

Annual Accounts

2017



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Engineering Ingegneria Informatica S.p.A.
Registered Office
00185 Rome – Italy
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Tax code 00967720285
VAT number 05724831002
Rome Chamber of Commerce 531128
Rome Companies' Register 00967720285
Share Capital:
Euro 31,875,000 fully paid-in
Euro 40,081,172 further increase resolved



Financial Statements

ENGINEERING INGEGNERIA INFORMATICA

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Engineering Ingegneria Informatica S.p.A. ("Company"), which comprise the statement of financial position as at December 31, 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Engineering Ingegneria Informatica S.p.A. are responsible for the preparation of the report on operations of Engineering Ingegneria Informatica S.p.A. as at December 31, 2017, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Engineering Ingegneria Informatica S.p.A. as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of Engineering Ingegneria Informatica S.p.A. as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
April 14, 2018

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, 2017

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I. Corporate governance and corporate bodies

CORPORATE GOVERNANCE

The Company's 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. The composition of Corporate Bodies is as follows:

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
Annalisa Quintavalle	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

■ INTRODUCTION

The financial statements as of December 31, 2017 of the Company Engineering Ingegneria Informatica (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.

The financial statements have been prepared in accordance with the Company's going-concern principle.

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, 2017, to which reference should be made. This report uses a number of alternative performance measures (APMs) not envisaged by IFRS accounting standards. 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 international accounting standards.

In particular, the following is highlighted:

- **Reported EBITDA** ("Earning Before Interest, Taxes, Depreciation and Amortization reported"): alternative performance measures (APM), calculated by the Company as performance for the year, adjusted by the following items: (i) taxes, (ii) net financial income (charges) (including, inter alia, gains and losses on exchange rates), (iii) amortisation/depreciation, allocations (including, but not limited to the allocation to the doubtful debt provision and to the provision for risks and charges, comprising allocations made for probable future losses on some orders). It is noted that reported EBITDA is not identified as accounting measure within the IFRS standards adopted by the European Union. As a consequence, the calculation criterion adopted by the Company and the Group might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Company might not be comparable with the one calculated by the latter.
- **Adjusted EBITDA**: the APM calculated by the Company as reported EBITDA, adjusted by non-recurring income and charges that have a significant impact on the reported EBITDA. It is noted that adjusted EBITDA is not identified as accounting measure within the IFRS standards adopted by the European Union. Therefore, the calculation criterion adopted by the Company might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Company might not be comparable with the one calculated by the latter.
- **Standardised EBITDA**: the APM used by the Company for determining the covenants.
- **EBIT** ("Earning before interest and taxes"): the APM, calculated by the Company as a result of the year, including the following items in the income statement: (i) net financial income (charges) (including, inter alia, gains and losses on exchange rates) and (ii) "taxes". The Company deems that this is a useful indicator on its capacity to generate profit before financial management and tax effects.
- **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. It permits to evaluate the ability of the Company and of the Group to fulfil short-term commercial commitments through current trade assets and, together with net fixed assets and the net capital employed, it also permits to evaluate the balance between utilisations and financing sources.

For a correct interpretation of APMs used by the Group and the Company, it is noted that they are determined based on financial statements and processing made in compliance with general and managerial accounts. The determination of the APMs is not governed by the reference accounting standards related to the preparation of Company and Group financial statements and, albeit they are inferred from financial statements, they are not subject to audit. Therefore, the APMs must not be considered as a replacement of indicators envisaged by the reference accounting standards. Moreover, by reason of the fact that they are not inferred from the reference accounting standards for the preparation of the financial statements, the methods to determine the APMs, used by the Group and the Company, might not be consistent with the methods adopted by other companies and therefore might not be comparable.

■ REVERSE MERGER BETWEEN MIC BIDCO S.p.A AND ENGINEERING INGEGNERIA INFORMATICA S.p.A. OCCURRED DURING THE YEAR

For better clarity of disclosure, it could be useful to describe briefly the reverse Merger that involved the companies Mic Bidco S.p.A. ("Bidco") and Engineering Ingegneria Informatica S.p.A. ("Engineering"). It should be noted that Mic Bidco S.p.A., a special purpose entity only for the Public Tender Offer, controlled the entire share capital of Engineering Ingegneria Informatica S.p.A..

The envisaged merger followed the acquisition with indebtedness carried out by Mic Bidco S.p.A., which wholly acquired the share capital of Engineering Ingegneria Informatica S.p.A.. This purchase operation was concluded in the first days of July 2016.

Mic Bidco S.p.A. financed the investment, partly with its own capital and partly benefiting from a loan granted by a pool of banks and amounting to Euro 290 million. The merger was effective on May 24, 2017 and this payable was charged to Engineering Ingegneria Informatica S.p.A.. After the Merger effective date, on June 26, 2017, Engineering Ingegneria Informatica S.p.A. used a credit line of Euro 130 million, together with cash and cash equivalents owned by Engineering Ingegneria Informatica S.p.A., to redeem the loan of Euro 290 million.

Within the overall context described above, after the completion of the reverse Merger project of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., in the financial statements prepared after the merger with Mic Bidco S.p.A. the entry value of all assets acquired and liabilities undertaken had to be measured at June 30, 2016 ("Acquisition Date"), pursuant to provisions set out by IFRS 3 "Business Combinations".

As more thoroughly described in paragraph "Purchase Price Allocation of Engineering Ingegneria Informatica S.p.A." and in the comments on each single item in the Explanatory Notes, to which reference is made, when measuring at fair value all assets acquired and liabilities undertaken, pursuant to IFRS 3, the "Trademark" was recognised under item Intangible assets, for an amount of around Euro 453 million (including deferred tax assets for around Euro 126 million), the Customer Relationship was recognised for an amount of around Euro 15 million (including deferred tax assets for around Euro 4.2 million), and some trade assets and other current assets were entirely written down for the amount of around Euro 13 million (including deferred tax assets for around Euro 4 million).

The comparison of financial data, for the only purpose of the managerial measurement of performance, remained unchanged, as the economic result of the first six months of Mic Bidco S.p.A. was irrelevant.

III. Market overview

■ ECONOMIC OVERVIEW

The updated forecasts of IMF on world economy, performed in January 2018, envisage that the global economic activity will continue to consolidate based on the estimate that global production grew by 3.7% in 2017, i.e. 0.1 percentage points more than expected in autumn and by half percentage point more than in 2016. The important figure is that growth recovery was generalised, with important increases in Europe and Asia.

Global growth expectations for 2018 and 2019 were reviewed upwards by 0.2 percentage points, to 3.9%. This review also included the effect of the estimated impact of recently approved changes on tax policies that recently occurred in the United States.

The IMF forecasts a GDP growth for the Eurozone of around +2.2% and +2%, in 2018 and 2019, respectively, with the three economies of the founding Country Members that will almost all report strong growth compared to the 2016-2017 period, namely the always driving Germany +2.3% (2018) and +2% (2019), France +1.9% (2018) and +1.9% (2019) and Italy +1.4% (2018) and +1.1% (2019).

The risks for the Eurozone might be related to the latest decisions of the USA Government with respect to the reintroduction of duties on specific products, despite the WTO agreements, which might have repercussions on German exports to the USA. German production, in its turn, supports the Italian exports, above all in the automotive segment.

■ THE ITALIAN ECONOMY

In March 2018, ISTAT confirmed the estimates made by the Government and certified that the Italian GDP grew by 1.5% in 2017.

As regards the economic activity sectors, which contributed the most to this increase, the metallurgy and metal products segments, excluding machines and plants, are to be highlighted, together with the textile industry, clothing products, leather and fittings and other manufacturing companies, and machines and equipment repairing and installation segments. This is an evidence that Italy, the second manufacturing country in Europe, is investing in the manufacturing sector, which is now a driving sector again.

Another figure that raised hopes is the deficit/GDP ratio, which stood at 1.9%, while the debt/GDP ratio for Italy amounted to 131.5%, down compared to 132.0% in 2016.

■ THE IT SECTOR

According to data of the IDC research in 2017, the ICT market grew by +1.9% compared to 2016 and for 2018 a further growth of +1.3% is expected.

The sectors that mostly contributed to this growth, albeit still small in absolute value, are those related to Big data and Analytics (+20.9%), with further increase, to +26.4%, estimated for 2018, the Cloud (+27.8%), with estimated +25.8% next year, and the IoT, with a +16.4% increase and +15.1% projections for 2018.

Moreover, the IDC research highlighted that, in 2017, augmented reality and virtual technologies boosted to +335.6%, with an estimated growth of +86.4% for 2018.

The Cyber Security segment reported a strong growth. This is another area where significant investments are being made by the Group, together with initiatives related to General Data Protection Regulation (GDPR), which is considered as an important chance for our Company given that, according to an EY report, only 33% of global companies (48% in Italy) are endowed with an adequate plan in view of the full application of the EU regulation in May 2018.

IV. Operational overview

The focus on research and innovation was again confirmed in 2017, through the allocation of an adequate level of resources, in line with previous years.

The continuous investment in R&D activities is pivotal for the success of the Group, 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.

■ RESEARCH AND INNOVATION ACTIVITY

As described in the analysis of the various markets, the results of research activities had an immediate impact on the positioning of the Company as leader in digital innovation and on the development of our proprietary solutions:

- our technological platform, based on data centres in Pont-Saint-Martin, Turin, Vicenza and Milan, is able to offer a unique cross-platform Hybrid Cloud for the Italian market, thanks to its sound architecture and the variety of solutions available;
- the even more widespread application of Smart Intelligence algorithms had an impact on all sectors where the Company operates: Healthcare, with the analysis of clinical data of our healthcare platform, Utilities, for the recognition systems and optimisation of consumption, Finance, with the Robotic Process Automation applied to optimisation projects of bank processes, the Fandango research project, which, by employing machine learning and text mining technologies, aims at identifying potential fake news, the evolution of the DIVE platform, developed in partnership with COMAU and employing machine learning and big data technologies to support predictive and prescriptive maintenance processes, to name but a few;
- the investments on Augmented Reality devices and techniques rendered the Work Force Management GeoCall solution one of the world leading solutions in its sector;
- important developments were reported in Cyber Security, applied first to guarantee the security of our Data Centres and now representing a successful consultancy offer to support our services to the market with one of the most advanced Security Operation Centres.

The above examples are only a few of the wide range of R&D activities in which the Company is committed. Among the other research areas, the following can be noted:

- the employment of the forthcoming 5G network for the development of innovative applications on media and energy;
- the study of technology evolution applied to Defence, which is the object matter of the project - called PYTHIA - Predictive methodology for TecHnology Intelligence Analysis, aimed at the European Defence Agency (EDA) on behalf of the EU Member States (Strategic Technology Foresight);
- the participation to Industry 4.0 programmes through the project, named MIDIH (Manufacturing Industry Digital Innovation Hubs), aimed at establishing a European network of "innovation/digital know-how centres" for the manufacturing sector and the continuation of the Oedipus project, aimed at developing a FIWARE-based platform for the development of Industria 4.0 solutions;
- the consolidation of research activities, performed over the previous years on Smart Cities, led to the development of CEDUS, a FIWARE-based, open platform for the development of highly reusable applications for Smart Cities. Thanks to the competitive advantage of the CEDUS platform and, more in general, of FIWARE, during 2017 we were assigned Step 1 and Step 2 of a Paneuropean Precommercial Procurement (PCP) on SMART Cities, named Select4cities, with cities such as Antwerp, Copenhagen and Helsinki as customers.

Under the quantity viewpoint, the year 2017 was a year rich in successes. We further increased our participation in domestic and European tenders and our promotional efforts resulted in the acquisition of a number of new research projects, which, over the next few years, will allow us to develop innovative solutions and technologies that will enrich and strengthen our offer of digital solutions for all our customers.

At national level, the attention focused on the participation in tenders issued by MISE and MIUR, based on PON funds, with proposals for a total value of around Euro 40 million over three years and aimed at developing large projects, consistent with the main priorities for the Country, especially with the Digital Agenda.

At European level, we participated in various research proposals within the Horizon 2020 Programme, with an award rate higher than 20%, more than the double compared to the average award rate recorded in the Programme. Always at European level, we participated in the KIC EIT Digital tenders with various proposals and we were awarded little less than half the total tenders.

As an evidence of the importance of our position within the European research programme, the valuation report on the H2020 Programme, issued by the European Commission at mid 2017, highlighted that, during 2016, with 35 projects acquired, our Company is ranked at the sixth position, amongst all European private companies, for its ability to attract funding for research.

MARKET PERFORMANCE

■ FINANCE

In the Finance market, the Company obtained important results in terms of business volumes and profitability (both in absolute and percentage terms), thanks to a policy focused on both market trends and the care for quality solutions and efficiency of operating models.

The area of proprietary solutions played a central role thanks to:

- the offer of application solutions which, thanks to the widespread utilisation of the Big Data and Analytics latest technologies, enables process innovation for new business processes, featuring scalability and flexibility and a further rationalization and monitoring of service, implementation and maintenance costs;
- the sale of new solutions related to regulatory evolutions, including IFRS 9 and Anacredit;
- the development of the new IF Big Data platform, which allowed obtaining important positioning at primary Customers committed in developing Smart Data Lake and enhancing Big Data platforms, also for regulatory purposes.

In 2017, a new investment programme, called Evoluzione Corporate Performance Management (CPM), was started to complete the Compliance & Governance offer.

In 2018, and for the following years, for the Finance market Engineering Ingegneria Informatica S.p.A. intends to continue the growth roadmap of its products, followed over the last few years, with special reference to:

- the development of our offer in specialistic consultancy services on issues where our competence is acknowledged by the market: Compliance, Governance, Risk, Customer, Credit, Payments, Insurance and Advisor;
- the firm transfer on this market of all innovation issues included in the Group strategy, such as: Analytics, Robotic Process Automation, Cybersecurity and Cloud;
- the increase in the offer of services, scalable for the various types of reality, enhancing the assets inferred from the latest M&A transactions;
- the maintenance and development of the driving role played by proprietary solutions.

■ PUBLIC ADMINISTRATION

The Company operates in the Public Administration Market both at central and local level and in the Healthcare segment, with a rich offer of leading solutions in the market:

Due to a questionable formal quibbling upheld by a TAR sentence (No. 01687/2016 REG.PROV.COLL of February 4, 2016), Engineering Ingegneria Informatica S.p.A. was excluded from most of Public Administration tenders, managed within the Consip application framework contract, and the Company had to give up important market opportunities in 2017. In order not to lose positioning and expertise on important sectors of the Public Administration, we accepted subcontracted work (with lower margin) from companies that entered the areas that were previously managed by Engineering Ingegneria Informatica S.p.A..

