the previous year and following the partial write-down of receivables from the Sicilian Region - as specified more in detail in paragraph Receivables from subsidiaries - Sicilia e-Servizi Venture S.c.r.l., in liquidation, reported a deficit equity equal to Euro 8,902 thousand. To this purpose, this year also, the portion of credit standing to the subsidiary, equal to Euro 4,987 thousand, was partially written-down, taking into account its interests (65%).

With respect to the negative difference between Shareholders' Equity and the cost related to the equity investment in WebResults S.r.l., the latter should be evaluated while considering that the Company was acquired in the previous year for a controlling quota of 51%, and the related differential is supported by the value of contract portfolio owned by WebResults S.r.l., which was assessed by an independent expert. The positive outcome for the year, at both operating level and net result level, should be also taken into account.

Investments in subsidiaries are detailed as follows:

(in Euros)

	City	Assets	Liabilities	Share Capital	Shareholders' Equity	Revenues	Net profit/ (loss)	Value as of 31.12.2016	%
Engineering Sardegna S.r.l.	Cagliari	1,044,245	1,252,026	20,000	(207,781)	44,621	(227,781)	20,000	+100
Municipia S.p.A.	Trento	58,525,825	40,281,918	13,000,000	18,243,907	33,527,339	(249,130)	13,000,000	+100
Engiweb Security S.r.l.	Trento	13,974,389	11,142,526	50,000	2,831,863	22,832,667	1,637,009	1,150,000	+100
Nexen S.p.A.	Padua	8,042,100	2,092,463	1,500,000	5,949,637	4,912,062	632,314	3,647,533	+100
OverIT S.p.A.	Fiume V. (PN)	26,308,401	13,329,927	300,000	12,978,474	27,356,051	2,656,146	1,297,893	+95
Sicilia e-Servizi Venture S.c.r.l.	Palermo	98,383,280	107,285,599	300,000	(8,902,319)	1,051,103	(1,228,690)		+65
Engineering do Brasil S.A.	Sao Paulo (Brazil)	47,842,145	35,969,404	10,495,852	11,872,741	39,059,179	615,033	15,615,006	+100
Engineering International Belgium S.A.	Brussels	3,899,385	3,376,897	61,500	522,488	8,337,172	76,101	61,500	+100
Engineering International Inc.	Delaware (USA)	1,119,621	692,751	9	426,870	693,024	(59,066)	7	+100
Engineering.mo S.p.A.	Pont-Saint-Martin	92,689,072	62,386,153	2,000,000	30,302,919	55,061,816	889,025	1,000,001	+100
Engi da Argentina S.A.	Buenos Aires	3,857,429	3,433,135	1,263,932	424,295	3,944,670	(583,619)	1,151,216	+91
MHT S.r.l.	Lancenigo (TV)	9,609,697	6,334,200	52,000	3,275,498	13,145,022	(135,490)	5,501,466	+100
Engineering Excellence Center S.r.l.	Rome					651,718	285,828		+100
WebResults S.r.l.	Treviolo (BG)	3,208,329	2,073,526	10,000	1,134,803	5,366,274	243,874	2,130,000	+71
EngNor AS	Oslo			3,302	(0)	119,380	(21,405)		+100
Engineering ITS AG	Berlin	20,557,414	1,410,226	50,000	19,147,188	35,128	458,724	9,533,666	+51
Engineering Ingegneria Informatica Spain S.L.	Madrid	25,224	25,813	3,000	(589)		(3,589)	3,000	+100

Note: liquidated during the year: Engineering Excellence Center S.r.l. and EngNor AS.

(in Euros)

	City	Assets	Liabilities	Share Capital	Shareholders' Equity	Revenues	Net profit/ (loss)	Value as of 31.12.2015	%
Engineering Sardegna S.r.l.	Cagliari	1,370,371	1,574,076	20,000	(203,705)	758,788	(237,784)	20,000	+100
Municipia S.p.A.	Trento	45,367,954	29,806,631	10,000,000	15,561,322	29,690,203	501,418	10,000,000	+100
Engiweb Security S.r.l.	Trento	8,894,943	7,592,598	50,000	1,302,345	9,695,462	660,469	1,150,000	+100
Nexen S.p.A.	Padua	8,103,649	2,766,124	1,500,000	5,337,525	6,383,685	700,765	3,647,533	+100
OverIT S.p.A.	Fiume V. (PN)	21,165,437	10,802,033	300,000	10,363,404	23,059,852	1,484,462	1,297,893	+95
Sicilia e-Servizi Venture S.c.r.l.	Palermo	98,868,954	106,542,583	300,000	(7,673,629)	914,464	(9,430,689)		+65
Engineering do Brasil S.A.	Sao Paulo (Brazil)	38,932,067	29,285,161	5,985,115	9,646,906	50,992,849	(590,309)	6,455,973	+75
Engineering International Belgium S.A.	Brussels	5,209,958	4,763,571	61,500	446,387	10,267,385	(878,518)	61,500	+100
Engineering International Inc.	Delaware (USA)	2,653,590	2,180,232	9	473,358	1,588,958	63,595	7	+100
Engineering.mo S.p.A.	Pont-Saint-Martin	56,180,286	27,186,051	1,000,000	28,994,235	32,125,331	(1,225,868)	1	+100
Engi da Argentina S.A.	Buenos Aires	7,463,217	7,780,685	3,547	(317,468)	4,223,064	(492,362)	517	+78
MHT S.r.l.	Lancenigo (TV)	9,126,650	5,657,521	52,000	3,469,128	13,731,143	1,056,157	4,264,252	+85
Engineering Excellence Center S.r.l.	Rome	2,470,954	2,454,018	10,000	16,936	2,347,838	(8,851)	200,000	+100
WebResults S.r.l.	Treviolo (BG)	2,286,775	1,368,094	10,000	918,681	3,810,505	386,241	1,530,000	+51
EngNor AS	Oslo	616,655	605,852	3,124	10,804	673,834	8,240	3,522	+100

c) Associated companies

(in Euros)

	Value as of 31.12.2015	Increase	Decrease	Write-downs	Value as of 31.12.2016
CENTO-6 Società Consortile a r.l.	5,000				5,000
Si Lab – Calabria S.c.a.r.l.	7,200				7,200
Si Lab – Sicilia S.c.a.r.l.	3,525				3,525
Consorzio Sirio	78,598				78,598
Consorzio Sanimed Group	3,000				3,000
Consorzio Engbas in liquidation	22,000				22,000
Total	**119,323**				**119,323**

Associated companies remained unchanged compared to December 31, 2015.

Investments in associated companies are as follows:

(in Euros)

	City	Assets	Liabilities	Share Capital	Shareholders' Equity	Revenues	Net profit/ (loss)	Value as of 31.12.2016	%
Consorzio Engbas in liquidation	Florence	46,810	5,687	50,000	41,123	6	(2,915)	22,000	+50
CENTO-6 Società consortile a.r.l.	Milan	14,424	1,040	20,000	13,384		(518)	5,000	+25
Si Lab – Calabria S.c.a.r.l.	Rende	97,162	85,193	30,000	11,969	38,515	(8,350)	7,200	+24
Consorzio Sirio	Palermo	134,187	122,513	5,000	11,674	16,281	(48,936)	78,598	+49
Si Lab – Sicilia S.c.a.r.l.	Palermo	33,997	2,687	30,000	31,310	13,521	1,131	3,525	+24
Consorzio Sanimed Group	Terni							3,000	+25

(in Euros)

	City	Assets	Liabilities	Share Capital	Shareholders' Equity	Revenues	Net profit/ (loss)	Value as of 31.12.2015	%
Consorzio Engbas in liquidation	Florence	46,301	2,262	50,000	44,038		(5,375)	22,000	+50
CENTO-6 Società Consortile a.r.l.	Milan	13,970	68	20,000	13,902	10,000	8,693	5,000	+25
Si Lab – Calabria S.c.a.r.l.	Rende	25,297	4,978	30,000	20,319	1	(6,717)	7,200	+24
Consorzio Sirio	Palermo	384,868	214,976	5,000	169,892	106,802	15,244	78,598	+49
Si Lab – Sicilia S.c.a.r.l.	Palermo	31,244	1,065	30,000	30,179	10,400	179	3,525	+24
Consorzio Sanimed Group	Terni							3,000	+25

Note: The figures refer to the latest approved financial statements.

d) Companies under indirect control

(in Euros)

	City	Assets	Liabilities	Share Capital	Shareholders' Equity	Revenues	Net profit/ (loss)	%
MHT Balkan d.o.o.	Beograd (SRB)	233,852	49,990	3,663	183,863	484,161	11,388	+100
Engineering Luxembourg S.à.r.l.	Luxembourg	177,322	229,191	12,500	(51,869)	399,955	(53,254)	+100
DST Consulting GmbH	Dusseldorf	7,155,537	4,343,621	25,000	2,811,915	12,174,318		+51
EMDS GmbH	Stuttgart	1,361,823	750,871	300,000	610,952	2,235,900		+51
Sidion GmbH	Stuttgart	24,263		25,000	24,263		(737)	+51

8 Deferred tax assets

(in Euros)

Description	31.12.2016	31.12.2015	Change
Deferred tax assets	15,113,732	12,346,874	2,766,858

The calculation of deferred tax assets was carried out through critically evaluating the existence of future recoverability requisites of these assets. They are calculated at the current rates (24% for IRES and based on regional rates for IRAP) and recorded in the entries shown in the table hereunder.

(in Euros)

Description	31.12.2016		31.12.2015	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Prov. employee bonus	2,260,079	542,419	2,070,838	497,001
IAS amortisations	1,627,724	390,654	3,664,735	1,007,802
Goodwill			5,341	1,677
Directors' fees	1,147,742	275,458	854,695	235,041
Doubtful debt provision	23,000,371	5,520,089	23,000,371	6,325,102
Provisions for risks	7,855,987	2,191,821	6,213,246	1,941,155
Leaving incentives	15,706,045	3,769,451	1,294,644	356,027
Adjustments for IFRS IAS 19	10,068,470	2,416,433	7,317,604	1,756,225
Other	30,868	7,408	824,886	226,844
Total	**61,697,287**	**15,113,732**	**45,246,360**	**12,346,874**

Changes in deferred tax assets are detailed below:

(in Euros)

Description	
Balance as of 01.01.2015	**13,745,912**
Increase	2,269,182
Decrease	(3,668,220)
Balance as of 31.12.2015	**12,346,874**
Increase	5,557,342
Decrease	(2,790,484)
Balance as of 31.12.2016	**15,113,732**

The increase for the year refers mainly to the allocation related to the reorganisation and restructuring, which envisage the leave of managers and white-collar staff while benefiting from the early leave incentive schemes envisaged by the pension reform as per the 2017 Stability Law.

9 Other non-current assets

(in Euros)

Description	31.12.2016	31.12.2015	Change
Other non-current assets	1,466,457	711,433	755,024

The balances are comprised of:

(in Euros)

Description	31.12.2016	31.12.2015	Change
In other companies	1,141,831	385,487	756,344
Non-current financial assets	324,626	325,946	(1,321)
Total	**1,466,457**	**711,433**	**755,024**

a) Investments in other companies

The investments in other companies are shown in the following table:

(in Euros)

Equity investments in other companies	Value as of 31.12.2015	Increase	Decrease	Write-downs	Value as of 31.12.2016
Banca Popolare di Credito e Servizi	7,747				7,747
Comitato Prom. Banca Dell'Urbe	6,197				6,197
Banca Credito Cooperativo Roma	1,033				1,033
Terzo Millennio S.r.l.	1,033				1,033
Consorzio Foodnet	700				700
Global Riviera	1,314				1,314
Tecnoalimenti S.c.p.a.	65,832				65,832
Dhitech Distretto Tecnologico High-Tech S.c.a.r.l.	36,314				36,314
Distretto Tecnol. Micro e Nanosistemi S.c.r.l.	34,683				34,683
Wimatica S.c.a.r.l. (Da Esel)	6,000				6,000
Consorzio Cefriel	43,512	72,084			115,595
Consorzio Abi Lab	1,000				1,000
Consorzio Co.Di.Log	1,000				1,000
Partecipazione Ce.R.T.A.	360				360
Consorzio Arechi Ricerca	5,000				5,000
Consorzio Health Innovation Hub	3,000				3,000
Ehealthnet S.c.a.r.l.	10,800				10,800
Distretto Ligure Delle Tecnologie Marine S.c.a.r.l.	20,000		(20,000)		
Distretto Tecnologico Campania Bioscience S.c.a.r.l.	20,000				20,000
CAF ITALIA 2000 S.r.l	260				260
M2Q S.c.a.r.l.	3,000				3,000
sedApta S.r.l.		750,000			750,000
Seta S.r.l.	82,192				82,192
Consorzio Heath Innovation Hub				(3,000)	(3,000)
Consorzio Co.Di.Log				(1,000)	(1,000)
Terzo Millennio S.r.l.				(1,033)	(1,033)
Comitato Prom. Banca dell'Urbe				(6,197)	(6,197)
Gene. S.I. S.c.r.l.	396			(396)	
Consorzio E.O.S.	2,000			(2,000)	
S.I.R.E. S.p.A.	15,000			(15,000)	
Consorzio B.R.A.I.N.	4,500			(4,500)	
EIT ICT LAbs Trento	2,000			(2,000)	
Equity investment Cons. Cuea	7,747			(7,747)	
Equity investment Cons. Appel	1,033			(1,033)	
Equity investment Cf Pro (AO)	1,833			(1,833)	
Total	**385,487**	**822,084**	**(20,000)**	**(45,740)**	**1,141,831**

The assessment carried out highlighted adjustments that led to write-downs and write-up shown in the table.

b) Non-current financial assets

(in Euros)

Description	31.12.2016	31.12.2015	Change
Security deposits	324,626	325,946	(1,321)
Total	**324,626**	**325,946**	**(1,321)**

C) Current assets

10 Inventories

(in Euros)

Description	31.12.2016	31.12.2015	Change
Inventories	42,035	90,158	(48,124)

Inventories refer to user licences for software products purchased and held for resale to customers.

11 Construction contracts

(in Euros)

Description	31.12.2016	31.12.2015	Change
Construction contracts	118,215,205	101,921,151	16,294,053

The composition of construction contracts and related changes is shown below:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Opening construction contracts	101,921,151	101,978,421	(57,270)
Adjustments and changes in work in progress	(171,523)	(208,606)	37,083
Costs incurred plus profits booked according to percentage completion net of losses	311,372,812	289,149,645	22,223,167
Invoicing progress of work	(294,907,235)	(288,998,309)	(5,908,926)
Total	**118,215,205**	**101,921,151**	**16,294,054**

Construction contracts concern projects in the course of completion based on long-term contracts. They include adjustments on projects for which critical issues emerged as regards possible realisable value. Changes in item "Adjustments and changes in work in progress" also include sales made with the transfer of the MO business unit, in the amount of Euro -595 thousand. Without this amount, the item would have recorded the amount of Euro 423 thousand.

12 Trade receivables

(in Euros)

Description	31.12.2016	31.12.2015	Change
Trade receivables	450,644,368	464,072,400	(13,428,033)

Trade receivables as of December 31, 2016 are as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Customers	332,257,584	361,876,184	(29,618,600)
Subsidiaries	113,048,318	95,732,582	17,315,736
Others	5,338,466	6,463,634	(1,125,168)
Total	**450,644,368**	**464,072,400**	**(13,428,033)**

a) Customers

(in Euros)

Description	31.12.2016	31.12.2015	Change
Receivables on invoices issued	294,180,320	322,638,854	(28,458,534)
of which overdue	115,471,066	121,376,026	(5,904,960)
Invoices to be issued	60,519,701	62,597,921	(2,078,220)
Credit notes to be issued	(237,401)	(293,474)	56,073
Doubtful debt provision	(21,305,215)	(21,694,681)	389,466
Provision for interest in arrears	(899,821)	(1,372,436)	472,615
Total	**332,257,584**	**361,876,184**	**(29,618,600)**

Receivables from customers, net of the doubtful debt provision (Euro 22,205 thousand), amounted to Euro 332,258 thousand.

The doubtful debt provision was utilised, in the amount of Euro 493 thousand, as a result of the settlement of some legal disputes whose risks had been allocated in previous years, while it was increased by Euro 104 thousand in order to adjust the provision to the estimated realisable value of receivables.

Overdue receivables by sector are shown in the following table:

(in Euros)

Description	Days falling due					Total as of 31.12.2016
	30	60	90	120	oltre 120	
Public Administration	5,032,612	3,290,215	1,424,508	2,491,184	27,611,057	39,849,577
Finance	6,762,904	1,959,640	1,295,891	179,430	3,521,523	13,719,387
Industry & Services	12,848,072	4,352,724	2,165,455	1,931,885	12,262,015	33,560,150
Telco & Utilities	14,086,301	3,731,332	1,198,379	865,197	8,460,742	28,341,951
Total	**38,729,889**	**13,333,911**	**6,084,233**	**5,467,696**	**51,855,337**	**115,471,066**

(in Euros)

Description	Days falling due					Total as of 31.12.2015
	30	60	90	120	oltre 120	
Public Administration	9,443,642	5,561,869	4,064,286	4,021,650	37,292,163	60,383,612
Finance	3,416,363	2,554,919	1,291,980	711,554	2,611,545	10,586,362
Industry & Services	13,691,740	4,983,665	532,031	352,783	10,983,302	30,543,522
Telco & Utilities	7,008,682	3,463,578	2,099,925	1,808,816	5,481,530	19,862,530
Total	**33,560,428**	**16,564,032**	**7,988,222**	**6,894,803**	**56,368,540**	**121,376,026**

Receivables due for overdue invoices show a good collection with a decrease in overdue amounts of around Euro six million, compared to the previous year.
If receivables are analysed by segment, it can be noted that the most considerations come from Public Administration, which showed a clear improvement in relation to overdue amounts that decreased by around Euro 20 million, especially receivables overdue by more than 120 days.