At expiry of the above-mentioned framework contract, this situation was completely reversed with the assignment of over Euro 300 million orders at end 2017 and beginning of 2018, thus reaffirming our leadership in this market sector.

CENTRAL PUBLIC ADMINISTRATION

Over the last few months, the following important contracts in Central PA were assigned to Engineering Ingegneria Informatica S.p.A.:

1. Traffic Control Authority (total assigned value of around Euro 116 million, of which Engineering Ingegneria Informatica S.p.A. is the assignee for around Euro 43 million);
2. INPS (total value assigned to RTI partners of around Euro 78 million, of which Engineering Ingegneria Informatica S.p.A. is the assignee for around Euro 57 million);
3. Equitalia (total value assigned to RTI partners of around Euro 16 million, of which Engineering Ingegneria Informatica S.p.A. is the assignee for around Euro 12 million);
4. Agricoltura Lotto 2 (total value assigned to RTI partners of around Euro 72 million, of which Engineering Ingegneria Informatica S.p.A. is the assignee for around Euro 24 million);
5. Call Center Consip - Framework Contract (total value assigned to RTI partners of around Euro 47.5 million, of which Engineering D.HUB S.p.A. is the assignee for around Euro 9.5 million).

The start-up of these projects, some of which subordinated to the conclusion of the contract procedure, will allow Engineering Ingegneria Informatica S.p.A. to begin to grow again in this market as well.

LOCAL PUBLIC ADMINISTRATION

In 2017, the Group obtained the final assignment of two lots related to the CONSIP framework contract for the Integrated Management Systems (SGI) in the Local PA (total value pertaining to the Company is equal to around Euro 158 million). The economic benefits of these important contracts will accrue after the signing of specific contracts with Local Public Administrations (PAL) and, therefore, reasonably as from the third quarter of 2018.

Both EII and Municipia will benefit from the above, with particularly relevant projects for administration/management systems of large Cities and Regions.

HEALTHCARE

The year 2017 witnessed a consolidation in the Company's positioning in this market, with customers who confirmed their partnership relation with Engineering Ingegneria Informatica S.p.A. by renewing multi-annual contracts and with new important achievements (the latest are the Piedmont and Friuli Venezia Giulia regions). Important investments in our solutions were developed in 2017, especially in the healthcare segment, with the widespread use of machine learning techniques for the analysis of the patient data.

The electronic medical record project is one of the first assignments by the Friuli Venezia Giulia region, which is being started at the end of the administrative procedure.

The economic recovery triggered a strong recovery in the companies' investments, also thanks to the drive of the national plan for digitalisation of manufacturing companies, which, in addition to tax benefits, undoubtedly contributed to the general confidence in the Italian production system.

Through the renewed Engineering D.HUB S.p.A. offer, Engineering Ingegneria Informatica S.p.A. introduced on the market a proposal of innovative digital services ranging from RPA (Robotic Process Automation) to in-cloud processing projects related to services for our customers.

The new series of products, based on e-machine learning technologies for the predictive maintenance and the optimization of production processes, is being launched on the market of manufacturing companies and has already obtained the first significant references.

Nowadays, thanks to the important acquisitions that the Group has achieved in Italy, Germany and the United States, Engineering Ingegneria Informatica S.p.A. is one of the very few companies being able to support companies in their production cycle, from design up to the automation of production and, lastly, in after-sale activities, where predictive maintenance logics ensure customers the possibility to offer, in their turn, value added services.

Our solutions, based on the application of Augmented Reality techniques (GeoCall), are becoming leading solutions at global level in the Work Force Management area. Together with the strong competitiveness on ERP and CRM issues, these solutions are completing a unique offer for process coverage and geographical dissemination.

Customers such as Monsanto, Northrop Grumman, Siemens, Leonardo, Volkswagen and Ansaldo Energia are amongst the most relevant results achieved over this last period.

■ **TELCO**

Improved results are being reported in a strongly competitive sector like the Telco one. These results have been achieved thanks to the offer diversification process and widening of the market basis. The most significant activities include the following:

- the service area in Revenue Sharing with telephone operators (Mobile Payments, Centro Stella, Servizi Premium), which continued the significant growth in revenues already reported in 2016;
- the participation to Vendor Reengineering processes, in a strong competitive context;
- IT outsourcing of Tiscali, started at the beginning of the year, which remarkably contributed to the increase in revenue and margin of the Division;
- the customer Sirti, following the award of the tender for the upgrading of the customer's ERP platforms;
- the start-up of important projects within the Open Fiber Billing and Assurance areas;
- consultancy for an important market operator.

■ **UTILITIES**

Engineering Ingegneria Informatica S.p.A. reported a 15% growth in volumes, thus confirming itself as one of the main players in this market thanks to the success of its Net@ and OverIt proprietary solutions, of which the Cloud versions were issued, based on the Group Hybrid Cloud platform.

Some of the projects implemented are nowadays the flagship products of digital transformation, through the study of large Cloud-based systems with a widespread application of the Agile and DevOps design and development techniques.

Other Group companies (Overit and WebResults) contributed to the success obtained in this market, with high profile projects at international level.

The year 2017 saw the beginning of our presence on the Spanish market, with the first important customers and partnership relations for the dissemination of our solutions.

The experimentation of our NILM (Non Intrusive Load Monitoring) solutions for the traffic data analysis began in 2018 for some important customers.

The Engineering Ingegneria Informatica S.p.A. solution, unique on the market, employs the Group's expertise on IoT and Machine Learning for the reading and interpretation of data on consumption to relate them to the device/household appliance that generated it.

This is a veritable revolutionary solution in the field of energy consumption control.

V. Personnel

■ WORKFORCE AND TURNOVER

As of December 31, 2017, the Company workforce with indefinite-term contracts numbered 6,072, of which only 107 with temporary contracts.

Total personnel turnover was in overall equal to 645 new hires, including 87 individuals from Group companies and 403 leaves, of which 107 to subsidiaries, especially to Municipia S.p.A., due to the transfer of the PAL business unit, effective as from January 1, 2017.

Some detailed figures are provided below, related to 2017, with reference to the Company workforce:

- graduated people total 60.49%;
- women totalling 33.71%;
- the average age is 43.54;
- the number of executives was equal to 4.6%;
- employees with Super Management/Management qualifications total 24.29%.

■ TRAINING

During 2017, 359 different editions of training courses – relative to 212 different courses – were held in the classrooms of the IT & Management Engineering Academy “Enrico Della Valle”, an increase of 7.6% with respect to 2016.

The educational activities involved about 3,265 participants, totalling 14,631 man-days of classroom training, a 3.9% increase with respect to 2016. Thanks to the Corporate Learning Management System FORENG, the various initiatives of remote training through wbt and webinars, available to Group employees are to be mentioned.

Amongst the number of training initiatives performed during the year, the following are worth mentioning:

- the start-up of five different full immersion residential training courses, aimed at hiring 60 brilliant new University leavers as SAP consultants and Java Developers;
- the completion of the first Engineering Project Management Master (MPM), addressed to 35 Project Senior Managers of the Company, where, in addition to the preparation aimed at obtaining the prestigious PMP certification, a full training is offered on specific issues of Project Management, with special reference to the project and customer management strategy, as well as to both the correct analysis and management of contracts and risks and the team management;
- the start-up of e-learning training courses, addressed to all Group employees, on statutory and general interest topics such as the adoption of the new communication, collaboration and sharing tools and the corporate Quality System. Usable at any time through the corporate FORENG Learning Management System, these training products will permit to support the organisational change of the Company, while ensuring the effective large-scale wide spreading of key contents;
- the didactic activities, integrated by training in class and e-learning, were aimed at obtaining professional certificates for the Group staff on the main technologies and methods in the IT world. Through these training actions, in 2017, Group employees successfully passed over 850 exams and obtained prestigious certifications such as PMP, ITIL, SCRUM, CBAP, Prince2, Microsoft, Oracle, SAP, Cisco, VMware 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 continuation of the series of seminars called “I Martedì dell’Innovazione” (Tuesdays of innovation), focused on issues of particular interest related to the IT world at the IT & Management School. Within these seminars, the main characteristics and possible impact of Digital Transformation on the business were shown, from the new application challenges of smart intelligence, to the evolution of the Brand Identity in the time of social media, with a deeper analysis of the strategies of Innovation management within the Company. The series will continue throughout 2018 with a new series of seminars.

VI. Outlook

With all economic indicators reporting a strong growth, as described in the following paragraph on Financial Highlights, the results for 2017 were achieved despite the Company’s main market had been penalised by the exclusion of Consip conventions.

With the year 2018, upon expiry of the above-mentioned convention, Engineering Ingegneria Informatica S.p.A. returned to be the main player on the Public Administration market, with the recent award of the main orders issued by Central and Local Public Administration. The effects of the new contracts will be seen between 2018 and 2019, according to the start-up timing of the related projects.

The investments that companies in every market have scheduled in order to benefit from new technologies, will enhance growth in sectors such as Cloud Computing, IoT, Smart Intelligence, Cyber Security, areas in which the Company focused its investments by upgrading its infrastructures and products and developing state of the art expertise in all fields of digital transformation.

Acquisitions made in 2017 will develop all their potential during 2018, while supplying new products (especially in the banking and safety sector) and will guarantee still higher operating efficiency.

For the reasons explained above, we are facing 2018 with the utmost optimism and the new year will witness the positioning of the Company as leading entity in the sector in terms of revenue and profitability.

VII. Financial highlights

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■ KEY RESULTS

Description	31.12.2017	31.12.2016	(in millions of Euros)	
			Delta yoy	
			Absolute	%
Total revenues	767.4	791.9	(24.6)	-3.1
Net revenues	735.3	763.1	(27.8)	-3.6
Adjusted EBITDA (*)	76.3	87.8	(11.5)	
% of net revenues	+10.4	+11.5		
EBITDA	67.2	87.8	(20.5)	-23.4
% of net revenues	+9.1	+11.5		
Amortisation and depreciation	14.0	10.7	3.4	+31.5
Allocations	4.9	18.9	(14.0)	-74.0
EBIT	48.3	58.2	(10.0)	-17.1
% of net revenues	+6.6	+7.6		
Net profit	34.3	43.4	(9.1)	-20.9
% of net revenues	+4.7	+5.7		
Shareholders' equity	572.5	442.1	130.4	+29.5
Net debt	(153.0)	169.9	(322.9)	-190.0
% debt/equity	+26.72			
ROE % (N.P./N.E.)	+6.0	+9.8	-3.8	-38.9
ROI % (EBIT/N.C.E.)	+6.7	+21.4	-14.7	-68.9
No. of employees	6,072	5,830	+242	+4.2

(*) Adjusted EBITDA refers to the EBITDA results gross of stock option costs.

Total revenues came to Euro 767.4 million, a 3.1% decrease compared to 2016 (Euro 791.9 million).

The decrease is due to the transfer of two Business Units to two subsidiaries:

- MO Business Unit, transferred to the subsidiary Engineering D.HUB S.p.A. (former Engineering.Mo S.p.A.), as from October 1, 2016;
- PAL Business Unit, transferred to the subsidiary Municipia S.p.A., as from January 1, 2017.

Net revenues, equal to Euro 735.3 million, reported -3.6% decrease compared to 2016 (Euro 763.1 million).

Adjusted EBITDA stood at Euro 76.3 million, down by Euro 11.5 million compared to the previous year (Euro 87.8 million). It decreased to Euro 67.2 million (reported EBITDA) after accounting of non-recurring charges related to the figurative cost of stock options, equal to Euro 9 million, pursuant to the IFRS2 standard.

EBIT stood at Euro 48.3 million, recording a decrease of Euro 10 million compared to 2016, and included both amortisation/depreciation amounting to Euro 14 million, an increase compared with the previous year, and allocations totalling Euro 4.9 million, lower than the previous year by Euro 13.9 million. The analysis of item amortisation and depreciation will be described in further detail hereunder.

Net profit amounted to Euro 34.3 million as of December 31, 2017.

The net financial position as of December 31, 2017 reports a total balance of -Euro 153 million compared to 2016, year in which the total amount was Euro 169.9 million. The reasons for this change are better described in the following paragraphs herein and in the Explanatory Notes.

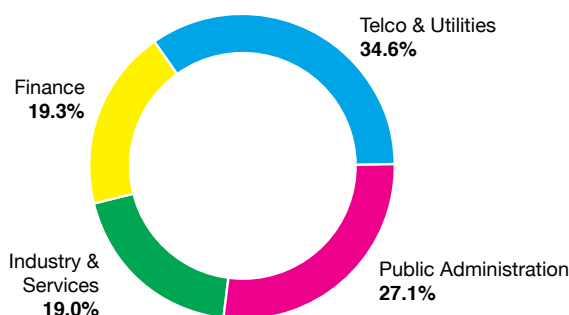
The attained results, shown hereunder by market segment, are fully in line with the forecasts of management that were communicated during the course of the year and confirm the efficacy of the management.

As already highlighted, the decrease in net revenue is to be attributed to the transfer of the two Business Units, one in Engineering D.HUB S.p.A. and the other in Municipia S.p.A..

(in millions of Euros)

Description	31.12.2017		31.12.2016		Change
		%		%	
Total revenues					
Finance	142,048,333	19.3%	133,663,191	17.5%	+6.3
Public Administration	198,990,902	27.1%	229,153,987	30.0%	-13.2
Industry & Services	139,746,561	19.0%	156,216,646	20.5%	-10.5
Telco & Utilities	254,541,706	34.6%	244,106,102	32.0%	+4.3
Net revenues	735,327,502	100.0%	763,139,926	100.0%	-3.6
Other revenues	32,036,854		28,777,536		+11.3
Total revenues	767,364,356		791,917,462		-3.1

REVENUES 2017



OPERATING EXPENSES

Operating expenses decreased overall by approx. Euro 15 million, compared to 2016, mainly due to the decrease in personnel costs and allocations.

(in Euros)

Description	31.12.2017	31.12.2016	Delta pro-forma	
			Absolute	%
Personnel costs	349,457,747	359,203,960	(9,746,212)	-2.7
Service costs	336,437,630	330,992,920	5,444,710	+1.6
Raw materials and consumables	9,528,056	11,051,965	(1,523,909)	-13.8
Depreciation, amortisation and allocations	18,962,597	29,552,856	(10,590,258)	-35.8
Other costs	4,709,701	2,893,217	1,816,484	+62.8
Total operating expenses	719,095,731	733,694,917	(14,599,186)	-2.0

Specifically:

- the decrease in "Personnel costs", in 2017, is due to the decrease of the average number of employees, equal to 5,894, compared to last year's 6,207 individuals. For further information, reference is made to Paragraph IX;

- the increase in item “Service costs” is due primarily to the increase in services rendered by Group companies that increased their workforce with new hirings and permitted Engineering Ingegneria Informatica S.p.A. to avail itself of greater resources for the development of its projects;
- the decrease in item “Depreciation, amortisation and allocations” is due to lower allocations (Euro 13 million), related to lower provisioning for future risks, especially the absence of campaigns aimed at leave incentives, as well as to the increase in costs for amortisation/depreciation due primarily to intangible assets entered in the financial statements after the measurement at fair value of assets and liabilities of Engineering Ingegneria Informatica S.p.A. by Mic Bidco S.p.A., at the acquisition date (July 1, 2016), based on the purchase method (IFRS 3);
- the item “Other costs” increased by Euro 1.8 million and refers mainly to local taxes and duties.