The overdue amounts in the “Finance” and “Telco & Utilities” segments show an aggregate increase, mainly connected to higher invoicing made in December, which resulted in an increase of invoices overdue by more than thirty days.

As regards the “Industry & Services” segment, the increase related instead to amounts overdue by more than 90 days, especially those overdue by more than 120 days.

However, it is believed that there could be insolvency risks only for the already known receivables, for which special provisions have already been allocated.

b) Subsidiaries

These receivables refer to the following:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Receivables on invoices issued	65,839,349	68,170,955	(2,331,606)
Invoices to be issued	21,802,315	21,336,143	466,172
Cash Pooling	11,094,905	6,808,967	4,285,938
Doubtful debt provision	(5,786,508)	(4,987,859)	(798,649)
Credit notes to be issued	(30,903)	(26,666)	(4,236)
Loans receivable	19,620,000	4,159,979	15,460,021
Others	509,160	271,063	238,097
Total	**113,048,318**	**95,732,582**	**17,315,736**

For further details on receivables from subsidiaries reference should be made to paragraph 43 of the present notes “Transactions with related parties”, where a list of subsidiaries and related receivables by type and amount is included.

Receivables as of December 31, 2016 from the company Sicilia e-Servizi Venture S.c.r.l., in liquidation, equal to Euro 61,791,174 (net of the doubtful debt provision), including Euro 8,894,276 for construction contracts, were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia e-Servizi S.p.A. and Sicilia e-Servizi Venture S.c.r.l. in liquidation (“SISEV”) on May 21, 2007 and expired on December 22, 2013.
The doubtful debt provision, established by Engineering Ingegneria Informatica S.p.A. during the previous year, was adjusted according to the deficit equity reported by the company SISEV, in liquidation, and after partially writing-down its receivables from Sicilia e-Servizi S.p.A., as better specified below.

In the mutual interest, on October 9, 2012, SISEV, the Sicilian Region and Sicilia e-Servizi S.p.A. signed an “Agreement” which regulated the repayment of SISEV receivables, indicating the final repayment date on December 31, 2013. Moreover, this agreement outlined that the Sicilian Region was undertaking to carry out controls and provide Sicilia e-Servizi S.p.A. with all the technical and economic means, so as the latter would have been able to correctly fulfil its obligations, and envisaged that, while executing the agreement, such obligations would have been undertaken by SISEV. Sicilia e-Servizi S.p.A. and the Sicilian Region fulfilled their obligations only partially as to the receivable refunding plan, as envisaged by the agreement, although no objections were arisen with respect to the correct performance of services rendered.

Given the non payments of Sicilia e-Servizi S.p.A., on June 26, 2013, SISEV filed a petition for an order of payment before the Court of Palermo against Sicilia e-Servizi S.p.A., and obtained the payment order for Euro 30,051,530.90 (in addition to interests, expenses and remunerations, VAT and CPA), for which, however, no execution order was given. Sicilia e-Servizi therefore asked, and on October 2, 2013 obtained the provisional execution of the payment order for Euro 93,163,203 with respect to the Sicilian Region. Following the sale by SISEV of the entire shareholding to the Sicilian Region, Sicilia e-Servizi S.p.A. unjustifiably left the lawsuit started by the previous Director to obtain the payment of the aforesaid amount from the Sicilian Region.

Therefore, to safeguard its rights, on July 18, 2014 SISEV applied for a distraint order over all receivables from the Sicilian Region to Sicilia e-Servizi S.p.A., up to the entire amounts receivable accrued by the company. On November 10, 2014, the Court of Palermo rejected SISEV’s request while underlying that *“given that, besides Sicilia e-Servizi S.p.A., also the Sicilian Region (via its accountant general), an undoubtedly solvent entity, is directly committed with respect to Sicilia e-Servizi Venture S.c.r.l. - ...Omitted ... there is no urgency (periculum in mora) ...”*. In other words, the Judge reported no credit risk, while highlighting the “guarantor” role played by the Sicilian Region in favour of SISEV.
To this purpose, it should be noted that, as regards SISE’s judgement of opposition to the first order decree, deposited on September 3, 2013, obtained in the amount of around Euro 30,052 thousand, the Judge ordered an Office Technical Expertise aimed at evaluating, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the order of payment. On December 17, 2016, the Office Technical

Experts, designated for the assessment of the actual performance by Venture of services that are related to the invoicing object of the payment order, transmitted to the parties a first draft of the expertise where a total amount receivable of Euro 28,067,526.11 was assessed in favour of Venture. Therefore, almost the entire amount claimed in Court was assessed by experts (taking account that in the arrears some payments were received by Venture and today the receivables in question were equal to Euro 28,346,051.66). The final document drafted by technicians will be shortly lodged in Court, in reply to memorandums prepared by the parties.

Moreover, on February 18, 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of receivables (around Euro 79,675 thousand, including the works recognised in the financial statements to complete the amount already requested with an appeal for an order of payment) as the company deems, as already stated, that these amounts were correctly originated and are correctly payable, also pursuant to provisions contained in the trilateral agreement signed on October 9, 2012 by the Sicilian Region, Sicilia e-Servizi S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia e-Servizi S.p.A., appeared and filed objections including, but not limited to, the fact that the measure dated October 9, 2012 was invalid, the service contracts and related orders were null and void, Venture unfulfilled its know-how transfer obligations. The parties also filed a claim for damages for a total amount of Euro 95,643 thousand. These plaintiff's claims were objected at the first hearing of June 8, 2016. After filing the pre-trial briefs, the Judge reserved on the ruling of all claims submitted, including but not limited to, evidence by SISEV based on documents and expertises. On April 3, 2017, the Office Technical Experts, after an evaluation of papers from both parties, deposited the final version of the report, acknowledging SISEV receivables equal to 28,113,580.07.

With respect to the request expressed by the Sicilian Region, SISEV continued and still continues to render the services on a reduced basis and with the exclusive intent to avert the total interruption of the services to citizens, despite the Framework Convention has expired.

Within the aforesaid context, no specific critical issues or formal claims related to the correct execution of services and good quality of products delivered by SISEV were highlighted by Sicilia e-Servizi S.p.A. and/or the Sicilian Region. Moreover, the above-mentioned claims do not seem *prima facie* suited to stop the aggregate claims of SISEV. To date, it is therefore deemed that the defence of the summoned parties are not such to affect the evaluation on the collectability of receivables in favour of SISEV.

Given the correctness of credit lines and the correct execution of services, despite the favourable opinion of the legal advisers on the entire collectability of the receivables in question, within the above-mentioned context, after acknowledging, among other, the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement and therefore, in view of a legal dispute and of the objections filed in by SISE and the Sicilian Region, in its financial statements the subsidiary SISEV recognised the interest set out by law pertaining to the year (around Euro 7.7 million) in the income statement and under item Financial income, in addition to the amount already recognised until December 31, 2015 (for a total amount of around Euro 26.2 million) and allocated an amount of around Euro 8.7 million to the doubtful debt provision, in addition to the total amount of around Euro 36.8 million already allocated to the doubtful debt provision in the previous year. The latter included the total impairment of the aforesaid interest set out by law and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable, resulting from an estimate made after a careful evaluation of all information currently available.

c) Other

(in Euros)

Description	31.12.2016	31.12.2015	Change
Prepayments	1,121,020	943,631	177,389
Others	4,217,446	5,520,003	(1,302,557)
Total	**5,338,466**	**6,463,634**	**(1,125,168)**

Receivables due from others refer to costs accruing in the future and are mainly composed of rentals, insurance policies, software package maintenance costs, usage licenses.

13 Other current assets

(in Euros)

Description	31.12.2016	31.12.2015	Change
Other current assets	46,793,127	45,728,340	1,064,788

The other current assets are broken down as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Current financial assets	11,210,191	13,043,052	(1,832,862)
Others	35,582,937	32,685,287	2,897,649
Total	**46,793,127**	**45,728,340**	**1,064,788**

a) Current financial assets

Current financial assets are broken down as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Tax receivables	11,042,408	12,961,046	(1,918,638)
Social security institutions	167,782	82,006	85,776
Total	**11,210,191**	**13,043,052**	**(1,832,862)**

The tax receivables mainly relate:

- for Euro 7,597 thousand, to the request, lodged in 2012, for repayment of the higher IRES income tax paid on personnel not deducted for IRAP purposes in the period 2007-2011, based on Article 2, paragraph 1-*quater*, of Legislative Decree 201/2011;
- for Euro 917 thousand, to the residual prepayment of IRAP tax, after offsetting the provision for taxes calculated as of December 31, 2016;
- for Euro 2,200 thousand, to receivables for taxes paid abroad;
- for Euro 271 thousand, to receivables from the Inland Revenue Office for recoverable VAT.

Receivables from social security institutions are related to receivables to INAIL and INPS to be recovered in future years.

b) Others

The “Others” item includes:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Applied research grants	34,835,217	30,631,920	4,203,297
Prepaid expenses	4,076	399,325	(395,249)
Others	743,644	1,654,043	(910,399)
Total	**35,582,937**	**32,685,287**	**2,897,649**

Receivables for applied research grants are receivables yet to be paid relating to projects financed by national public authorities and by the European Union, and that show no risks of non-payment.

14 Cash and cash equivalents

(in Euros)

Description	31.12.2016	31.12.2015	Change
Cash and cash equivalents	297,770,328	161,742,442	136,027,886

The balance includes cash and cash equivalents and postal and bank current accounts. Bank and postal deposits are remunerated at interest rates in line with the market.

Cash and cash equivalents consist of the following:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Bank and postal deposits	297,756,559	161,729,188	136,027,371
Cash and cash equivalents	13,769	13,254	515
Total	**297,770,328**	**161,742,442**	**136,027,886**

Cash and cash equivalents include Euro 8.4 million of escrow accounts related to payments made in advance by the European Community for research activities. Under Net financial position, amounts were deducted from item “Other current financial payables”.

15 Breakdown of financial instrument assets by category

The classification of the Company financial instruments by category, according to provisions set out by IAS 39, is reported below.

(in Euros)

Items as of 31.12.2016	Assets valued at FV in P&L	Investments held to maturity	Loans and receivables	Financial assets available-for-sale
Other non-current assets			1,466,457	
Trade receivables			450,644,368	
Other current assets			46,793,127	
Cash and cash equivalents			297,770,328	
Total			**796,674,280**	

(in Euros)

Items as of 31.12.2015	Assets valued at FV in P&L	Investments held to maturity	Loans and receivables	Financial assets available-for-sale
Other non-current assets			711,433	
Trade receivables			464,072,400	
Other current assets			45,728,340	
Cash and cash equivalents			161,742,442	
Total			**672,254,616**	

D) Shareholders' Equity

16 Information on Shareholders' Equity

(in Euros)

Description	31.12.2016	31.12.2015	Change
Shareholders' Equity	442,075,438	400,741,614	41,333,824

The changes are shown in the table below:

(in Euros)

Shareholders' Equity	Value as of 31.12.2015	Increase	Decrease	Value as of 31.12.2016
Share Capital	31,875,000	0	0	31,875,000
Treasury shares in portfolio	(875,193)	0	0	(875,193)
Share capital unpaid		0	0	
Total share capital	**30,999,807**	**0**	**0**	**30,999,807**
Legal reserve	6,375,000	0	0	6,375,000
Reserve acquisition treasury shares	87,978,827	0	0	87,978,827
Share premium reserve		0	0	
Merger reserve	116,044,240	0	0	116,044,240
Difference of exchange conversion IAS 21		0	0	
Other reserves	1,401,721	0	0	1,401,721
Total reserves	**211,799,788**	**0**	**0**	**211,799,788**
Prior years' undistributed profits	112,111,542	49,812,553	0	161,924,094
First-time application of IAS/IFRS	1,754,162	0	0	1,754,162
IAS 19 actuarial gains/(losses)	(5,736,237)	0	(2,090,658)	(7,826,895)
Fair value cash flow hedge reserve		0	0	0
Retained earnings /(Losses carried forward)	**108,129,466**	**49,812,553**	**(2,090,658)**	**155,851,361**
Profit/(Loss) for the year	**49,812,553**	**43,424,482**	**(49,812,553)**	**43,424,482**
Total Shareholders' Equity	**400,741,614**	**93,237,034**	**(51,903,211)**	**442,075,438**

17 Share Capital

The subscribed and fully paid-in share capital is Euro 31,875,000, divided into 12,500,000 shares each with a par value of Euro 2.55.

There are 343,213 treasury shares in portfolio, valued at acquisition cost, and totalling Euro 7,998,043. They are recognised for the par value as a reduction of the share capital (Euro 875,193) and for the remaining part (Euro 7,122,850) as a reduction of the retained earnings, as established by the provisions introduced by IAS 32. The average book value was Euro 23.3039 per share.

All issued ordinary shares are entirely paid up and there are no shares with limitations relative to the distribution of dividends, with the exception of the provisions of article 2357 of the Italian Civil Code in relation to treasury shares.

18 Reserves

In relation to the possible utilisation and distribution of reserves, the following should be noted:

- Legal reserve:
  Euro 6,375,000 is available for the covering of losses but is not distributable.

- Reserves for the acquisition of treasury shares:
  Euro 87,978,827 neither available nor distributable.

- Merger reserve:
  Euro 116,044,240 relate to mergers of subsidiaries, occurred from 2003 to 2009 and 2013, the reserve refers to profits gained by the incorporated companies over the years before the merger:
  - Euro 111,442,790 available and distributable;
  - Euro 4,601,450 neither available nor distributable;

- Other Reserves of Euro 1,401,721 relate to
  - Other available reserves:
    Euro 81,721 is available and distributable.

  - Special Egov research reserve:
    Euro 72,000 neither available nor distributable.

  - Special Erp Light research reserve:
    Euro 168,000 neither available nor distributable.

  - Special research reserve applied to the PIA Project:
    Euro 1,080,000 neither available nor distributable.

19 Retained earnings

Retained earnings of Euro 155,851,361 include:

- Prior years' undistributed profits of Euro 161,924,094.
  The movement over the year relates to the increase of Euro 49,812,553 due to allocation of profits.
  The reserve is available and distributable.

- First-time IAS/IFRS application of Euro 1,754,162.
  The reserve is neither available nor distributable and relates to the first time application of International Accounting Standards.

- Actuarial gains/(losses) of Euro (7,826,895).
  The reserve changed by Euro 2,090,658, net of deferred tax liabilities due to actuarial gains.

E) Non-current liabilities

20 Non-current financial liabilities

(in Euros)

Description	31.12.2016	31.12.2015	Change
Non-current financial liabilities	85,593,903	32,756,466	52,837,438

Non-current financial liabilities refer to payables to lenders and other non-current financial liabilities:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Payables to lenders	85,289,333	32,330,006	52,959,327
Other non-current financial liabilities	304,571	426,460	(121,889)
Total	**85,593,903**	**32,756,466**	**52,837,438**

Payables to lenders as of December 31, 2016 is as follows:

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Over 5 years
Svil. Econ. Pia E-Gov	2018		193,539	194,971	
Svil. Econ. Pia Odcdn	2018		173,869	175,156	
Svil. Econ. Pia Sinim	2018		200,491	201,975	
Miur Prog.6636/1 Siege	2017		275,434		
Bei/Serapis N. 82199	2018	Euribeur363m+1.99100	3,750,000	1,875,000	
Miur Prog. 28953 Foodsys	2019		144,184	290,536	
Miur Prog. 28953 Foodsys	2019			80,104	
Intesa Sanpaolo Fin.83817	2020	Euribeur363m+0.85000	16,625,000	41,562,500	
Bei/Serapis n. 84744	2022	Euribeur363m+0.75000	9,090,909	40,909,091	4,545,455
Total			**30,453,426**	**85,289,333**	**4,545,455**

Payables to lenders totalled Euro 115,743 thousand, of which Euro 85,289 thousand are loans due beyond 12 months and Euro 30,453 thousand for loans due within 12 months, recorded as current financial liabilities.

On January 8, 2016 a new loan was granted directly by the European Investment Bank (EIB), in the amount of Euro 50 million, for R&D activities. On June 30, 2016, the second instalment of Euro 38.5 million, related to the Loan, was granted by the Banca Intesa Sanpaolo S.p.A. for a total amount of Euro 70 million. It should be recalled that the first instalment, amounting to Euro 31.5 million, was supplied on December 30, 2015 and used for the redemption of the previous loan of original Euro 35 million, granted by the European Investment Bank (EIB) through Unicredit S.p.A. (Euro 31.5 million was the residual amount due of this loan, to be redeemed by December 31, 2015).
The contracts related to the variable rate loans, two granted by the European Investment Bank (EIB) to support research and development activities (amounting to Euro 15 and Euro 50 million paid in a direct credit line on January 30, 2013 and January 8, 2016, respectively) and the loan granted by Banca Intesa Sanpaolo S.p.A (supplied in two instalments on December 30, 2015 and June 30, 2016), envisage the fulfilment of some financial obligations. Notwithstanding some financial obligations in addition to those required by relevant laws in relation to public disclosure by the issuer of financial instruments and its controllers, Engineering Ingegneria Informatica S.p.A. committed itself that the following Financial Parameters be complied with:

- as regards the loans granted by the European Investment Bank (EIB):
  - Net Financial Debt/EBITDA not higher than 2.0 (two);
  - Debt Service Cover Ratio (DSCR), not lower than 5.0 (five);

- as regards the loan granted by Banca Intesa Sanpaolo S.p.A.:
  - Net Financial Position/EBITDA lower than 2.2 (two point two).