■ OPERATING PROFIT AND NET PROFIT

(in Euros)			
Description	31.12.2017	31.12.2016	Delta yoy %
Operating profit after depreciation/amortisation (EBIT)	48,268,626	58,222,545	-17.1
Financial income/(charges)	(8,675,273)	2,399,592	-461.5
Income/(Charges) from investments	(978,112)	2,221,707	-144.0
Profit before taxes	38,615,242	62,843,845	-38.6
% of net revenues	+5.3%	+8.2%	
Income taxes	4,281,884	19,419,363	-78.0
Tax rate	+11.1%	+30.9%	
Net profit	34,333,357	43,424,482	-20.9
% of net revenues	+4.7%	+5.7%	

The profit before taxes, amounting to Euro 38.6 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 34.3 million.

The tax rate stood at 11%.

VIII. Statement of financial position

The statement of cash flows presented below shows the cash flows for the Company according to the direct method. The statement of cash flows 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	31.12.2017	31.12.2016
Cash flow from operating activities		
Revenues from the sales of products/services - third parties	905,663,459	903,904,293
Revenues from the sales of products/services - Group	15,318,208	9,893,516
Costs for goods and services - third parties	(343,114,082)	(324,433,433)
Costs for goods and services - Group	(57,980,105)	(54,094,635)
Personnel costs	(356,930,534)	(365,953,199)
Interest received from operating activities	241,659	955,149
Interest paid for operating activities	(233,156)	(195,697)
Exchange differences	(68,404)	110,258
Income tax payments and reimbursements	(63,060,277)	(80,760,418)
Cash pooling	(14,102,520)	17,954,962
A) Total cash flow from operating activities	85,734,249	107,380,795
Cash flow from investing activities		
Sale of tangible fixed assets	944	7,132
Purchase of tangible fixed assets	(3,249,400)	(6,289,664)
Purchase of intangible fixed assets	(1,732,832)	(1,546,270)
Purchase of investments in subsidiaries	(96,721,424)	(17,301,184)
Purchase of business unit	(456,695)	(121,323)
Purchase of other investments and securities	(423,126)	(57,798)
Sale of other investments and securities	20,431	
Dividends received	49,048	
B) Total cash flow from investing activities	(102,513,055)	(25,309,107)
Cash flow from financing activities		
New loans	292,341,446	88,511,057
Repayment of loans	(384,389,861)	(17,911,825)
Loans disbursed/received to/from Group companies	(3,923,000)	(16,022,276)
Loans repaid/collected by Group companies	1,600,000	242,541
Sale of treasury shares		264
Change from merger	85,659	
Interest paid for financing activities	(4,762,200)	(863,564)
C) Total cash flow from financing activities	(99,047,955)	53,956,198
D) = (A+B+C) change in cash and cash equivalents	(115,826,760)	136,027,886
E) Cash and cash equivalents at beginning of year	297,770,328	161,742,442
F) = (D+E) cash and cash equivalents at end of year	181,943,568	297,770,328

At year end, short-term cash and cash equivalents decreased by around Euro 116 million and stood at around Euro 182 million as of December 31, 2017. The decrease is due mainly to the redemption of the loan, equal to Euro 290 million, resulting from the reverse Merger between Mic Bidco S.p.A. and Engineering Ingegneria Informatica S.p.A., occurred in May 2017, as described in the foreword. The repayment of Euro 290 million occurred by using both the already existing cash and the cash resulting from the entering of new loans to support the repayment of debt and M&A activities. The cash flows resulting from operations increased in

connection with the increase in sales, with the consequent increase in cash flows thanks to the Company's ability in collecting and managing receivables.

■ NET FINANCIAL POSITION

The net financial position stood at -Euro 153 million, down compared to the end of 2016 (Euro +170 million).

The Company's changed availability of financial resources is connected with the reverse Merger of Mic Bidco S.p.A. in Engineering Ingegneria Informatica S.p.A., which involved the redemption of an already existing loan with Mic Bidco S.p.A. (around Euro 290 million) by using cash on hand and a new loan for the amount of Euro 130 million (for details reference is made to the following paragraphs and the Explanatory Notes).

(in Euros)		
Description	31.12.2017	31.12.2016
Cash	11,761	13,769
Other liquid assets	181,931,807	297,756,559
Cash and cash equivalents	181,943,568	297,770,328
Current financial receivables	0	0
Current bank payables	(6,114)	(14,452)
Current portion of non-current debt	(92,196,979)	(30,453,426)
Other current financial payables	(13,114,626)	(11,765,778)
Current borrowing	(105,317,719)	(42,233,656)
Net current financial position	76,625,849	255,536,673
Non-current borrowing	(222,342,353)	(85,289,333)
Other non-current payables	(7,268,284)	(304,571)
Non-current borrowing	(229,610,637)	(85,593,903)
Net financial position	(152,984,788)	169,942,769

■ CENTRALISED TREASURY

The coverage of financial needs is permitted by subscribing to suitable credit lines and the long used cash-pooling, as well as with the optimal management of surplus cash.

In particular, with regard to credit lines, it should be noted that loans granted to the Company by Banca Intesa Sanpaolo, Banca Nazionale del Lavoro, Banca Popolare di Milano and Unicredit were rescheduled and granted by a pool of the same banks, through Banca IMI, to cover requirements resulting from the acquisition and the related Public Tender Offer (OPA), to which the Company was subjected and that ended in July 2016.

The above led to the granting of two credit lines of Euro 130 million for a forward loan (5-year duration from closing date of April 11, 2016) and Euro 75 million as revolving loan, of the same duration, intended to cover the medium/short term needs for both possible further acquisitions and general cash requirements, and to support working capital.

Following the reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., the credit line of Euro 130 million was used last June 26, 2017. This credit line and cash on hand were used to redeem the loan of Euro 290 million that had been granted by the previously described pool of banks and used within the OPA transactions that last year permitted Mic Bidco S.p.A. to acquire the whole share capital of Engineering Ingegneria Informatica S.p.A..

Due to the aforesaid events, the Company's net financial position has remarkably changed. During the year, given the commitments and growth strategy, both structural and through acquisitions, the Company performed also short-term procurement transactions that had not been adopted for a long time.

Hot money transactions, for a total amount of Euro 45 million, were agreed at particularly favourable interest rates, ranging from 0.05% to 0.10%. Near year end, important non-recourse factoring transactions were signed with Mediocredito Italiano and Banca Farmafactoring, for a total amount of Euro 90 million. For the acquisition of Infogroup S.p.A. a new loan, amounting Euro 61.4 million and with a duration of 6 years, was

granted by Banco BPM. The Company's excellent rating, ongoing dialogue and discussion with the various banks allowed us to take advantage of the best conditions offered based on real need and to keep financial charges as low as possible.

During the year, some 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 Company, while other companies obtained direct loans. The above loans were obtained at rates which could not have been achieved independently on the market and with the advantage of the best allocation of resources within the Engineering Ingegneria Informatica S.p.A. Group.

The above also shows the Company's care and attention cast in management of resources, and confirms its ability to generate cash flows that are not only sufficient to remunerate and repay the debt, 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 44.1 million compared to 2016 (-21.5%), amounting to Euro 161 million.

Current assets decreased by -3.1%, while current liabilities increased by 6.1% due to improved management of payment terms for trade payables.

(in Euros)				
Description	31.12.2017	31.12.2016	Change	
			Absolute	%
Current assets				
Inventories and construction contracts	112,119,795	118,257,239	(6,137,444)	-5.2
Trade receivables	430,976,988	450,644,368	(19,667,379)	-4.4
Other current assets	53,651,863	46,793,127	6,858,736	+14.7
Total	596,748,647	615,694,735	(18,946,088)	-3.1
Current liabilities				
Trade payables	(321,264,117)	(274,794,925)	(46,469,192)	+16.9
Other current liabilities	(114,645,609)	(135,968,603)	21,322,994	-15.7
Total	(435,909,726)	(410,763,528)	(25,146,197)	+6.1
Net working capital	160,838,921	204,931,207	(44,092,285)	-21.5

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

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(in Euros)

Description	31.12.2017	31.12.2016	Change	
			Absolute	%
Property, plant and equipment	24,399,287	15,371,689	9,027,598	+58.7
Intangible assets	468,808,944	8,155,440	460,653,504	+5.648.4
Goodwill	45,585,534	44,648,341	937,193	+2.1
Equity investments	202,090,833	54,230,612	147,860,221	+272.7
Fixed assets	740,884,598	122,406,082	618,478,516	+505.3
Short-term assets	596,748,647	615,694,735	(18,946,088)	-3.1
Short-term liabilities	(435,909,726)	(410,763,528)	(25,146,197)	+6.1
Net working capital	160,838,921	204,931,207	(44,092,285)	-21.5
Other non-current assets	26,731,910	16,580,188	10,151,721	+61.2
Post-employment benefits	(47,253,132)	(50,171,307)	2,918,175	-5.8
Other non-current liabilities	(155,732,789)	(21,613,501)	(134,119,288)	+620.5
Net capital employed	725,469,508	272,132,668	453,336,839	+166.6
Total shareholders' equity	572,484,719	442,075,438	130,409,281	+29.5
(Availability)/Financial indebted. M/LT	229,610,638	85,593,903	144,016,734	+168.3
(Availability)/Financial indebted. ST	(76,625,849)	(255,536,673)	178,910,824	-70.0
(Availability)/Financial indebted.	152,984,789	(169,942,769)	322,927,558	-190.0
Total sources	725,469,508	272,132,668	453,336,839	+166.6

The reclassified statement of financial position for 2017 is not easily comparable with figures related to 2016 without taking account of the impact related to the merger of the parent company Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A. (reverse Merger), occurred in May 2017, effective on January 1, 2017, in addition to differences in the Company's assets and liabilities that arose from the measurement at fair value, carried out as set out by IFRS 3, for the fair price allocation paid by Mic Bidco S.p.A. upon acquisition of the Company (July 1, 2016).

Fixed assets increased:

- due to Fair Value of the following items:

- Trademark Euro 453 million, including taxes equal to Euro 126 million;
- Customer relationship Euro 4 million, including taxes equal to Euro 11 million;
- Equity investments fair value Euro 49 million;

- due to new acquisitions and/or capital increases, equal to around Euro 99 million, due to goodwill related to business units acquired during the year (Euro 0.4 million), due to the merger of Fair Dynamics Consulting S.r.l. (Euro 0.5 million) and lastly to the price allocation of the Dekra Italia S.r.l. Business Unit, according to IFRS 3, with the recording in Assets, under item "Customer relationship" (Euro 1.3 million, net of amortisation/depreciation).

The working capital decreased mainly by reason of the transfer of the two Business Units to subsidiaries (for further details reference is made to the Explanatory Notes to the accounts).

The increase in indebtedness, and the consequent lower cash on hand available is mainly due to the following transactions: redemption of a loan acquired by Mic Bidco S.p.A. (approx. Euro 290 million) by using cash on hand and a new loan of Euro 130 million (for further details reference is made to the Explanatory Notes to the accounts).

The significant events are detailed below:

- on January 24, 2017, the Company purchased the Business Unit from the company Dekra Italia S.r.l.. Dekra Italia S.r.l. operates in the field of managerial consultancy services through applications and technological platforms;
- 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, 2017 the Company acquired a minority interest, equal to 19% of 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 S.r.l., 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 complexities 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. in special administration. Through this acquisition, Engineering Ingegneria Informatica S.p.A. now owns 15.5427% of the share capital of Consorzio Cefriel S.c.a.r.l.;
- on April 20, 2017, the Company subscribed a reserved capital increase of the company Sofiter Tech S.r.l.. With this transaction, Engineering Ingegneria Informatica S.p.A. now owns 51% of the company's share capital;
- after the last recording step that was made to file the transaction at the competent Chamber of Commerce, the reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A. was completed on May 24, 2017;
- on June 22, 2017, the Company acquired the IT Business Unit of the company SP Sapiens A.r.l.;
- on June 28, 2017, the Company's Board of Directors approved a stock option plan;
- on July 10, 2017, the Company acquired 60% of the company Sogeit Solutions S.r.l., with registered office in Rome, Piazza Irnerio, no. 67. The remaining portion of share capital is owned by the company Sogeit Solutions S.r.l.;
- on July 18, 2017, the Company's Extraordinary Shareholders' Meeting resolved on a capital increase for further Euro 40,081,172.00 to support the management incentive plan. The management of the plan is consistent with the regulation that will govern terms and assignment of shares upon achievement of the events defined within the plan. The current share capital of Euro 31,875,000.00, fully subscribed and paid in, remained unchanged;
- on July 26, 2017, the Company completed the purchase of a further 20% of the share capital of WebResults S.r.l., thus achieving, by effect of this acquisition, 91% of the company's share capital;
- on September 8, 2017, the Company wholly acquired the company Infinity Technology Solutions S.p.A, with operating office in Genoa, and the company SedApta US Inc., with registered office in Dover, Delaware, which, in its turn, controls 66% of the company IT Soft US Inc., with registered office in Chicago, Illinois;
- on November 29, 2017, the Company subscribed a share capital increase of the company Istella S.r.l, with registered office in Cagliari, Frazione Località Sa Illetta, operating in the Smart Intelligence sector.

Following the subscription and payment of the capital increase, Engineering Ingegneria Informatica S.p.A. now owns Euro 4,047.5 of nominal shares, equal to 4.5% of the share capital;

- on December 23, 2017 the Merger Deed through incorporation of the controlled company Fair Dynamics Consulting S.r.l. in Engineering Ingegneria Informatica S.p.A.;
- on December 28, 2017, the purchase was completed of the entire share capital of Infogroup - Informatica e Servizi Telematici S.p.A., with registered office in Florence, Via Torre degli Agli no. 48;
- on December 29, 2017, the Merger Deed through incorporation of the controlled company Infinity Technology Solutions S.p.A. into Engineering Ingegneria Informatica S.p.A. was signed.

X. Shareholders and treasury shares

■ SHAREHOLDERS

As described in the events occurred during the year, on March 1, 2017, the Extraordinary Shareholders' Meetings of Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A. resolved on the approval of the reverse Merger project of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.. Following the merger, the whole share capital of Engineering Ingegneria Informatica S.p.A. is held by Mic Newco S.p.A..

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 Newco S.p.A..

■ TREASURY SHARES

At the date of approval of this financial report, no treasury shares are owned by Company.

XI. Subsequent events to the year-end

On February 14, 2018, the Extraordinary Shareholders Meetings of Engineering Ingegneria Informatica S.p.A. and Infogroup – Informatica e Servizi Telematici S.p.A., resolved on the merger proposal of Infogroup – Informatica e Servizi Telematici S.p.A..

XII. 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, with the exception of what is reported on paragraph 43 of the Explanatory Notes.

■ MAIN RISKS AND UNCERTAINTIES

As in all companies, risk factors which may affect Company 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 the Company for 2009 by the Lazio Regional Authority – Office of Large-Scale Taxpayers, it is highlighted that the assessment notice regarding the tax period 2012 was served in December 2017 and settled in the same month of December. 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 Engineering.IT (merged in Engineering Ingegneria Informatica S.p.A. 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. By reason of the fact that the cross-examination did not have a favourable outcome, in May 2017 the Company filed an appeal at the Tax Commission and the first-instance sentence upheld the objections filed by the Company. In February 2018, the Inland Revenue Office filed an appeal and to date a hearing for discussion has not been fixed yet.

XIII. Conclusions and Shareholders' Meeting proposals

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The net profit amounted to Euro 34,333,357.

The Board of Directors proposes to deliberate in favour of all the net profit of the year being carried forward (even net of personnel costs booked in recognition of employees for the attained results).

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 communicates that the accounts are subject to audit by the Audit Firm Deloitte & Touche S.p.A..

(in Euros)

Statement of Financial Position - Assets	Notes	31.12.2017	31.12.2016
A) Non-current assets			
Property, plant and equipment	4	24,399,287	15,371,689
Intangible assets	5	468,808,944	8,155,440
Goodwill	6	45,585,534	44,648,341
Equity investments	7	202,090,833	54,230,612
Deferred tax assets	8	22,395,886	15,113,732
Other non-current assets	9	4,336,023	1,466,457
Total non-current assets		767,616,508	138,986,270
B) Non-current assets held for sale			
C) Current assets			
Inventories	10	42,035	42,035
Construction contracts	11	112,077,761	118,215,205
of which from related parties		9,622,302	10,260,035
Trade receivables	12	430,976,988	450,644,368
of which from related parties		135,792,312	113,048,318
Other current assets	13	53,651,863	46,793,127
Cash and cash equivalents	14	181,943,568	297,770,328
Total current assets		778,692,215	913,465,063
Total assets (A + B + C)		1,546,308,723	1,052,451,333

(in Euros)

Statement of Financial Position - Liabilities	Notes	31.12.2017	31.12.2016
D) Shareholders' equity			
Share capital	17	31,875,000	30,999,807
Reserves	18	520,826,160	211,799,788
Retained earnings/(losses carried forward)	19	(14,549,799)	155,851,361
Profit/(Loss) for the year		34,333,357	43,424,482
Total shareholders' equity	16	572,484,719	442,075,438
E) Non-current liabilities			
Non-current financial liabilities	20	229,610,638	85,593,903
Deferred tax liabilities	21	147,583,996	18,582,729
Non-current provisions for risks and charges			
Other non-current liabilities	22	8,148,793	3,030,773
Post-employment benefits	23	47,253,132	50,171,307
Total non-current liabilities		432,596,559	157,378,712
F) Current liabilities			
Current financial liabilities	24	105,317,719	42,233,656
Current tax payables	25	116,904	3,008,740
Current provisions for risks and charges	26	6,664,827	20,373,981
Other current liabilities	27	107,863,878	112,585,882
of which from related parties		1,195,815	1,288,531
Trade payables	28	321,264,117	274,794,925
of which from related parties		121,262,579	77,972,760
Total current liabilities		541,227,445	452,997,184
G) Total liabilities (E + F)		973,824,004	610,375,896
Total liabilities & shareholders' equity (D + G)		1,546,308,723	1,052,451,333

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

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(in Euros)

Income Statement	Notes	31.12.2017	31.12.2016
A) Total revenues			
Revenues		735,327,502	763,139,926
Other revenues	31	32,036,854	28,777,536
Total revenues	30	767,364,357	791,917,462
Of which related parties		24,712,278	18,000,201
B) Operating expenses			
Raw materials and consumables	33	9,528,056	11,051,965
Services	34	336,437,630	330,992,920
Personnel costs	35	349,457,747	359,203,960
Amortisation and depreciation	36	14,049,061	10,683,087
Provisions	37	4,913,536	18,869,768
Other costs	38	4,709,701	2,893,217
Total operating expenses	32	719,095,731	733,694,917
Of which related parties		88,982,631	69,273,219
C) Operating profit (A - B)		48,268,626	58,222,545
Other financial income		2,608,239	4,177,841
Other financial charges		11,283,512	1,778,249
D) Net financial income/(charges)	39	(8,675,273)	2,399,592
Of which related parties		967,483	792,142
E) Income/(charges) from investments			
Income/(charges) from other investments	40	(978,112)	2,221,707
Total income/(charges) from investments		(978,112)	2,221,707
F) Profit before taxes (C + D + E)		38,615,242	62,843,845
G) Income taxes	41	4,281,884	19,419,363
H) Profit/(Loss) from continuing operations		34,333,357	43,424,482
I) Profit/(Loss) from discontinued operations			
L) Profit/(Loss) for the year		34,333,357	43,424,482

(in Euros)

Statement of Comprehensive Income	Notes	31.12.2017	31.12.2016
L) Profit/(Loss) for the year		34,333,357	43,424,482
M) Other statement of comprehensive income items			
Actuarial gains/(losses) of employee defined plans		(696,874)	(2,750,866)
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		167,250	660,208
Changes in other equity reserves			
Tax effect of changes in other equity reserves			
Total other profit/(loss) which will not be reclassified in profit/(loss) for the year, net of tax effect		(529,624)	(2,090,658)
N) Total other profit/(loss) which will be reclassified in profit/(loss) for the year:			
Profit/(Loss) on cash flow hedge instruments			
Tax effect related to other profit/(loss) which will be reclassified in profit/(loss) for the year			
Translation gains/losses on non Euro accounts			
Taxation on translation gains/losses on non Euro accounts			
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		(529,624)	(2,090,658)
O) Total comprehensive income for the year (L + M + N)		33,803,733	41,333,824

(in Euros)

Description	Share capital	Reserves	Retained earnings	Profit/(Loss) for the year	Shareholders' equity
Balance as of 01.01.2016	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
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
Net profit/(loss)				34,333,357	34,333,357
Other net comprehensive items		0	(529,624)		(529,624)
Comprehensive profit	0	0	(529,624)	34,333,357	33,803,733
Allocation of profit		43,424,482	0	(43,424,482)	0
Dividends distributed				0	0
Incr./decr. treasury shares	0		0		0
Incr./decr. share capital	0	0	0	0	0
Transactions with Shareholders	0	43,424,482	0	(43,424,482)	0
Other changes	875,193	265,601,891	(169,871,536)	0	96,605,549
Balance as of 31.12.2017	31,875,000	520,826,160	(14,549,799)	34,333,357	572,484,719

STATEMENT OF CASH FLOWS

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(in Euros)

Description	31.12.2017	31.12.2016
Cash flow from operating activities		
Revenues from the sales of products/services - third parties	905,663,459	903,904,293
Revenues from the sales of products/services - Group	15,318,208	9,893,516
Costs for goods and services - third parties	(343,114,082)	(324,433,433)
Costs for goods and services - Group	(57,980,105)	(54,094,635)
Personnel costs	(356,930,534)	(365,953,199)
Interest received from operating activities	241,659	955,149
Interest paid for operating activities	(233,156)	(195,697)
Exchange differences	(68,404)	110,258
Income tax payments and reimbursements	(63,060,277)	(80,760,418)
Cash pooling	(14,102,520)	17,954,962
A) Total cash flow from operating activities	85,734,249	107,380,795
Cash flow from investing activities		
Sale of tangible fixed assets	944	7,132
Purchase of tangible fixed assets	(3,249,400)	(6,289,664)
Purchase of intangible fixed assets	(1,732,832)	(1,546,270)
Purchase of investments in subsidiaries	(96,721,424)	(17,301,184)
Purchase of business unit	(456,695)	(121,323)
Purchase of other investments and securities	(423,126)	(57,798)
Sale of other investments and securities	20,431	
Dividends received	49,048	
B) Total cash flow from investing activities	(102,513,055)	(25,309,107)
Cash flow from financing activities		
New loans	292,341,446	88,511,057
Repayment of loans	(384,389,861)	(17,911,825)
Loans disbursed/received to/from Group companies	(3,923,000)	(16,022,276)
Loans repaid/collected by Group companies	1,600,000	242,541
Sale of treasury shares		264
Change from merger	85,659	
Interest paid for financing activities	(4,762,200)	(863,564)
C) Total cash flow from financing activities	(99,047,955)	53,956,198
D) = (A+B+C) change in cash and cash equivalents	(115,826,760)	136,027,886
E) Cash and cash equivalents at beginning of year	297,770,328	161,742,442
F) = (D+E) cash and cash equivalents at end of year	181,943,568	297,770,328

1 General information

The Company Engineering Ingegneria Informatica S.p.A. (hereinafter the “Company” or “Engineering”), 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).

■ 1.1 SIGNIFICANT OPERATIONS

Reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.

Acquisition of control of Engineering Ingegneria Informatica S.p.A. and completion of accounting activities related to the acquisition of control in the consolidated financial statements of the Engineering Group

In order to disclose the effects, in the financial statements for the year, of the parent-subsidiary reverse Merger (“Merger”) of the company Mic Bidco S.p.A. (“Mic Bidco”) in the entire subsidiary Engineering Ingegneria Informatica S.p.A., this section describes the Engineering’s control acquisition transaction and the related completion of accounting activities related to the acquisition of the control in the consolidated financial statements of the Engineering Group.

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 electronic market managed by Borsa Italiana. A brief report on the events related to this transaction is given hereunder:

- on April 22, 2016, pursuant to Article 114 of the Legislative Decree dated 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 a transaction envisaging the purchase by Renaissance and Apax VIII investors, through Mic Holdco S.r.l., Mic Newco S.p.A. and Mic Bidco S.p.A. of the initial investments and the following promotion by Mic Bidco S.p.A. of a mandatory Public Tender Offer on the remaining share capital of Engineering Ingegneria Informatica S.p.A., excluding the shares owned by Mic Bidco S.p.A.;
- on May 3, 2016, Mic Bidco S.p.A. 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 for 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 Public Tender Offer 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 for the sessions of July 6 and 7, 2016 and their delisting since July 8, 2016.

Within the above context, at end June 2016 (acquisition date), the company Mic Bidco S.p.A. acquired the control, pursuant to IFRS 10, of Engineering Ingegneria Informatica S.p.A., through the acquisition of interests, calculating all treasury shares already owned by Engineering Ingegneria Informatica S.p.A. in the equity investment of Mic Bidco S.p.A., equal to 76.19%, and then fulfilling the purchase obligation to purchase the remaining 23.81% on July 8, 2016.

The above being said, as more widely described in the consolidated financial report as of December 31, 2017, for the purpose of preparing the consolidated financial statements of Engineering Ingegneria Informatica S.p.A., the recognition and measurement of fair value of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Engineering and its subsidiaries. Therefore, the following was recognised:

- assets and liabilities of Mic Bidco S.p.A., at the pre-combination book value;
- assets and liabilities of Engineering Ingegneria Informatica S.p.A. and its subsidiaries ("Engineering Group"), measured at their fair value at the acquisition date, pursuant to provisions set out by IFRS 3;
- retained earnings and the equity reserves of the company Mic Bidco S.p.A. before the business combination and the following cancellation of the shareholders' equity items of Engineering Ingegneria Informatica S.p.A., except for some reserves (for which reference is made to next paragraph 18), as a contra-entry of the "Merger reserve".

Within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged of adjustments at fair value, equal to Euro 337 million, at the acquisition date, against the recognition:

- under item Intangible assets of the "Trademark", for an amount of around Euro 453 million (including deferred taxes for around Euro (126) million) and of the Customer Relationships, amounting to around Euro 27 million (including deferred taxes for around Euro (8) million);
- of the adjustment at fair value of a special commercial business, with the recognition of a lower value of the same by around Euro 9.3 million (including deferred taxes for around Euro (3) million). Therefore, the fair value of receivables amounted to Euro 688.1 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 34.3 million);
- the related deferred tax assets, equal to Euro 130.6 million.

The residual goodwill (equal to Euro 49.9 million), recorded in the consolidated financial statement at the acquisition date, and not allocated to other specific assets, was tested for impairment with reference to the control acquisition date and to December 31, 2016, and as provided for by IAS 36. The test confirmed the full recoverability of the residual goodwill.

In particular, consistently with provisions set out by IAS 36, for the purpose of impairment testing, at the acquisition date, this goodwill was allocated to the following Cash Generating Units ("CGU"), based on the impact of the reported EBITDA of each single CGU on the total EBITDA generated by CGUs related to 2016 Goodwill.

It is noted that, for CGUs that underwent an impairment test, no indication emerged that these assets might have been impaired.

The main effects of the reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A. on the financial statements for the year

The reverse Merger project of the parent-subsiary ("Merger") of Mic Bidco S.p.A. ("Mic Bidco") in the entire subsidiary Engineering Ingegneria Informatica S.p.A. was completed on May 24, 2017.

The reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A. produced its legal effects to third parties, pursuant to article 2504-*bis*, paragraph 2, of the Italian Civil Code, which will be effective at the date of the last record, as envisaged by Article 2504 of the Italian Civil Code. The accounting effects of the Merger will be instead effective since the first day of the financial year related to the effective date of the Merger (January 1, 2017).

Therefore, as from the effective date of the Merger:

- the nominal value of Mic Bidco S.p.A.'s shares was cancelled;
- 343,213 treasury shares were cancelled;
- the post-merger share capital of Engineering Ingegneria Informatica S.p.A. amounted to Euro 31,875,000, equal to the original amount, divided in 12,156,787 shares with no nominal value;

- the share capital was entirely assigned to the sole Shareholder Mic Newco S.p.A.;
- the corporate offices of the merged company were cancelled.

The transactions of the merged company were charged to the financial statements of the merging Company, as from January 1, 2017, as envisaged by the Merger deed dated May 15, 2017, file no. 38840, Rep. no. 95116.