The Bank undertook to revaluate and allow for the amendment of the parameter until a maximum of 3.5x should conditions change;

- EBITDA/Net Financial Charges higher than 5.0 (five).

The Financial Parameters are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report.
Failure to observe the financial parameters, unless restored within the 30 (thirty) following business days for the EIB loans and 60 (sixty) following business days for the loan of Banca Intesa Sanpaolo S.p.A. and both values are not fulfilled, may give the banks the right to withdrawal as per article 1845 of the Civil Code and to exercise the right to recover all amounts covered by the agreement.
All parameters envisaged in the agreement have been fulfilled except for Debt Service Cover Ratio (DSCR), for which an agreement was substantially reached for its cancellation.
In the agreements related to the EIB loans, the “Change of control” covenant is envisaged.
As regards the instalment of Euro 31.5 million supplied by Banca Intesa Sanpaolo S.p.A., the rate swap contract was confirmed to hedge against rate fluctuations, which was entered on July 1, 2014, with Unicredit S.p.A. to hedge the loan supplied by the same bank on behalf of EIB and redeemed on December 30, 2015. This changes the variable portion of the rate, 3-month Euribor, 360 days, into a fixed rate equal to 0.56% for the entire duration of the loan instalment redemption.

All the other loans indicated above are at a subsidised fixed rate and are always linked to the development of research projects.

The other non-current financial liabilities are as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Derivative	296,507	410,962	(114,455)
Security deposits	115,750	115,750	-
Value of financial debt at amortised cost	(107,686)	(100,252)	(7,434)
Total	**304,571**	**426,460**	**(121,889)**

The item “Other current liabilities” includes fair value of the derivative entered on July 1, 2014 with Unicredit S.p.A. (Interest Rate Swap), recognised under item “Financial charges” after the redemption of the loan related to the hedging.

21 Deferred tax liabilities

(in Euros)

Description	31.12.2016	31.12.2015	Change
Deferred tax liabilities	18,582,729	18,595,398	(12,669)

Deferred tax liabilities, calculated at the current rates (24% for IRES and based on regional rates for IRAP), were calculated on the following items.

(in Euros)

Description	31.12.2016		31.12.2015	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Goodwill	9,925,256	2,769,147	9,033,404	2,520,320
Research grants	525,309	146,561	1,798,570	564,751
Research grants taxed in 5 years	62,571,700	15,017,208	56,147,119	14,826,233
IFRS adjustments	2,329,080	649,813	2,438,256	684,094
Total	**75,351,346**	**18,582,729**	**69,417,348**	**18,595,398**

Movements in deferred tax liabilities are illustrated below:

(in Euros)

Description	
Balance as of 01.01.2015	**19,046,246**
Increase	6,004,609
Decrease	(6,455,457)
Balance as of 31.12.2015	**18,595,398**
Increase	6,668,249
Decrease	(6,680,918)
Balance as of 31.12.2016	**18,582,729**

22 Other non-current liabilities

(in Euros)

Description	31.12.2016	31.12.2015	Change
Other non-current liabilities	3,030,773	1,713,393	1,317,379

The change reported in item “Other non-current liabilities” is related mainly to payables for a non-competition agreement signed with the top management.

23 Post-employment benefits

(in Euros)

Description	31.12.2016	31.12.2015	Change
Post-employment benefits	50,171,307	57,594,691	(7,423,384)

Due to the introduction of Law no. 296 of December 27, 2006 and subsequent decrees and regulations issued at the beginning of 2007, post-employment benefits from January 1, 2007 changed from a “defined benefit plan” to a “defined contribution plan” as a consequence of the application of differing accounting treatment of post-employment benefits accrued before or after December 31, 2006.

Post-employment benefits, accrued after January 1, 2007, represent a “defined contribution plan”. Periodically the Company pays post-employment benefits accrued to a separate entity (e.g. INPS and/or a Fund) with the payment fulfilling obligations toward employees. For accounting purposes, it is included under other contributions, as post-employment benefit matured is recorded as a cost in the period with the payable recognised under short-term payables.
Post-employment benefits accrued up to December 31, 2006 continue to represent a “defined benefit plan” which is more certain in terms of their existence and sum, but uncertain in terms of manifestation.
The total amount of the benefit obligation is calculated and certified on an annual basis by an independent actuary by using the “Projected Unit Credit” method.
A summary of the actuarial assumptions adopted in measuring post-employment benefits is provided below:

Financial Assumptions:

- future annual rates of inflation were set according to the average rates of inflation in Italy in recent years, based on ISTAT data;
- annual revaluation of existing provisions and subsequent payments fixed, as established by regulations at 75% of the inflation rate plus 1.50% net of taxes;
- the annual discount rate was established as variable from 0.2706% to 2.1718% and was deducted adopting a rate curve combining the effective yield rates movements of the Euro Bonds of primary companies with AA rating or higher.

Demographic assumptions:

- to evaluate length of employment with the Company, the “Tavola di permanenza nella posizione di attivo” RG48 (a table for company service length prepared by the Italian Treasury Department based on data for those born in 1948) was used, selected, projected and separated by gender, supplemented with the probability of additional reasons for departure (resignations, advances which are a financial-based cause for leaving, measurable in terms of probability).

The following tables show the absolute and relative changes in liabilities measured according to IAS 19 (DBO), while assuming a 10% negative or positive change in the revaluation and/or discounting rates.

(in Euros)

Description		Discounting				
		-10%		100%		+10%
	-10%	50,295,209	466,721	49,828,488	(497,811)	49,330,677
		(368,453)	123,902	(342,819)	(840,630)	(357,271)
Infl.	100%	50,663,662	492,355	50,171,307	(483,359)	49,687,948
		372,078	864,433	366,334	(122,605)	360,754
	+10%	51,035,740	498,099	50,537,641	(488,939)	50,048,702

Description		Discounting				
		-10%		100%		+10%
	-10%	+100.25%	+0.93%	+99.32%	-0.99%	+98.32%
		-0.73%	+0.25%	-0.68%	-1.68%	-0.71%
Infl.	100%	+100.98%	+0.98%	+100.00%	-0.96%	+99.04%
		+0.74%	+1.72%	+0.73%	-0.24%	+0.72%
	+10%	+101.72%	+0.99%	+100.73%	-0.97%	+99.76%

Actuarial profits and losses are recognised under Shareholders' Equity on an accrual basis, while interest cost was recognised in the Income Statement under financial charges.

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2015	**63,943,686**
Provisions	16,128,435
Amounts paid to social security institutions + INPS	(16,940,889)
Actuarial profits/(losses)	(3,982,563)
Benefits paid	(1,687,900)
Indemnities on acquisition of Group business units/subsidiaries	248,315
Transfer payables of Group business units/subsidiaries	(114,393)
Balance as of 31.12.2015	**57,594,691**
Provisions	16,124,212
Amounts paid to social security institutions + INPS	(17,185,246)
Actuarial profits/(losses)	2,750,866
Benefits paid	(1,728,227)
Indemnities on acquisition of Group business units/subsidiaries	365,013
Transfer payables of Group business units/subsidiaries	(7,750,002)
Balance as of 31.12.2016	**50,171,307**

Note: The “Provisions” item comprises the interest cost for an amount equal to Euro 23,823.

F) Current liabilities

24 Current financial liabilities

(in Euros)

Description	31.12.2016	31.12.2015	Change
Current financial liabilities	42,233,656	20,043,082	22,190,573

Current financial liabilities amount to Euro 42,234 thousand and primarily relate to:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Lenders	30,453,426	12,813,972	17,639,453
Bank payables	14,452	-	14,452
Other current financial liabilities	11,765,778	7,229,110	4,536,668
Total	**42,233,656**	**20,043,082**	**22,190,573**

Payables to lenders amounted to Euro 30,453 thousand and relate to the short-term portion of payables to lenders for which reference is made to paragraph 20 “Non-current financial liabilities”.

Other current financial liabilities relate to:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Other grants	8,445,761	6,979,093	1,466,668
Equity investments to be paid	3,320,017	250,017	3,070,000
Total	**11,765,778**	**7,229,110**	**4,536,668**

“Other grants” relate to amounts received for research projects to be reversed to other Partner subjects.

The item “Equity investments to be paid” refers to the capital increase of the subsidiary Municipia S.p.A. (Euro 3,000 thousand) and to the amount still to be paid to the subsidiary WebResults S.r.l. (Euro 320 thousand).

25 Current tax payables

(in Euros)

Description	31.12.2016	31.12.2015	Change
Current tax payables	3,008,740	13,120,192	(10,111,453)

(in Euros)

Description	31.12.2016	31.12.2015	Change
IRES	3,008,740	13,120,192	(10,111,453)
Total	**3,008,740**	**13,120,192**	**(10,111,453)**

The value of the IRES payables is net of payments on account.