Taking account of the content of the previous paragraph, at the effective date of the merger, in the financial statements of Engineering Ingegneria Informatica S.p.A. the current values of assets and liabilities and the goodwill reflected in the purchase price of Engineering Ingegneria Informatica S.p.A. and its subsidiaries emerged within the limits of allocations made to the asset and liability items and to goodwill in the consolidated financial statements. In other terms, the merger under evaluation generated the convergence between the consolidated financial statements, at the merger date, and the separate financial statements of Engineering Ingegneria Informatica S.p.A. by enacting the so-called “legal consolidation”. The net effect of the merged values resulted in a “merger surplus” equal to Euro 87,176 thousand.

(in Euros)				
Assets	Engineering Ingegneria Informatica S.p.A. 01.01.2017	Mic Bidco S.p.A. 01.01.2017	Adjustments	Balance as of 01.01.2017 post-merger
A Non-current assets				
Property, plant and equipment	15,371,689		-	15,371,689
Intangible assets	8,155,440	3,995,397	456,664,412	468,815,249
Goodwill	44,648,341		-	44,648,341
Equity investments	54,230,612	806,015,760	(757,494,372)	102,752,000
Deferred tax assets	15,113,732		3,632,330	18,746,062
Other non-current assets	1,466,457		-	1,466,457
Total non-current assets	138,986,271	810,011,157	(297,197,629)	651,799,799
B Current assets				
Inventories	42,035		-	42,035
Construction contracts	118,215,205		-	118,215,205
Trade receivables	450,644,368		(9,360,211)	441,284,157
Other current assets	46,793,127	972,652	-	47,765,779
Cash and cash equivalents	297,770,328	78,320	-	297,848,648
Total current assets	913,465,063	1,050,972	(9,360,211)	905,155,824
Total assets (A + B)	1,052,451,334	811,062,129	(306,557,840)	1,556,955,623
(in Euros)				
Shareholders' equity and liabilities	Engineering Ingegneria Informatica S.p.A. 01.01.2017	Mic Bidco S.p.A. 01.01.2017	Adjustments	Balance as of 01.01.2017 post-merger
D Shareholders' equity				
Share capital	30,999,807	989,947	(114,754)	31,875,000
Reserves	211,799,788	527,165,749	(432,913,766)	306,051,771
Retained earnings	155,851,361		7,122,850	162,974,210
Profit/(Loss) for the year	43,424,482	(9,104,742)	(5,969,258)	28,350,482
Total Shareholders' equity	442,075,438	519,050,954	(431,874,929)	529,251,463
E Non-current liabilities				
Non-current financial liabilities	85,593,903	800,000	-	86,393,903
Deferred tax liabilities	18,582,729		129,544,918	148,127,647
Non-current provisions for risks and charges			-	-
Other non-current liabilities	3,030,773		-	3,030,773
Post-employment benefits	50,171,307		-	50,171,307
Total non-current liabilities	157,378,712	800,000	129,544,918	287,723,630
F Current liabilities				
Current financial liabilities	42,233,656	290,641,922	(4,227,830)	328,647,748
Current tax payables	3,008,740		-	3,008,740
Current provisions for risks and charges	20,373,981		-	20,373,981
Other current liabilities	112,585,882		-	112,585,882
Trade payables	274,794,925	569,254	-	275,364,179
Total current liabilities	452,997,184	291,211,176	(4,227,830)	739,980,530
G Total liabilities (E + F)	610,375,896	292,011,176	125,317,089	1,027,704,161
Total liabilities & shareholders' equity	1,052,451,334	811,062,130	(306,557,840)	1,556,955,623

In the reconciliation statement used to prepare the post-merger accounting position of Engineering Ingegneria Informatica S.p.A. as of January 1, 2017, in the column "Adjustments" equity differences were highlighted that emerged from the merged position of Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A., within the limits of allocations made to the asset and liability items and to goodwill in the consolidated financial statements.

In particular, by effect of changes due to the Merger, the following changes are reported:

- under item "Intangible assets of the trademark", for an amount of around Euro 453 million, including deferred taxes and of the "Customer Relationships", amounting to around Euro 12.3 million, including deferred taxes;
- the adjustment at fair value of a special commercial business, with the recognition of a lower value of the same by around Euro 9.3 million (including deferred taxes);
- the adjustment of equity investments, with the recognition of a higher value of the same by around Euro 48.5 million, including deferred taxes;
- the related deferred tax assets, equal to around Euro 126 million.

Transfer of the "PAL" business unit of Engineering Ingegneria Informatica S.p.A. into Municipia S.p.A.

This transaction is included in the Group's streamlining and centralising plan and it is focused on concentrating the services, rendered to Italian Municipalities, in the subsidiary Municipia S.p.A..

The assignment, effective as from January 1, 2017, resulted in a Euro 3 million capital increase of Municipia S.p.A., now totalling Euro 13 million.

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 equity position of the transferred Business Unit as of December 31, 2016 is shown hereunder:

(in Euros)			
Statement of Financial Position as of December 31, 2016			
transfer of the "PAL" business unit of Engineering Ingegneria Informatica S.p.A. into Municipia S.p.A.			
Property, plant and equipment	13,835	Payables for employee post-employment benefits	871,232
Trade receivables	2,524,801	Payables related to employees	942,595
Construction contracts	623,943	Trade payables	1,317,231
Other current assets	75,943	Total Liabilities	3,131,059
Total Assets	3,238,522	Net sale proceeds	107,463

Acquisition of Business Units by Engineering Ingegneria Informatica S.p.A.

During the year also two Business Units were acquired:

- The "Performance Management Business Unit", purchased from the company Dekra Italia S.r.l., operating in the field of managerial consultancy services through applications and technological platforms. The price of the Business Unit amounted to Euro 1,460 thousand, including earn out. The purchase of the Business Unit under evaluation envisages an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBIT for the year 2017. The agreement between the parties sets out that the earn out has a maximum limit that is contractually determined. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.7 million, which is the estimated amounts to be paid upon maturity based on the agreements signed with the counterparty.
- "SP Sapiens Business Unit", purchased from the Company SP Sapiens S.r.l., operating in the sector of specialistic consultancy services on ERP systems. The price of the business unit amounted to Euro 49,801.

Merger by incorporation of Fair Dynamics Consulting S.r.l. into Engineering Ingegneria Informatica S.p.A.

The Merger of Fair Dynamics Consulting S.r.l. into Engineering Ingegneria Informatica S.p.A. was completed on May 24, 2017.

The Merger produced its legal effects to third parties, pursuant to article 2504-*bis*, paragraph 2, of the Italian Civil Code, which was effective on the date of the last record, as envisaged by Article 2504 of the Italian Civil Code. The accounting effects of the Merger started from the date of acquisition of control (March 7, 2017), pursuant to International Standard and provisions set out by OPI 2R of October 2016.

For the purposes of the preparation of these financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired companies, remained substantially unchanged.

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

(in Euros)	
Description	Temporary fair value
Intangible assets	817
Other non-current assets	3,544
Trade assets	123,573
Cash and cash equivalents	85,659
Other current assets	41,302
Other non-current liabilities	14,431
Current financial liabilities	58,946
Other current liabilities	118,712
Temporary fair value of assets acquired	62,806
Acquired portion	100%
Acquisition cost	600,000
Shares held by minority holders	0%
Minority interest	-
Goodwill	537,194
Cash and cash equivalents	(85,659)
Net financial outlays resulting from the acquisition	514,341

The fair value of acquired receivables amounted to Euro 124 thousand. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

2 Basis of preparation criteria and accounting principles

These financial statements as of December 31, 2017 have been prepared under International Financial Reporting Standards (IFRS), as defined hereinafter, issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission as per the procedure set down by Article 6 of Regulation (EC) 1606/2002 of the European Parliament and the European Council of July 19, 2002. The IFRS Standards also include all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Standard Interpretations Committee, previously named "Standard Interpretations Committee" (SIC). The IFRS standards have been applied consistently with the periods disclosed herein and, taking account of the best literature on this issue, any future directions and interpretation updates will be reflected in the following financial statements, according to modalities envisaged from time to time by the reference standards.

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 statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related Explanatory Notes.

It should be noted that, following the reverse Merger, more widely shown in section “Reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.” herein, the Company elected to disclose comparative figures of Engineering Ingegneria Informatica S.p.A. based on the legal/formal viewpoint, as it deemed that legally the post-merger effective financial statements are those of Engineering Ingegneria Informatica S.p.A..

The principles 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 interpretations applicable for accounting periods beginning on January 1, 2017, as indicated in paragraph 3.28.

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 statement of cash flows uses the direct method.

Transactions with related parties are disclosed in the statement of financial position, the income statement and the statement of cash flows.

The transactions with related parties concern subsidiaries, associated companies and Directors and Executives with strategic responsibilities. Please see paragraph 3.27.

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

The items that are mostly influenced by estimates are the calculation of amortisation/depreciation, impairment tests on assets (including measurement of receivables), provisions for allocations, employee benefits, fair value of financial assets and liabilities, deferred tax assets and construction contracts, as well as the calculation of fair value of derivatives. For a better understanding of the financial statements, the main estimates utilised in the drawing up of the financial statements are shown hereunder and involve the use of subjective opinions, assumptions and estimates related to issues that are uncertain by nature. The changes in conditions underlying opinions and assumptions might have a significant impact on the following financial years.

Impairment of Assets

Assets are tested for impairment in order to assess whether any impairment loss has occurred that would involve the reduction in value, in the presence of indicators that foresee a possible difficult recovery of their net book value through their use. The assessment on the presence of the above-mentioned indicators involves subjective evaluations by the Board of Directors, based on information available within the Company and on the market, as well as historical experience. Moreover, if any doubt that a possible impairment loss has arisen, the Company will perform impairment tests by using the measurement techniques that are deemed appropriate. The correct determination of impairment indicators, as well as the estimates to determine impairment losses, depend on factors that may change over time, affecting the evaluations and estimates made by Directors.

Purchase Price Allocation (IFRS 3)

The value of trademarks is determined through a process of fair value measurement within the Purchase Price Allocation, with the support of an independent expert. The measurement method for the Engineering trademark is the so-called “Profit Split”, where a royalty rate interval is determined so as to obtain an analysis scenario and therefore a value range for the trademark under evaluation. The royalty rates determined in this way are multiplied for the revenues estimated by the plan as from 2017.

Share-based payments (Stock Option Plan – SOP)

The fair value of share-based payments is calculated based on the fair value of the Company's shares, which are not listed on an active market. Therefore, the Company uses measurement techniques together with observable and not observable market parameters, which take also account of the current business plan of the Company. Given the level of subjectivity and the number of assumptions required to perform the measurement, changes in results and parameters used, together with the context in which the Company operates, might have a significant impact on fair value estimates of the Company's shares.

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 derecognised 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 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
Concessions, licenses and trademarks	3 – 8 years
Trademark	Indefinite
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.

Concessions, licenses and trademarks

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 other 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 investments in other companies are recorded under other non-current assets.

Investments in other companies refer to equity investments other than subsidiaries, associated companies and joint ventures and are entered at cost adjusted for any impairment whose effect is recognised in the income statement.

■ 3.8 EQUITY 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.

Subsidiaries

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 derecognised 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. The 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 statement of comprehensive income 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 Company 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 statement of comprehensive income 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 statement of comprehensive income 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.

Share-based payments

Pursuant to provisions set out by IFRS 2 (Share-based payments) with reference to equity-settled share-based payments, the cost of the incentive plan is apportioned along the vesting period and it is determined with reference to the fair value of the right assigned, at the date in which the commitment is undertaken, so that existing market conditions are reflected at the reference date. At each reporting date, all hypotheses are reviewed in relation to the number of options that are expected will reach maturity. The charge pertaining to the year is recorded in the income statement, under item "Personnel costs", and its contra-entry is recognised as equity reserve.

■ 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

Revenue 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 standards are changed from one year to the next only when 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 to accounting standards are recognised retrospectively with the recording of the effect to shareholders' equity of the first of the period disclosed. 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 previous paragraphs.

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 Company activities. For information on Risk Management, see paragraph XIV "Other information" in the 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 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.

■ 3.28 NEW IFRS AND IFRIC INTERPRETATIONS

Accounting standards, amendments and IFRS and IFRIC interpretations applied from January 1, 2017

The accounting standards adopted by the Company for the drawing up of these annual financial statements are the same as those used for the annual financial statements as of December 31, 2016, with the exception of the standards and interpretations listed below:

- **Amendments to IAS 7 - Disclosure Initiative**

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. Comparative information related to previous years is not required. The adoption of these amendments had no impact on the Company's financial statements for the year.

• Amendments to IAS 12 “Recognition to Deferred Tax Assets for Unrealised Losses”

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 in the measurement of “Available for sale” financial assets upon occurrence of determined circumstances and the estimate of taxable income for future financial years. The adoption of these amendments had no impact on the Company’s financial statements for the year.

Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance by the Company as of December 31, 2017

• IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB published the standard **IFRS 15 – “Revenue from Contracts with Customers”** which 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, together with further clarification published on April 12, 2016. 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 can be applied as from January 1, 2018.

Conversely, amendments to IFRS 15 Clarifications to IFRS 15 - Revenue from Contracts with Customers, issued by IASB in April 2016, have been endorsed by the European Union on November 6, 2017.

In 2017, the Company performed a preliminary evaluation on the possible effects of IFRS 15. The analyses will be completed in 2018. Based on the aforesaid analyses related to the application of IFRS 15, the Directors deem that effect resulting from its application will be irrelevant.

Principal vs Agent

The Company performed an analysis on the nature of transactions with its customers aimed at determining whether the Company acts as principal or as agent within the agreements in which the entity receives hardware, software or IT services.

Pursuant to IAS 18, the Company is currently applying an analysis based on risks and yields to determine whether it is acting as principal or agent within transactions. Pursuant to IFRS 15, the Company deems that it acts as principal if it holds control of assets and services before they are transferred to customers.

Identify the performance obligation within multiple service contracts

According to IFRS 15, when a transaction envisages various steps related to the asset or end service before they are transferred to the customer, revenue generated from these steps may be recognised if they represent an added value for the customer for the purpose of the transfer of control. If the transfer does not occur, cost incurred during the various steps must be capitalised when the related criteria are fulfilled and amortised for the whole duration of the contract. Cash flows resulting from these steps must be considered as advance payments.

Pursuant to IAS 18, the Company recognises revenues on the transition steps when it has the right to receive the consideration for the work done. Pursuant to IFRS 15, costs related to transition steps must be amortised for the whole duration of the contract. This issue is not material for the Company.

Costs of obtaining a contract

According to IFRS 15, incremental costs of obtaining a contract must be capitalised. This issue has not a significant impact for the Company.

Warranties

In the event of warranties be required by law, revenues should be accounted for normally. Costs incurred to fulfil this obligation should be allocated at completion of the project, in a special provision for risks and after due measurement. The above is applicable if the warranty is envisaged in the contract as a “service-type” warranty.

Turn-key projects and advisory services

For this type of service, the right to a consideration arises only at completion of the service itself. Costs incurred between two years can be suspended if they are recoverable.

Maintenance contracts and AM services

In the event of AM and/or Maintenance Services the contract shall explicitly make a distinction between these types of service and other services possibly envisaged in the contract. In these cases, revenues shall be accounted for on a straight-line basis (instalments).

Cash discounts on sales

For contracts that envisage the granting of a “discount” upon achievement of specific sales levels, these discounts are granted on special orders. It is however necessary that the orders be “estimated” at the end of each period based on the possible achievement of the estimated sales level.

• IFRS 9 “Financial Instruments”

On July 24, 2014, the IASB published the final version of **IFRS 9 – “Financial Instruments”**. The document includes the results of the IASB project, aimed at superseding the IAS 39 standard. The new standard should be applied by the financial statements as of January 1, 2018 or subsequent years.

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 measured 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. Moreover, in the event of non-substantial modifications of liabilities, it is no longer allowed to spread the economic effects of renegotiation over the residual duration of the payable, by modifying the effective interest rate at that date, and the related effect will have to be recognised 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.

Based on the analyses performed, the Directors expect that the application of IFRS 9 will not have a significant impact on the amounts as well as on the related information reported within the Company's financial statements for the year.

• IFRS 16 “Leases”

On January 13, 2016, the IASB published the standard **IFRS 16 – Leases** which will replace 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 recognising 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 lessors.

The standard is applicable as from January 1, 2019 but early application is allowed solely for companies which applied IFRS 15 - Revenue from Contracts with Customers in advance.

The Directors intend to apply IFRS 16 as from January 1, 2019 using the modified retrospective approach. The Directors expect that the application of IFRS 16 will have a significant impact on the amounts as well as on the related information reported within the Company's financial statements for the year. In particular, it will involve an improvement of EBITDA due to the fact that lease instalments will no longer be accounted for under item “Service costs” and, above all, over the first years of duration of the lease contracts:

- an increase in financial assets and liabilities in the statement of financial position;
- a worsening in the net financial position (NFP) due to the increase in financial liabilities;
- a worsening in pre-tax profit deriving from amortisation/depreciation and financial charges (higher in the first years of lease contracts).

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS 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.

• Amendments to IFRS 2 “Classification and measurement of share-based payment transactions”

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 for the year.

- **“Annual Improvements to IFRSs: 2014-2016 Cycle”**

On December 8, 2016 the IASB published the document **“Annual Improvements to IFRSs: 2014-2016 Cycle”** which includes the amendments to certain standards within the annual improvement process. The main amendments involve:

- IFRS 1 First-Time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters. The amendment to this standard is applicable at the latest to accounting periods beginning on January 1, 2018 and concerns the cancellation of some short-term exemptions envisaged in paragraphs E3-E7 in the Appendix E of IFRS 1 as it is deemed that the benefit of these exemptions no longer exists.
- IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organisation or other qualifying entity (such as a mutual fund or similar entity) to measure investments in associates and joint ventures, measured at fair value through profit or loss (rather than by using the equity method), should be performed for each single investment upon initial recognition. The amendment can be applied as from January 1, 2018.
- IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard. The amendment clarifies the application scope of IFRS 12, and specifies that disclosures required by the standard, except for the ones envisaged in paragraphs B10-B16, also apply to interests held for sale, held for distribution to Shareholders and discontinued operations in accordance with IFRS 5. This amendment is applicable as from January 1, 2017. However, as the standard has not yet been endorsed by the European Union, the Company did not adopt it as of December 31, 2017. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company’s financial statements for the year.

- **“Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)”**

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 from January 1, 2018. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company’s financial statements for the year.

- **“Transfers of Investment Property (Amendments to IAS 40)”**

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. More specifically, an entity must reclassify a property to, or from investment property only when there is a change in use. 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.

The amendments are applicable as from January 1, 2018.

Directors deem that the adoption of these amendments will have no material impact on the Company’s financial statements for the year.

- **IFRIC 23 “Uncertainty over Income Tax Treatments”**

On June 7, 2017 the IASB issued the interpretation document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document deals with uncertainty over tax treatments to be adopted on income taxes.

The document sets out that uncertainty when determining tax credits or tax loss be reported in the financial statements only when it is probable that the entity will pay or recover the amount. Moreover, no other disclosure obligation is envisaged in the document but it is highlighted that the entity shall determine whether it will be necessary to supply information on remarks made by the Management on the uncertainty related to tax accounting, in compliance with IAS 1.

The new interpretation is applicable as from January 1, 2019 but earlier application is permitted.

Directors deem that the adoption of these interpretations will have no material impact on the Company's financial statements for the year.

- **Amendments to IFRS 9 “Prepayment Features with Negative Compensation”**

On October 12, 2017 the IASB published the document **“Prepayment Features with Negative Compensation (Amendments to IFRS 9)”**. This document specifies that a debt instrument, which contains prepayment options, might fulfil the features of contractual cash flows (SPPI test) and might accordingly be measured based on the amortised cost method or on the fair value method, through other comprehensive income, also in the event that the reasonable additional compensation be envisaged when the prepayment is a negative compensation for the lender. The amendment is applicable as from January 1, 2019 but earlier application is permitted.

Directors deem that the adoption of these amendments will have no material impact on the Company's financial statements for the year.

- **Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures**

On October 12, 2017, the IASB published the document **“Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)”**. This document clarifies that an entity shall apply IFRS 9, including requirements related to impairment, to other long-term interests in associated companies or joint ventures to which the equity method is not applied. The amendment is applicable as from January 1, 2019 but earlier application is permitted.

The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company's financial statements for the year.

- **“Annual Improvements to IFRSs: 2015-2017 Cycle”**

On December 12, 2017, the IASB published the document **“Annual Improvements to IFRSs 2015-2017 Cycle”**, which includes the amendments to the standards within the annual improvement process. The main amendments involve:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity gains control of a business that is a joint operation, it shall remeasure the interests previously held in this business. Conversely, this process is not envisaged in the event of a joint control.
- IAS 12 - Income Taxes: this amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as equity) should be accounted for consistently with the transaction that generated the profit (income statement, OCI or equity).
- IAS 23 - Borrowing Costs: the amendment clarifies that in the event of loans that are still in place after the reference qualifying asset is ready for use or sale, these amounts become part of the amounts used to calculate the borrowing costs.

The amendments are applicable as from January 1, 2019 but earlier application is permitted.

The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company's financial statements for the year.

- **Amendment to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”.**

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 provisions of IAS 28, the profit or loss resulting from the transfer or conferment of a non-monetary asset to a joint venture or associated 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. Conversely, 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 to a joint venture or associated company. The amendments introduced envisage that in the sale or conferment of an asset or a subsidiary 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 conferred represent a business, as envisaged by IFRS 3. If the assets or subsidiary sold or conferred 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 interest which is still held by the entity, should be derecognised.

At the moment, the IASB has suspended the application of this amendment.

Directors deem that the adoption of these amendments will have no material impact on the Company's financial statements for the year.

■ 3.29 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	31.12.2017	31.12.2016	Change
Property, plant and equipment	24,399,287	15,371,689	9,027,598

(in Euros)							
Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in progress	Leasehold improvement	Total
Historical cost as of 31.12.2017	21,753,962	13,067,457	32,197,051	12,743,107	0	10,733,521	90,495,099
Acc. depr. as of 31.12.2017	(4,659,907)	(10,035,930)	(29,880,744)	(11,080,223)	0	(10,439,007)	(66,095,812)
Balance as of 31.12.2017	17,094,055	3,031,527	2,316,307	1,662,884	0	294,514	24,399,287

The changes in property, plant and equipment 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 01.01.2016	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)
Decr. in accumulated 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
Increase	9,770,379	456,499	1,246,836	347,266	0	0	11,820,982
Decrease	0	0	(560,180)	(15,386)	0	0	(575,565)
Decr. in accumulated depreciation	0	0	541,643	15,386	0	0	557,029
Depreciation	(594,661)	(765,988)	(905,029)	(396,348)	0	(112,821)	(2,774,847)
Balance as of 31.12.2017	17,094,055	3,031,527	2,316,307	1,662,884	0	294,514	24,399,287

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 were substantially due to asset purchases carried out over the year and decreases from the sale of obsolete assets.

The item "Land and buildings" increased by Euro 9,770 thousand (historical cost), mainly due to the transfer by Italiaonline to Engineering Ingegneria Informatica S.p.A. of two lease contracts in place with Mediocredito Italiano S.p.A.. The related accumulated depreciation amounted to Euro 295 thousand.

The following table shows the breakdown of leased assets included in item "Land and buildings" as of December 31, 2017:

(in Euros)	
Description	31.12.2017
Historical cost of leased assets	9,746,571
Accumulated depreciation of leased assets	(295,351)
Total	9,451,221

This transaction referred 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.

The transfer of the two contracts was formalised with Notary Deed of February 23, 2017:

- the contract no. 890731 envisages instalments to be paid for the principal of Euro 4,063,428, in addition of the redemption price. The balance of the last instalment is envisaged on December 23, 2023;
- the contract no. 890732 envisages instalments to be paid for the principal of Euro 4,062,552, in addition of the redemption price. The balance of the last instalment is envisaged on December 23, 2023.

The two properties under finance leases are recorded at cost under tangible fixed assets, with a counter-entry in the financial payable to the lessor, and are depreciated according to the useful life of the asset and consistently with the nature of the individual asset. The financial charge is incurred in the income statement for the duration of the contract.

The increase in "Plant and machinery", equal to Euro 456 thousand, relates to the installation of new air conditioning and telecommunications plants in a number of Company offices.

The increase in "Industrial and commercial equipment", equal to Euro 1,247 thousand, relates to the purchase of computers for internal use while the decreases, equal to Euro 560 thousand, are due to the disposal and/or donation of obsolete computers.

The increase in "Other assets", amounting to Euro 347 thousand, refers to the purchase of furniture and fittings.

5 Intangible assets

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Intangible assets	468,808,944	8,155,440	460,653,504

(in Euros)						
Description	Deve- lopment costs	Industrial patents and intellectual property	Concessions, licences and trademarks	Assets in progress	Other assets	Total
Historical cost as of 31.12.2017	20,254,658	100,551,350	453,059,490	5,144,073	29,801,036	608,810,607
Acc. amort. as of 31.12.2017	(18,924,225)	(96,567,850)	(30,128)	0	(24,479,459)	(140,001,662)
Balance as of 31.12.2017	1,330,433	3,983,500	453,029,362	5,144,073	5,321,577	468,808,944

The changes in intangible assets are detailed as follows:

(in Euros)						
Description	Deve- lopment costs	Industrial patents and intellectual property	Concessions, licences and trademarks	Assets in progress	Other assets	Total
Balance as of 01.01.2016	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)
Decr. in accumulated 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
Initial change from merger, current year	0	817	453,029,362	0	11,289,342	464,319,520
Increase	0	4,732,291	0	4,234,766	2,065,995	11,033,051
Decrease	0	(9,535,081)	0	0	0	(9,535,081)
Incr. in accumulated amortisation	0	0	0	0	0	0
Decr. in accumulated amortisation	0	6,110,228	0	0	0	6,110,228
Amortisation	(617,700)	(2,003,482)	0	0	(8,653,032)	(11,274,214)
Balance as of 31.12.2017	1,330,433	3,983,500	453,029,362	5,144,073	5,321,577	468,808,944

The item “Concessions, licences and trademarks” includes the trademark, amounting to Euro 453 million, including deferred tax assets (equal to around Euro 126 million) referring to the fair value of the Engineering brand.

This value emerged upon completion of the accounting activities connected with the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries, by Mic Bidco S.p.A., as thoroughly described in the section on relevant transactions in the Explanatory Notes.

The brand value recorded under intangible fixed assets was determined through an estimate of the fair value of the assets, made with the support of an independent expert and based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control. The method used to estimate the value of the trademark was chosen by taking account of the purposes of the transaction and the features of the intangible asset itself. In particular, in line with the literature and the best professional practice, the value of the trademark owned by Engineering Ingegneria Informatica S.p.A. was determined by using the income-based method, based on the discounting of future benefits attributable to the intangible asset subject to value appraisal.

The income-based method was applied to the version known as the RFR method (Relief from Royalties Method). Royalties were calculated as a percentage of revenues associated to the Plan prepared by the Company's management in relation to the 2016-2031 period. For the royalty rate valuation, the EBIT margin related to each year of the Plan (royalty rate equal to 2.32%) was considered. Moreover, a scenario was assessed by applying the 25 per cent rule to a measure of central tendency of analysts' best estimates with respect to the estimated values of applicable EBIT margins related to the sector Engineering operates. The discount rate used to assess the value of the trademark is equal to 6.85%. The growth rate over the long period is equal to 2.0%.

The trademark is a right which is legally protected through the registration at the competent Authorities. By reason of the fact that this right has no legal, contract, competitive or economic term which limits its useful life, the same is classified as indefinite life intangible asset and therefore it is not amortised but it is subject to impairment loss when tested for impairment, as provided for by IAS 36.

Based on the tests carried out according to the methods described above and according to special modalities described hereunder, the value of the trademark tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows. Therefore, there is no evidence at the present date for the Company to proceed with any write-down.

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

Specifically, the recoverable value - the “value in use” of the trademark - was obtained through discounting of cash flows (DCF Model) over a five-year period, based on the 2018 budget, approved by the Board of Directors on March 28, 2018 and assumptions for the following years made by the related Management. The Terminal Value was estimated by using the perpetual annuity, applying the growth rate (“g rate”), which does not exceed the long-term growth estimates of the sector and the Country where Engineering Ingegneria Informatica S.p.A. operates.

The determination of the discount rate referred to the Capital Assets Pricing Model, one of the most accredited methods in literature and professional best practice, based on indicators and parameters that can be observed on the market.

In determining the “value in use” the following elements have however been 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 Company;
- 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, which led to determine a WACC equal to 7.76%, were as follows:

- Risk free rate: equal to 2%, rate used by Banca IMI (former Corporate Broking of Engineering until delisting) at end of 2017 (Annexes Equity Risk Premium 2017);

- Equity Risk Premium: equal to 6.30%, the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The benchmark rate for measurements is the one used by Banca IMI at end 2017;
- Debt cost: equal to 1%, the average indebtedness cost (long and short term) of the Company;
- Long Term Growth ("g rate"): equal to 0.5%.

As recommended by the best practice, the component of the Terminal Value was limited to a maximum of 70% of the total sum of the discounted "free cash flow" and the Terminal Value itself.

Moreover, a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses.