26 Current provisions for risks and charges

(in Euros)

Description	31.12.2016	31.12.2015	Change
Current provisions for risks and charges	20,373,981	3,881,005	16,492,976

The current provision for risks and charges is broken down as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Provisions for risks and charges	18,213,137	2,397,136	15,816,001
Provision for losses on projects	2,160,844	1,483,869	676,975
Total	**20,373,981**	**3,881,005**	**16,492,976**

The provision for losses on projects was adjusted to account for probable future charges that will be incurred. The allocated amount is the best estimate made based on the current information available to date and is related, in the amount of Euro 15,706 thousand, to the reorganisation and restructuring that envisages the leave of some managers and white-collar staff, benefiting from the early leave incentive schemes envisaged by the pension reform as per 2017 Stability Law. The remaining amount refers mainly to losses and risks on specific projects/contracts.

The changes in the current provisions for risks and charges during the periods in question are as follows:

(in Euros)

Description	
Balance as of 01.01.2015	**6,485,518**
Increase	862,602
Decrease	(3,467,115)
Balance as of 31.12.2015	**3,881,005**
Increase	17,966,781
Decrease	(1,473,805)
Balance as of 31.12.2016	**20,373,981**

The increase is due to the adjustment of the provision to cover probable future charges, which will have to be borne, and especially refers to the early leave envisaged for managers and white-collar staff, as described hereabove.

The decrease relates to the utilisation of allocations made in previous years, due to their occurrence.

27 Other current liabilities

(in Euros)

Description	31.12.2016	31.12.2015	Change
Other current liabilities	112,585,882	107,111,646	5,474,236

This item is broken down as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Prepayments			
Directors and Statutory Auditors	1,288,531	925,081	363,449
Consultants	65,018	27,090	37,928
Acquisition of business unit	149,115	12,615	136,500
Withholding taxes	73,452	169,155	(95,703)
Tax payables	25,126,960	22,853,537	2,273,423
Due to RTI partners	2,201,197	1,187,279	1,013,918
Social security institutions	13,665,726	14,096,549	(430,823)
Others	4,780,543	4,312,029	468,514
Employees	58,244,947	60,993,730	(2,748,783)
Partners for research projects	6,806,958	2,376,426	4,430,532
Accrued m/l loan interest	81,776	50,059	31,717
Deferred income	101,660	108,096	(6,435)
Total	**112,585,882**	**107,111,646**	**5,474,236**

The most relevant changes refer to the tax payables, broken down in the table shown hereunder, and to amounts due to partners, related to amounts, related to research projects, that were collected on their behalf and not yet repaid.

Detail of tax payables:

(in Euros)

Description	31.12.2016	31.12.2015	Change
VAT	15,149,274	11,125,929	4,023,345
Suspended VAT	1,362,728	2,772,659	(1,409,931)
IRPEF	8,614,954	8,954,949	(339,995)
Other	3		3
Total	**25,126,960**	**22,853,537**	**2,273,423**

28 Trade payables

(in Euros)

Description	31.12.2016	31.12.2015	Change
Trade payables	274,794,925	236,655,174	38,139,751

The balance as of December 31, 2016 is broken down as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Suppliers	165,259,600	161,835,795	3,423,804
Subsidiaries	77,972,760	38,969,701	39,003,059
Others	31,562,565	35,849,678	(4,287,113)
Total	**274,794,925**	**236,655,174**	**38,139,751**

a) Suppliers

(in Euros)

Description	31.12.2016	31.12.2015	Change
Due to suppliers	115,437,426	122,281,808	(6,844,382)
Due to foreign suppliers	12,188,420	6,889,237	5,299,183
Invoices to be received	37,763,116	32,893,758	4,869,357
Credit notes to be received	(129,362)	(229,008)	99,646
Total	**165,259,600**	**161,835,795**	**3,423,804**

b) Subsidiaries

(in Euros)

Description	31.12.2016	31.12.2015	Change
Invoices to be received	18,824,877	21,184,764	(2,359,887)
Invoices received	36,586,898	17,468,331	19,118,567
Credit notes to be received	-	(8,276)	8,276
Deferred income	(3)	4,794	(4,797)
Cash Pooling	22,560,988	320,089	22,240,899
Total	**77,972,760**	**38,969,701**	**39,003,059**

The change in cash pooling payables relates to the subsidiary Engineering.mo S.p.A. that, as of December 31, 2016, reported an amount payable to the Parent Company.

c) Others

(in Euros)

Description	31.12.2016	31.12.2015	Change
Advances for future work	31,562,565	35,849,678	(4,287,113)
Total	**31,562,565**	**35,849,678**	**(4,287,113)**

29 Breakdown of financial instrument liabilities by category

The classification of the Company financial instruments by category according to that established by IAS 39 is reported below:

(in Euros)

Items as of 31.12.2016	Liabilities valued at FV in P&L	Liabilities relating to hedging instruments	Liabilities recorded at amortised cost
Non-current financial liabilities		296,507	85,297,396
Other non-current liabilities			3,030,773
Current financial liabilities			42,233,656
Other current liabilities			112,585,882
Trade payables			274,794,925
Total	**0**	**296,507**	**517,942,632**

(in Euros)

Items as of 31.12.2015	Liabilities valued at FV in P&L	Liabilities relating to hedging instruments	Liabilities recorded at amortised cost
Non-current financial liabilities		410,962	32,345,504
Other non-current liabilities			1,713,393
Current financial liabilities			20,043,082
Other current liabilities			107,111,646
Trade payables			236,655,174
Total	**0**	**410,962**	**397,868,800**

In order to comply with the disclosure requirements established by IFRS 7 relating to the fair value reported in the table above, these concern level 2, as described in detail in the paragraph 3.17 “Derivative financial instruments”.

Income statement

A) Total revenues

(in Euros)

Description	31.12.2016	31.12.2015	Change
Total revenues	791,917,462	760,846,897	31,070,565

30 Total revenues

(in Euros)

Description	31.12.2016	31.12.2015	Change
Revenues from sales and service	746,722,474	733,824,988	12,897,485
Cgs. finished products and construction contracts	16,417,452	189,324	16,228,128
Other revenues	28,777,536	26,832,584	1,944,951
Total	**791,917,462**	**760,846,897**	**31,070,565**

For further information on the component items, reference should be made to the Directors' Report.

31 Other revenues

(in Euros)

Description	31.12.2016	31.12.2015	Change
Other revenues	28,777,536	26,832,584	1,944,951

The breakdown of other revenues is as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Grants	17,803,865	14,376,781	3,427,084
Other income	7,132,412	8,269,455	(1,137,043)
Other revenues from subsidiaries	3,841,258	4,186,348	(345,090)
Total	**28,777,536**	**26,832,584**	**1,944,951**

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community, up due to higher investments in research. For further information, reference should be made to paragraph VII of the Directors' Report.

The "Other income" item is related to revenues of various types, including re-invoicing of fringe benefits to employees for company cars and mobile telephones.

The "Other revenues" item from subsidiaries is mainly attributable to re-invoicing of general expenses.

B) Operating expenses

32 Operating expenses

(in Euros)

Description	31.12.2016	31.12.2015	Change
Operating expenses	733,694,917	686,487,737	47,207,180

The breakdown of operating expenses is as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Raw materials and consumables	11,051,965	10,298,796	753,169
Services	330,992,920	303,125,107	27,867,813
Personnel costs	359,203,960	351,030,058	8,173,902
Amortisation and depreciation	10,683,087	10,774,309	(91,221)
Provisions	18,869,768	8,279,678	10,590,091
Other costs	2,893,217	2,979,790	(86,573)
Total	**733,694,917**	**686,487,737**	**47,207,180**

33 Raw materials and consumables

(in Euros)

Description	31.12.2016	31.12.2015	Change
Raw materials and consumables	11,051,965	10,298,796	753,169

Below is a breakdown of costs for raw materials and consumables:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Hardware	3,954,146	3,346,407	607,739
Software	6,752,338	6,350,702	401,636
Consumables	345,481	601,686	(256,205)
Total	**11,051,965**	**10,298,796**	**753,169**

34 Service costs

(in Euros)

Description	31.12.2016	31.12.2015	Change
Services	330,992,920	303,125,107	27,867,813

Service costs include the following:

(in Euros)

Description	31.12.2016	31.12.2015	Change
EDP purchases, services and data lines	2,182,326	2,807,605	(625,279)
Insurance	2,811,628	2,864,716	(53,089)
Bank charges and commissions	1,611,824	1,522,877	88,948
Technical support and consultancy	182,373,350	170,886,305	11,487,045
Consultancy from subsidiaries	63,078,314	47,905,913	15,172,402
Legal and administrative consultancy	2,506,585	1,667,284	839,301
Training and refresher courses	2,890,441	2,623,030	267,411
Consultants	267,162	519,082	(251,920)
Cost of corporate boards	2,170,221	2,549,326	(379,105)
Building rental	11,128,779	9,926,422	1,202,357
Maintenance of fixed assets	14,810,960	17,060,386	(2,249,426)
Canteen and other personnel expenses	5,465,016	5,433,010	32,006
Automotive expenses	8,940,378	9,468,523	(528,144)
Hardware and software rental	2,520,971	2,842,402	(321,432)
Services from subsidiaries	4,528,382	1,565,426	2,962,956
Maintenance and security services	3,482,347	3,302,490	179,857
Advertising and sales rep. expenses	862,474	1,060,296	(197,822)
Travel costs	11,931,850	11,872,628	59,222
Postage and shipping expenses	659,551	653,404	6,147
Utilities	6,682,648	6,119,335	563,313
Other	87,713	474,647	(386,934)
Total	**330,992,920**	**303,125,107**	**27,867,813**

The main changes are attributable to item “Technical support and consultancy”, whose increase is due to the increase in production activities, which required the use of external resources, as well as item “Consultancy from subsidiaries”, related to new hiring by Group companies that allowed for the use of a higher number of resources for the implementation of the projects of the Parent Company.