To this purpose, it is worth noting that, to determine the WACC, the following was used:

- Risk free rate: equal to 2% when the gross yield of 5-year BTPs is equal to 0.90%;
- Equity Risk Premium: equal to the Euro Stoxx one (6.30%), compared to the one for Italy (5.50%).

The recoverability of the trademark value is also confirmed, with respect to other hypotheses, also taking account of a "g rate" growth rate equal to 0%.

The increase in item "Assets in progress", equal to Euro 4,235 thousand, is due to in-house investments for the development of new solutions, in particular:

- in the finance area, a solution named "CPM Corporate Performance Management" is being implemented. The project envisages a cost of around Euro 1.5 million and its completion is expected within the 3rd quarter of 2018;
- in the Health area, a System to support processes in intensive care units, named "ICU Intensive Care Unit", is being implemented. The project envisages a cost of around Euro 1.3 million and its completion is expected within the 1st half of 2018;
- in the Energy & Utilities area, the Cloud platform is being implemented for the Energy & Utilities "Net@SUITE Cloud Edition". The investment, that began last year, totalled around Euro 2.1 million and was completed and its amortisation will start as from January 1, 2018, for a duration of 5 years. Moreover, the "Net@2A" product is being implemented. This is a new product for the management of the Integrated Water Service and the Environmental Hygiene Service in view of a Cloud Service. The total investment was estimated in around Euro 2 million over two years.

The "Other assets" item increased:

- following the reverse Merger, consistently with amounts inferable from the consolidated financial statements, in the amount of Euro 11,055 thousand for the recording of the customer relationship. This asset was determined within the above-mentioned Purchase Price Allocation, as per income assessment discounted by the prospective residual margins resulting from specific contracts. The book value recorded was determined through an estimate of the fair value, in accordance with IFRS 3, made with the support of an independent expert and based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control;
- in the amount of Euro 2,010 thousand, for the recording of the customer relationship of the Dekra Italia S.r.l. Business Unit, acquired in January 2017, as emerged following the purchase price allocation (IFRS 3). The Performance Management Business Unit, purchased from the company Dekra Italia S.r.l., operates in the field of managerial consultancy services through applications and technological platforms;
- in the amount of Euro 290 thousand, for a transfer agreement of some contracts (transferable) from Atena Informatica S.p.A. to Engineering Ingegneria Informatica S.p.A., which will perform the services envisaged in these contracts. With this transaction, Engineering Ingegneria Informatica S.p.A. acquired customers that differ from the already existing customer portfolio, to whom it can propose additional services than those envisaged in the acquired contracts. Based on information available at that date, the refunding of the investment is foreseen in 4 years.

The average residual amortisation period is as follows:

(in Euros)		
Description	Amortisation, remaining years	Remaining amount
Development costs	2	1,330,433
Industrial patents and intellectual property	5	3,983,500
Concessions, licences and trademarks	Indefinite	453,029,362
Other assets	1	5,321,577

6 Goodwill

Goodwill as of December 31, 2017 is equal to Euro 45,585,534 and is mainly composed of the following:

- in the amount of Euro 44,648 thousand, related to the amounts resulting from the reverse Merger following the acquisition of the control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries by Mic Bidco S.p.A.. This goodwill was allocated to Finance, Energy & Utilities, Telco & Media, Public Administration CGUs based on the impact of reported EBITDA of each single CGU over the total EBITDA generated by CGUs related to goodwill;
- in the amount of Euro 537 thousand, related to the recognition of goodwill, after temporary measurement of assets acquired and liabilities undertaken at fair value, of the company Fair Dynamics Consulting S.r.l. merged by incorporation on December 31, 2017;
- in the amount of Euro 400 thousand, related to goodwill, after temporary measurement of assets acquired and liabilities undertaken at fair value, of the SP Sapiens Business Unit of the company SP Sapiens S.r.l., operating in the sector of specialistic consultancy services on ERP systems.

(in Euros)	
Description of CGU	31.12.2017
Goodwill Finance	16,344,694
Goodwill Public Administration	11,498,215
Goodwill Industry & Services	1,282,368
Goodwill Telco & Media	6,798,110
Goodwill Energy & Utilities	9,662,147
Total	45,585,534

The value of goodwill, was 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. Therefore, there is no evidence at the present date for the Company to proceed with any write-down.

It should be noted 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.

The recoverable value – the “value in use” of the CGUs – was obtained through discounting of cash flows (DCF Model) over the four-year timing for each single CGU, based on the 2018 budget and assumptions for the following years made by the related Management. The Terminal Value was estimated by using the perpetual annuity, applying the growth rate (“g rate”), which does not exceed the long-term growth estimates of the sector and the Country where the CGU operates.

The determination of the discount rate referred to the Capital Assets Pricing Model, one of the most accredited methods in literature and professional best practice, based on indicators and parameters that can be observed on the market.

In determining the “value in use” the following elements have therefore been taken into account:

- 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 2%, rate used by Banca IMI (former Corporate Broking of Engineering until delisting) at end of 2017 (Annexes Equity Risk Premium 2017);
- Equity Risk Premium: equal to 6.30%, the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The benchmark rate for measurements is the one used by Banca IMI at end 2017;
- Debt cost: equal to 1%, the average indebtedness cost (long and short term) of the Company;
- Beta unlevered: equal to 1;
- Long Term Growth (“g rate”): equal to 0.5%;

For WACC equal to 7.76%.

As recommended by the best practice, the component of the Terminal Value was limited to a maximum of 70% of the total sum of the discounted “free cash flow” and the Terminal Value itself.

Moreover, for all CGUs a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses.

To this purpose, it is worth noting that, to determine the WACC, the following was used:

- Risk free rate: equal to 2% when the gross yield of 5-year BTPs is equal to 0.90%;
- Equity Risk Premium: equal to the Euro Stoxx one (6.30%), compared to the one for Italy (5.50%).

As a consequence, the approach used included parameters of absolute prudence by using a high WACC, compared to Company characteristics. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a “g rate” growth rate equal to 0%.

Sensitivity analysis

Moreover, for all CGUs a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a “g rate” growth rate equal to 0%.

(in Euros)

Description	31.12.2017	31.12.2016	Change
Equity investments	202,090,833	54,230,612	147,860,221

The following table show changes occurred over the year:

■ CHANGES IN INVESTMENTS

(in Euros)

Investments	Value as of 31.12.2016	Initial change from merger, current year	Increase	Decrease	Write-downs	Value as of 31.12.2017
In subsidiaries	54,111,289	47,921,388	101,353,328	(367,604)	(941,293)	202,077,108
In associated companies	119,323		0	(22,000)	(83,598)	13,725
Total	54,230,612	47,921,388	101,353,328	(389,604)	(1,024,891)	202,090,833

Changes concerned the subsidiaries and are broken down as follows:

a) Subsidiaries

(in Euros)

	Value as of 31.12.2016	Initial change from Merger, current year	Increase	Decrease	Write-downs	Value as of 31.12.2017
Municipia S.p.A.	13,000,000	5,667,692	0			18,667,692
OverIT S.r.l.	1,297,893	10,091,780	0			11,389,673
Nexen S.r.l.	3,647,533	2,022,287	0			5,669,820
Engineering International Inc.	7	476,592	0			476,599
Engineering do Brasil S.A.	15,615,006		4,000,000			19,615,006
Engineering D.HUB S.p.A.	1,000,001	28,368,929	384,922			29,753,852
MHT S.r.l.	5,501,466		2,000,000			7,501,466
WebResults S.r.l.	2,130,000	694,317	600,000			3,424,317
Engineering ITS AG	9,533,666					9,533,666
Engineering Ingegneria Informatica Spain S.L.	3,000		100,589			103,589
Fair Dynamics Consulting S.r.l.		(600,000)	600,000			0
Sofiter Tech S.r.l.			1,297,959			1,297,959
Sogeit Solutions S.r.l.			6,077,502			6,077,502
Infinity Technology Solutions S.p.A.			3,488,209			3,488,209
SedApta US Inc.			20,424,146	(367,604)		20,056,542
Infogroup S.p.A			61,400,000			61,400,000
Engineering International Belgium S.A.	61,500	208,702	0			270,202
Engiweb Security S.r.l.	1,150,000	991,089	0			2,141,089
Engineering Sardegna S.r.l.	20,000		980,000		(941,293)	58,707
Engineering da Argentina S.A.	1,151,216					1,151,216
Total	54,111,289	47,921,388	101,353,328	(367,604)	(941,293)	202,077,108

The value increase in equity investments reflects the effects of the allocation of the price paid by Mic Bidco S.p.A..

The measurement at fair value of the equity investments led to a total increase of their value, equal to Euro 48,521 thousand. The difference is due to the following transactions:

Increases:

- in the amount of Euro 61,400 thousand for the acquisition of the whole interest of Infogroup S.p.A.. The fair value of receivables amounted to Euro 29.77 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 1.06 million);
- in the amount of Euro 20,424 thousand for the acquisition of the whole interest of SedApta US Inc.. A Fair Value of receivables acquired amounted to Euro 2.72 million;
- in the amount of Euro 4,000 thousand for the share capital increase of the subsidiary Engineering do Brasil S.A.;
- in the amount of Euro 6,078 thousand for the acquisition of the interest of the company Sogeit Solutions S.r.l., 60% controlled. The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018. The agreement between the parties sets out that the earn-out has a maximum limit that is contractually determined. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 2.58 million, which is the estimated amounts to be paid upon maturity based on the agreements signed with minorities. The fair value of receivables amounted to Euro 3.97 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to zero). For further details, reference is made to the following paragraph 20.
Moreover, by reason of the fact that the Company Engineering Ingegneria Informatica S.p.A. signed a put option contract, the payables were measured based on provisions set out by IAS 32, for sales options granted to minorities. For further details, reference is made to the following paragraph 22;
- in the amount of Euro 3,488 thousand for the acquisition of the interest of the company Infinity Technology Solutions S.p.A., wholly controlled. The fair value of receivables amounted to Euro 4.38 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 0.15 million);
- in the amount of Euro 2,000 thousand for the share capital increase of the subsidiary MHT S.r.l.;
- in the amount of Euro 1,298 thousand for the acquisition of the interest of the company Sofiter Tech S.r.l., 51% controlled. The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018. The agreement between the parties sets out that the earn out has a maximum limit that is contractually determined. Based on the best estimate of the potential consideration, in these consolidated financial statements the Company recognised a liability of Euro 0.75 million, which is the estimated amounts to be paid upon maturity based on the agreements signed with minorities. Fair Value of receivables acquired amounted to Euro 3.1 million. For further details, reference is made to the following paragraph 20;
- in the amount of Euro 980 thousand for the share capital increase of the subsidiary Engineering Sardegna S.r.l.;
- in the amount of Euro 600 thousand for the acquisition of further 20% related to the interest of WebResults S.r.l., now 91% controlled;
- in the amount of Euro 101 thousand for the share capital increase of the subsidiary Engineering Ingegneria Informatica Spain S.L.;
- in the amount of Euro 600 thousand for the acquisition of the whole interest of Fair Dynamics Consulting S.r.l.. As of December 31, 2017, with accounting effect on March 1, 2017 (acquisition date), the company was merged into Engineering Ingegneria Informatica S.p.A.. Fair Value of receivables acquired amounted to Euro 0.12 million;
- in the amount of Euro 385 thousand for the value increase in the interests of the subsidiary Engineering D.HUB S.p.A. for the assignment of Stock Options by Engineering Ingegneria Informatica S.p.A..

Decreases and write-downs:

- the decrease of Euro 368 thousand refers to the refund by SedApta US Inc. of a portion of share capital due to its capital decrease;
- the write-down, amounting to Euro 941 thousand, of Engineering Sardegna S.r.l. was made to adjust the value of the equity investment to the actual realisable value.

Investments in subsidiaries are detailed as follows:

(in Euros)									
	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/(loss)	Value as of 31.12.2017	%
Engineering Sardegna S.r.l.	Cagliari	5,938,746	5,880,039	1,000,000	58,707	11,419,280	(713,511)	58,707	100
Municipia S.p.A.	Trento	69,474,980	51,280,157	13,000,000	18,194,822	44,994,134	30,679	18,667,692	100
Engiweb Security S.r.l.	Trento	29,610,956	25,936,915	50,000	3,674,041	22,521,875	916,189	2,141,089	100
Nexen S.p.A.	Padua	7,663,810	1,555,031	1,500,000	6,108,779	3,540,962	124,691	5,669,820	100
OverIT S.p.A.	Fiume V. (PN)	28,969,875	13,021,334	300,000	15,948,541	33,948,012	2,974,567	11,389,673	95
Sicilia e-Servizi Venture S.c.r.l.	Palermo	98,613,665	108,294,204	300,000	(9,680,540)	600,551	(778,220)		65
Engineering do Brasil S.A.	Sao Paulo (Brazil)	41,003,028	30,327,401	12,995,550	10,675,627	46,787,609	(3,866,488)	19,615,006	100
Engineering International Belgium S.A.	Brussels	3,877,039	3,266,878	61,500	610,161	6,531,269	87,673	270,202	100
Engineering International Inc.	Delaware (USA)	641,384	412,780	8	228,604	668,312	(155,615)	476,599	100
Engineering D. HUB S.p.A.	Pont Saint Martin	118,766,275	66,242,519	2,000,000	52,523,756	130,540,149	21,914,807	29,753,852	100
Engi da Argentina S.A.	Buenos Aires	3,637,563	3,466,471	309,905	171,092	3,505,041	(169,849)	1,151,216	91
MHT S.r.l.	Lanceno (TV)	14,448,408	8,848,011	52,000	5,600,397	16,822,432	357,664	7,501,466	100
WebResults S.r.l.	Treviolo (BG)	6,559,660	4,826,860	10,000	1,732,800	9,587,622	616,641	3,424,317	91
Engineering ITS AG	Berlin	24,718,689	5,233,094	50,000	19,485,595	3,118,596	338,407	9,533,666	51
Engineering Ingegneria Informatica Spain S.L.	Madrid	635,440	488,957	100,000	146,483	639,237	46,483	103,589	100
Sofiter Tech S.r.l.	Rome	6,464,789	4,194,614	204,082	2,270,175	8,953,660	723,402	1,297,959	51
Sogeit Solutions S.r.l.	Rome	7,066,574	4,134,154	100,000	2,932,420	9,597,781	2,383,418	6,077,502	60
Infinity Technology Solutions S.p.A.	Genoa	5,231,381	2,941,494	2,363,820	2,289,887	7,489,982	273,804	3,488,209	100
SedApta US Corp.	Delaware (USA)	416,910		416,910	416,910		347,739	20,056,542	100
Infogroup S.p.A.	Florence (Italy)	43,737,037	29,806,696	4,352,000	13,930,341	69,967,894	(911,778)	61,400,000	100

(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 D. HUB 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.	Lanceno (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 A.S.	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

c) Associated companies

(in Euros)

	Value as of 31.12.2016	Increase	Decrease	Write-downs	Value as of 31.12.2017
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 Sanimed Group	3,000				3,000
Consorzio Engbas in liquidation	22,000		(22,000)		
CENTO-6 Società Consortile a r.l.	5,000			(5,000)	
Consorzio Sirio	78,598			(78,598)	
Total	119,323		(22,000)	(83,598)	13,725

Associated companies reported a decrease of Euro 22 thousand due to the liquidation of the company Consorzio Engbas, while the entire value of equity investments of Consorzio Sirio and Cento-6 Società consortile a.r.l. were written down.