The following table shows the remuneration paid to the Independent Auditors of these financial statements, in accordance with article 149-*duodecies* of the Consolidated Law on Finance.

(in Euros)

Service	Provider	Beneficiary	Fees
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	260,000
Certification services (related to audit)	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	35,000
Other service	Rete Deloitte	Engineering Ingegneria Informatica S.p.A.	38,000

Nota: Fees is net of Consob contribution and expenses.

35 Personnel costs

(in Euros)

Description	31.12.2016	31.12.2015	Change
Personnel costs	359,203,960	351,030,058	8,173,902

Personnel costs consist of:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Salaries and wages	270,666,907	260,282,777	10,384,130
Social security expenses	68,084,443	73,210,292	(5,125,849)
Post-employment benefits	16,100,389	16,100,454	(66)
Restructuring and reorganising personnel	3,064,888	126,574	2,938,314
Other personnel costs	1,287,333	1,309,961	(22,628)
Total	**359,203,960**	**351,030,058**	**8,173,902**

The wages and salaries item includes costs related to holidays and leave pays, indemnities, overtime and bonuses.
The change is mainly due to the increase in staff, as reported in the following table, as well as to a lower number of holidays and leaves taken.

The "Restructuring and reorganising personnel" item refers to the early leaves of managers and white-collar staff.

Data on the average staff number are shown hereunder:

(unità)

Average number of employees	31.12.2016	31.12.2015	Change
Executives	302	299	3
Managers	1,469	1,404	65
Other employees	4,436	4,403	33
Total	**6,207**	**6,106**	**101**

For further information reference is made to paragraph VIII of the 2016 Directors' Report.

36 Amortisation and Depreciation

(in Euros)

Description	31.12.2016	31.12.2015	Change
Amortisation and Depreciation	10.683.087	10.774.309	(91.221)

The breakdown is as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Depreciation of property, plant and equipment	4,859,181	5,766,109	(906,928)
Amortisation of intangible assets	5,823,906	5,008,199	815,707
Total	**10,683,087**	**10,774,309**	**(91,221)**

37 Provisions and write-downs

(in Euros)

Description	31.12.2016	31.12.2015	Change
Provisions	18,869,768	8,279,678	10,590,091

The breakdown is as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Doubtful debt provision	902,987	7,417,075	(6,514,088)
Risk provision	17,966,781	862,602	17,104,178
Total	**18,869,768**	**8,279,678**	**10,590,091**

The allocation refers primarily to reorganisation and restructuring operations, which envisage the leave of managers and white-collar staff while benefiting from the early leave incentive schemes envisaged by the pension reform as per the 2017 Stability Law.
Amounts recognised in the financial statements are the best estimates and assumptions based on the best information available at the reporting date, as resolved by the Board of Directors in December 2016.

38 Other costs

(in Euros)

Description	31.12.2016	31.12.2015	Change
Other costs	2,893,217	2,979,790	(86,573)

Other costs are broken down as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Dues and subscriptions	535,911	501,719	34,192
Taxes	1,094,691	1,102,624	(7,933)
Gifts and donations	161,468	190,448	(28,980)
Charges for social causes	496,961	448,721	48,239
Other	604,186	736,278	(132,092)
Total	**2,893,217**	**2,979,790**	**(86,573)**

39 Financial income/(charges)

(in Euros)

Description	31.12.2016	31.12.2015	Change
Financial income/(charges)	2,399,592	(2,073,577)	4,473,170

Financial income is broken down as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Interest income	2,915,393	1,558,576	1,356,817
Fair value gain (differential from derivative)	114,455	841,570	(727,115)
Other income	1,147,993	354,348	793,645
Total	**4,177,841**	**2,754,494**	**1,423,347**

Interest income relate to bank interest for bank current accounts, interest in arrears acknowledged by our customers and interest in subsidiaries which use the cash pooling (Paragraph 43 "Transactions with related parties").

Financial charges consist of:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Interest expense	1,716,973	2,708,770	(991,797)
Other	61,276	2,119,301	(2,058,025)
Total	**1,778,249**	**4,828,071**	**(3,049,822)**

Interest expenses are mainly due to loans described in paragraph 20 herein, and include also financial charges resulting from post-employment benefits (IAS 19) and equal to Euro 24 thousand.

The change of Euro 2,058 thousand is mainly due to economic adjustments of foreign receivables, due to exchange differences.

40 Income/(Charges) from investments

(in Euros)

Description	31.12.2016	31.12.2015	Change
Income/(Charges) from investments	2,221,707	(541,466)	2,763,173

The breakdown is as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Gains on equity investments	125,957		125,957
Write-down of equity investments	(66,776)	(541,705)	474,929
Other income	2,566,273		2,566,273
Non-recurring income (charges)	(403,747)	239	(403,986)
Total	**2,221,707**	**(541,466)**	**2,763,173**

Gains on equity investments, amounting to Euro 112 thousand, refer to the subsidiary Engineering Excellence Center, liquidated in December 2016. The difference of Euro 14 thousand relates to the write-up of a minority equity investment recorded under "Other non-current assets" (investments in other companies).

Write-downs of equity investments relate, in the amount of Euro 21 thousand, to the company EngNor AS, and the remaining amount refers to write-downs of equity investments recorded under "Other non-current assets" (Investments in other companies).

Other income refers to dividends from the subsidiary Engineering do Brasil S.A. (Euro 2,560 thousand) and the subsidiary Engi da Argentina S.A. (around Euro 7 thousand).

Non-recurring charges refer to the difference between the price paid and assets and liabilities acquired with the business unit of Engineering Excellence Center S.r.l..

41 Taxes

(in Euros)

Description	31.12.2016	31.12.2015	Change
Taxes	19,419,363	21,931,565	(2,512,202)

The breakdown of taxes is as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Current	21,543,565	22,324,687	(781,122)
Deferred	(2,124,202)	(393,122)	(1,731,080)
Total	**19,419,363**	**21,931,565**	**(2,512,202)**

Reconciliation between the theoretical and effective IRES tax rate is shown below:

(in Euros)

	31.12.2016		31.12.2015	
Profit/(Loss) before taxes	**62,843,845**		**71,744,117**	
Ordinary rate applied	**17,282,057**	**+27.5%**	**19,729,632**	**+27.5%**
Income taxable in prior years	3,715,785	+5.9%	3,505,325	+4.9%
Income not taxable	(6,209,537)	-9.9%	(5,051,599)	-7.0%
Expenses not deductible	6,773,530	+10.8%	3,667,466	+5.1%
Deductible expenses not charged to Inc. St.	(3,899,904)	-6.2%	(4,489,269)	-6.3%
Utilisation of previous years tax losses	0	+0.0%	0	+0.0%
Total assessable IRES	**64,225,204**		**63,132,925**	
Tax/Tax rate	**17,661,931**	**+27.5%**	**17,361,554**	**+27.5%**

Deferred taxes were calculated taking into consideration the accumulated sum of all temporary differences based on the average expected rate for successive tax periods when these differences will reverse.
For details of the temporary differences determining the deferred taxes, please see paragraphs 8 "Deferred tax assets" and 21 "Deferred tax liabilities" herein.

42 Other information

COMMITMENTS UNDERTAKEN

The table below contains information regarding the commitments assumed by the Company:

(in Euros)

Description	31.12.2016
Third party sureties	244,396,024
Bank sureties in favour of other companies	13,749,046
Bid Bonds and Performance Bonds	5,939,524
Total commitments undertaken	**264,084,594**

OPERATING LEASES

The operating leases principally concern rental contracts for transport vehicles.

(in Euros)

Description	31.12.2016	31.12.2015
Liability remaining at 1 January	17,160,584	15,284,611
Amount of contracts agreed in year	8,388,267	11,017,443
Amount of fees paid in year	(8,471,968)	(9,141,469)
Amount of fees paid in advance	(5,817,951)	
Amount of fees still due	**11,258,933**	**17,160,584**

(in Euros)

Description	31.12.2016	31.12.2015
Within 1 year	5,384,847	7,630,440
Over 1 year	5,874,086	9,530,144
Over 5 years		
Total	**11,258,933**	**17,160,584**

The item "Amount of fees paid in advance" refers to contracts transferred with the MO business unit to the subsidiary Engineering.mo S.p.A..

43 Transactions with related parties

During the year transactions were carried out with related parties under normal market conditions. These transactions refer to commercial activities carried out on behalf of leading clients that have produced profitability in line with normal activities.
The table below summarises both the commercial and financial operations relating to the use of cash pooling:

(in Euros)

Description	Revenues	Costs	Financial income (and charges)	Trade receivables	Trade payables	Receivables cash pooling	Payables cash pooling
Engineering Sardegna S.r.l.	42,943	44,147	8,624	70,329	338,122	1,023,452	
Municipia S.p.A.	4,801,180	1,318,943	56,641	17,831,970	1,675,066	5,006,286	
Engiweb Security S.r.l.	738,456	22,242,601	95,639	661,766	12,020,335	5,065,167	
Nexen S.p.A.	536,831	3,419,271		176,342	6,487,294		
OverIT S.p.A.	504,527	23,169,751		629,422	18,641,558		
Sicilia e-Servizi Venture S.c.r.l.	962,214			61,791,174	33,295		
Engineering do Brasil S.A.	1,732,013	368,942	693,164	19,693,884	264,788		
Engineering International Belgium S.A.	940,786	3,459,960	9,370	2,191,021	2,090,929		
Engineering International Inc.	561,178		1,849	578,440	3,214		
Engineering.mo S.p.A.	5,402,024	10,219,261	(74,081)	4,999,264	10,345,720		22,560,988
Engi da Argentina S.A.	1,360,325	11,079		3,048,377	11,079		
MHT S.r.l.	55,484	2,355,298		404,933	2,994,297		
Engineering Excellence Club S.r.l.	30,248	608,655	596				
EngNor AS	128,137		301				
WebResults S.r.l.	132,468	1,785,862		42,823	390,910		
MHT Balkan d.o.o.		269,450			96,487		
Engineering Luxembourg S.à.r.l.	71,388			71,388	18,679		
Engineering Ingegneria Informatica S.L.			39	22,315			
Total	**18,000,201**	**69,273,219**	**792,142**	**112,213,448**	**55,411,772**	**11,094,905**	**22,560,988**

Work in progress is included in the "Trade receivables" account.

No transactions were undertaken with Executives with strategic responsibilities and their related parties during the year. In relation to the stability deed in place with some senior managers, reference should be made to paragraph 28 herein.

Information on remuneration of members of the Board of Directors and Control Boards

The Members of the Board of Directors and Control Board are listed in paragraph I. "Corporate Governance and Corporate Bodies" in the Directors' Report.

With regard to the new Directors, appointed by the Ordinary Shareholders' Meeting held on August 4, 2016, no remuneration was decided. The Chairman and the Chief Executive Officer, acting consistently with the previous mandate, continue to receive remunerations. The total amount accrued for the year amounted to Euro 1,703,863.

As regards the Board of Statutory Auditors, always appointed on the occasion of the Ordinary Shareholders' Meeting held on August 4, 2016, a remuneration was decided based on the resolution taken by the Board of Directors, in the related meeting held on the same day. The total amount accrued for the year amounted to Euro 17,841.

44 Information on Direction and Coordination activities

With respect to provisions set out by Article 2497-*bis*, paragraph 4, of the Italian Civil Code, the summary table is reported of the main figures related to the last financial statements of the company Mic Bidco S.p.A..

(in Euros)

Statement of Financial Position - Assets	31.12.2016
A) Share capital	0
B) Fixed assets	810,011,157
C) Current assets	1,050,972
D) Accrued income and prepayments	0
Total assets (A + B + C + D)	**811,062,129**

(in Euros)

Statement of Financial Position - Liabilities	31.12.2016
E) Shareholders' equity	
Share capital	989,947
Reserves	527,165,749
Retained earnings/(losses carried forward)	0
Profit/(Loss) for the period	(9,104,743)
Total Shareholders' Equity	**519,050,953**
F) Provision for risks and charges	0
G) Post-employment benefits	0
I) Payables	291,441,922
L) Accrued liabilities and deferred income	569,254
M) Total liabilities (F + G + I + L + M)	**292,011,176**
Total Shareholders' Equity and liabilities (E + M)	**811,062,129**

(in Euros)

Income statement	31.12.2016
A) Total revenues	1
B) Operating expenses	(5,280,722)
C) Financial income/(charges)	(3,824,022)
D) Value adjustments of financial assets	0
D) Income taxes for the year	0
Profit/(Loss) for the year	**(9,104,743)**

Board of Statutory Auditors Report on the Financial Statements as of December 31, 2016

pursuant to Article 2429, paragraph 2, of the Italian Civil Code

Dear Shareholders,

the financial statements as of December 31, 2016, that the Board of Directors are submitting you for approval, were approved by the Board of Directors in the meeting held on March 31, 2017.
The audit as per Article 13 of Legislative Decree 39/2010 was carried out by the company Deloitte & Touche S.p.A, in compliance with Article 2409-*bis* of the Italian Civil Code.

Supervisory activity carried out by the Board of Statutory Auditors, pursuant to Article 2403 of the Italian Civil Code

During the financial year ended December 31, 2016, the auditing activities were carried out as set out by Article 2403 and seq. of the Italian Civil Code, with reference, as per other necessary and appropriate provisions, to the code of conduct of the Board of Statutory Auditors recommended by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). It should be noted that the current Board of Statutory Auditors was appointed by the Shareholders' Meeting on August 4, 2016, following the statutory amendment, which adopted the traditional system of corporate governance. The auditing on financial year 2016 was performed by the Management Control Committee, based on the control model deriving from the one-tier system. The Board of Statutory Auditors has viewed the Minutes of the Meetings of the Management Control Committee, for the period elapsing from January 1, 2016 to August 3, 2016, in relation to which the Board has no remarks that are worth reporting.

We hereby also acknowledge the following:

(1) during the year, we asked and obtained from the Board of Directors information on the general operating performance and the business outlook, as well as on the most significant transactions, according to their size and features, made by the Company;

(2) we are aware of and supervised, where competent, on the adequacy of the Company's organization, on the adequacy of the administrative and accounting system, as well as on the reliability of the latter in providing a true and fair view of operations, through the acquisition of information obtained by persons in charge of the various corporate functions and the evaluation of corporate documents. To this purpose, no particular comments are to the reported;

(3) there were no reports made pursuant to article 2408 of the Italian Civil Code;

(4) unless for single and justified impediments, the members of the Board of Statutory Auditors attended regularly the meetings of the Board of Directors and the Shareholders' Meetings and we are in a position to certify that the same took place in compliance with statutory, legislative and regulatory provisions governing their functioning;

(5) during the supervisory activities, as described above, no infringements to law or the Company's Articles of Association are to be reported, nor were there transactions that were manifestly imprudent, risky, in potential conflict of interest, or such as to compromise the integrity of the Shareholders' Equity;

(6) we exchanged information with the Independent Auditors, as set forth by law.

Comments and proposals as to the result for the year, as well as to the financial statements and its approval

We audited the draft financial statements ended December 31, 2016 and the following further information is given:
- the financial statements under evaluation reported a profit for the year of Euro 43,424,482;
- we supervised, where competent, the general format of the financial statements, their general compliance with regulations in force concerning their preparation and structure, as well as their consistency with facts and information we are aware of;
- we also assessed the compliance to law on the preparation of the Directors' Report on Operations. To this purpose, there are no observations to report herein.

Lastly, we certify that, as far as we are aware, while preparing the financial statements, the Directors did not avail of the exceptions to law, pursuant to Article 2423, paragraph 4, of the Italian Civil Code.
In light of the above considerations, also taking account of the outcome of the audit carried out by the Independent Auditors, who expressed a clean opinion, we hereby express a favourable opinion on the approval of the financial statements, as drawn up by Directors and we agree on the proposal made by the same Directors on the allocation of the profit for the year, equal to Euro 43,424,482.

Milan, April 12, 2017

THE BOARD OF STATUTORY AUDITORS
Francesco Tabone
Rocco Corigliano
Massimo Porfiri

Resolutions of Shareholders' Meeting

The Ordinary Shareholders' Meeting, held on May 5, 2017 resolved:

Item 1) on the agenda:

1. the approval of the financial statements as at December 31, 2016 of Engineering Ingegneria Informatica S.p.A., consisting of the Statement of Financial Position, the Income Statement, the Explanatory Notes and the annexes, as presented by the Board of Directors as a whole and as individual entries.

   Also:

   1.1 the accounting in profit or loss, to the staff costs item, for the amount of Euro 7,793,832 as payments to the employees for results achieved and in observance of the International accounting principles;
   1.2 to carry forward the entire financial year profit, equal to Euro 43,424,482 (net of personnel costs as indicated above).

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ENGINEERING
Via San Martino
della Battaglia, 56
00185 Rome

T 06.49201
M info@eng.it
W eng.it
@EngineeringSpa