Investments in associated companies are as follows:

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2017	%
CENTO-6 Società consortile a.r.l.	Milan	16,038	1,040	20,000	14,998	2,000	1,614		25
Si Lab – Calabria S.c.a.r.l.	Rende	460,712	440,755	30,000	19,957	46,962	7,987	7,200	24
Consorzio Sirio	Palermo	118,789	115,317	5,000	3,472		(8,203)		49
Si Lab – Sicilia S.c.a.r.l.	Palermo	33,286	1,000	30,000	32,286	13,480	975	3,525	24
Consorzio Sanimed Group								3,000	

(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								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)	%
Engineering Balkan d.o.o.	Belgrade (SRB)	406,106	197,556	3,809	208,550	681,128	16,917	100
Engineering Luxembourg S.à.r.l.	Luxembourg	222,249	392,634	12,500	(170,385)	655,834	(118,515)	100
DST Consulting GmbH	Dusseldorf	5,628,927	2,817,012	25,000	2,811,915	21,179,012		51
Emds GmbH	Stuttgart	1,613,155	1,002,203	300,000	610,952	4,425,580		51
Engineering Software Labs GmbH	Stuttgart	481,744	457,482	25,000	24,262	316,721		51
Overit International Inc.	Miami (USA)	48,754	85,335	41,691	(36,581)		(83,094)	80
IT Soft US Inc.	Chicago (USA)	5,751,167	1,220,000	217,460	4,531,167	8,439,264	1,685,219	51
Bekast IT Consulting GmbH	Wolfsburg (Germany)	1,485,042	1,178,461	115,000	306,580	1,708,904	194,113	51

As provided by IAS 36, the recoverability was assessed of the value of equity investments that feature impairment indicators. The recoverable value is determined as the fair value of an asset or of a Cash Generating Unit, net of disposal costs, and its value in use, whichever is higher.

Specifically, impairment test was performed on the carrying value of equity investments in MHT S.r.l., Engi da Argentina S.A. and Engineering do Brasil S.A., while considering the carrying amount as the carrying value of equity investments as of December 31, 2017.

The value in use of the equity investments was obtained through discounting of both cash flows of investees, over a four-year period, and a Terminal Value estimated by using the perpetual annuity, according to cash flows generated by the business on an ongoing concern basis after the specified period related to the plan. The discounting of cash flows was carried out based on the WACC discount rate, which is the minimum yield required by the Company's lenders and Shareholders for the use of capital in the Company. The discount was determined as follows:

- **Interest rate for risk-free assets:** the Company used an interest rate of 2% from Banca IMI (November 2017);
- **Risk premium:** equity risk premium, equal to 6.3% from Banca IMI (November 2017);
- **Relevered Beta:** the Company calculated the relevered beta by assuming an unlevered beta, equal to 1, remeasured based on the Company's economic structure and the tax rate of the reference Country;
- **D/E:** financial structure of the related company as of December 31, 2017;
- **Tax rate:** tax rate of the reference country (Italy, Brazil, Argentina);
- **Debt cost:** the Company used the average debt cost of each single company as of December 31, 2017.

The impairment tests made reported no impairment losses.

Moreover, a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses.

The recoverability of equity investments is also confirmed, with respect to other hypotheses, also taking account of a "g rate" growth rate equal to 0%.

8 Deferred tax assets

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Deferred tax assets	22,395,886	15,113,732	7,282,155

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	31.12.2017		31.12.2016	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
All. to other prov. and charges	7,495,776	1,798,986	2,260,079	542,419
IAS amortisation	1,678,566	402,856	1,627,724	390,654
Directors' fees	1,098,000	263,520	1,147,742	275,458
Doubtful debt provision	32,360,581	8,131,588	23,000,371	5,520,089
Provisions for risks	8,821,434	2,461,180	7,855,987	2,191,821
Leaving incentives	1,204,005	288,961	15,706,045	3,769,451
Adjustments for IFRS IAS 19	10,765,344	2,583,682	10,068,470	2,416,433
Tax credit - Mic Bidco S.p.A. Merger	26,157,965	6,277,912		
Other	780,007	187,201	30,868	7,408
Total	90,361,678	22,395,886	61,697,287	15,113,732

The item “Tax credit - Mic Bidco S.p.A. Merger” refers to tax positions of the merged company that are subject to anti evasion provisions as per Article 172, paragraph 7, of the T.U.I.R. (Consolidated Act on Income Taxes), for which an appeal for cancellation was filed, and refer to:

- tax losses of the merged company as of December 31, 2016 and further tax losses accrued as from January 1 to May 23, 2017, effective date of the Merger;
- temporarily deductible interest expense as of December 31, 2016 and further temporarily non-deductible interest expense accrued over the period from January 1 to May 23, 2017;
- “ACE surplus” as of December 31, 2016 and further “ACE surplus” generated in Mic Bidco S.p.A. over a period from January 1 to May 23, 2017.

Changes in deferred tax assets are detailed below:

		(in Euros)
Description		
Balance as of 01.01.2016		12,346,874
Increase		5,557,342
Decrease		(2,790,484)
Balance as of 31.12.2016		15,113,732
Initial change from Merger, current year		3,544
Increase		12,788,973
Decrease		(5,510,363)
Balance as of 31.12.2017		22,395,886

9 Other non-current assets

				(in Euros)
Description	31.12.2017	31.12.2016	Change	
Other non-current assets	4,336,023	1,466,457	2,869,566	

The balances are comprised of:

				(in Euros)
Description	31.12.2017	31.12.2016	Change	
Investments in other companies	1,974,617	1,141,831	832,786	
Non-current financial assets	2,361,406	324,626	2,036,780	
Total	4,336,023	1,466,457	2,869,566	

a) Investments in other companies

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

(in Euros)

Investments in other companies	Value as of 31.12.2016	Increase	Decrease	Write-downs	Value as of 31.12.2017
Banca Popolare di Credito e Servizi	7,747				7,747
Banca Credito Cooperativo Roma	1,033				1,033
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 Tecno. 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	115,595	76,000			191,595
Consorzio Abi Lab	1,000				1,000
Partecipazione Ce.R.T.A.	360				360
Consorzio Arechi Ricerca	5,000				5,000
Ehealthnet S.c.a.r.l.	10,800				10,800
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
Consel S.r.l.		382,486			382,486
Istella S.r.l.		375,000			375,000
Seta S.r.l.	82,192				82,192
Consorzio Foodnet	700			(700)	
Total	1,141,831	833,486		(700)	1,974,617

b) Non-current financial assets

(in Euros)

Description	31.12.2017	31.12.2016	Change
Tax receivables and taxes paid abroad	1,554,998	0	1,554,998
Security deposits	319,304	324,626	(5,322)
Others	487,104	-	487,104
Total	2,361,406	324,626	2,036,780

Receivables for taxes paid abroad (Euro 1,555 thousand) refer to taxes paid abroad in relation to assets invoiced and fiscally recoverable.

The item "Others" includes the call option for the residual 40% of the equity investment of Sogeit Solutions S.r.l., measured as envisaged by IAS 39.

C) Current assets

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10 Inventories

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Inventories	42,035	42,035	-

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

11 Construction contracts

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Construction contracts	112,077,761	118,215,205	(6,137,444)

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

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Opening construction contracts	118,215,205	101,921,151	16,294,054
Exchange difference	73,122	-	73,122
Adjustments and changes in work in progress	(562,422)	(171,523)	(390,899)
Costs incurred plus profits booked according to percentage completion net of losses	343,765,505	311,372,812	32,392,693
Invoicing progress of work	(349,413,649)	(294,907,235)	(54,506,414)
Total	112,077,761	118,215,205	(6,137,444)

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.

The adjustments shown in the table relate, in the amount of Euro 562 thousand, to projects transferred with the Business Unit on January 1, 2017 to the subsidiary Municipia S.p.A..

The amount of Euro 73 thousand refers to the opening balance of works in progress of the company Fair Dynamics Consulting S.r.l., merged with accounting effects as from March 2017.

(in Euros)

Description	31.12.2017	31.12.2016	Change
Trade receivables	430,976,988	450,644,368	(19,667,379)

Trade receivables as of December 31, 2017 are as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Customers	290,334,789	332,257,584	(41,922,794)
Subsidiaries	135,792,312	113,048,318	22,743,994
Others	4,849,887	5,338,466	(488,579)
Total	430,976,988	450,644,368	(19,667,379)

a) Customers

(in Euros)

Description	31.12.2017	31.12.2016	Change
Receivables on invoices issued	269,085,086	294,180,320	(25,095,234)
<i>of which overdue</i>	<i>101,131,522</i>	<i>115,471,066</i>	<i>(14,339,544)</i>
Invoices to be issued	52,242,452	60,519,701	(8,277,248)
Credit notes to be issued	(129,555)	(237,401)	107,846
Doubtful debt provision	(29,992,911)	(21,305,215)	(8,687,696)
Provision for interest in arrears	(870,283)	(899,821)	29,538
Total	290,334,789	332,257,584	(41,922,794)

Receivables from customers, net of the doubtful debt provision, amounted to Euro 290,335 thousand.

The doubtful debt provision, equal to Euro 29,993 thousand, was utilised, in the amount of Euro 1,156 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 9,844 thousand.

This increase is due, in the amount of Euro 9,236 thousand, to the total write-down of receivables from Alitalia, due to the measurement at fair value of the Company's assets and liabilities, at the acquisition date of Engineering Ingegneria Informatica S.p.A by Mic Bidco S.p.A., based on the purchase method (IFRS3) and, for the remaining portion, equal to Euro 608 thousand, to the write-down of receivables in order to adjust them to the estimated realisable value.

It is noted that on December 31, 2017, the Company factored trade receivables, totalling Euro 179,514 thousand (Euro 60,500 thousand as of December 31, 2016). Risks and benefits related to receivables were transferred to the transferee. Receivables were therefore eliminated from the assets in the statement of financial position against the consideration received from the factoring companies.

Overdue receivables by sector are shown in the following table:

Description	Days falling due					(in Euros)
						Total as of
	30	60	90	120	over 120	31.12.2017
Public Administration	2,889,259	1,903,992	2,101,686	1,219,330	23,747,838	31,862,105
Finance	9,228,000	2,108,270	1,178,963	359,115	2,803,273	15,677,620
Industry & Services	9,146,160	3,456,071	887,873	1,027,148	21,574,465	36,091,716
Telco & Utilities	5,381,008	4,012,979	770,681	512,739	6,822,673	17,500,080
Total	26,644,427	11,481,313	4,939,203	3,118,331	54,948,248	101,131,522

Description	Days falling due					(in Euros)
						Total as of
	30	60	90	120	over 120	31.12.2016
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

b) Subsidiaries

These receivables refer to the following:

Description	(in Euros)		
	31.12.2017	31.12.2016	Change
Receivables on invoices issued	61,536,142	65,839,349	(4,303,206)
Invoices to be issued	26,513,442	21,802,315	4,711,126
Cash pooling	35,633,922	11,094,905	24,539,016
Doubtful debt provision	(6,292,351)	(5,786,508)	(505,843)
Credit notes to be issued	(26,666)	(30,903)	4,236
Loans receivable	17,842,411	19,620,000	(1,777,589)
Others	585,412	509,160	76,253
Total	135,792,312	113,048,318	22,743,994

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 from customers include the exposure as of December 31, 2017, with respect to Sicilia e Servizi Venture S.c.a.r.l. in liquidation ("SISEV"), equal to Euro 68,527,880 (including the related doubtful debt provision amounting to Euro 6,292,351), of which Euro 8,894,276 of 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 Digitale S.p.A. (former Sicilia e-Servizi S.p.A.) and Sicilia e-Servizi Venture S.c.a.r.l. in liquidation on May 21, 2007 and expired on December 22, 2013.

In the mutual interest, on October 9, 2012 SISEV, the Sicilian Region and Sicilia Digitale 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 Digitale 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 Digitale 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 Digitale S.p.A., on June 26, 2013, SISEV filed a petition for an order of payment before the Court of Palermo against Sicilia Digitale 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 Digitale S.p.A. 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 Digitale 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 Digitale 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 A.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 Sicilia Digitale S.p.A.'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).

On that date, the experts committee was established. At the time of the final assessment, the experts acknowledged that the amount of the services rendered and described in the deeds was almost the entire amount object of the payment order (less payments received in the meantime). Following a request of integration by the Judge, the experts therefore issued a draft of supplementary report (in which the assets object of the payment claim were divided according to the existence or non-existence of approvals by the Management of Sicilia Digitale S.p.A. and/or the Region), which is currently being assessed by technical advisers of the parties in view of the drafting of their technical remarks.

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 Digitale S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia Digitale 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.

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 Digitale 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, in view of a legal dispute and of the objections filed in by Sicilia Digitale S.p.A. 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, 2016 (for a total amount of around Euro 33.9 million) and allocated an amount of around Euro 8.3 million to the doubtful debt provision, in addition to the total amount of around Euro 45.1 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) Others

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Prepayments	940,111	1,121,020	(180,908)
Others	3,909,776	4,217,446	(307,670)
Total	4,849,887	5,338,466	(488,579)

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	31.12.2017	31.12.2016	Change
Other current assets	53,651,863	46,793,127	6,858,736

The other current assets are broken down as follows:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Current financial assets	13,271,292	11,210,191	2,061,101
Others	40,380,572	35,582,937	4,797,635
Total	53,651,863	46,793,127	6,858,736

a) Current financial assets

Current financial assets are broken down as follows:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Tax receivables	13,189,286	11,042,408	2,146,877
Social security institutions	82,006	167,782	(85,777)
Total	13,271,292	11,210,191	2,061,101

Tax receivables primarily relate to IRES and IRAP receivables for prepayments made, after offsetting the provision for taxes calculated as of December 31, 2017. The total amount of the receivables was Euro 11,200 thousand. The remaining portion is mainly due, in the amount of Euro 1,255 thousand, to receivables from the Inland Revenue Office for recoverable VAT and, in the amount of Euro 340 thousand to receivables for taxes paid abroad and that could be recovered in a short time.

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

In December 2017, receivables from the Inland Revenue Office were factored and collected in relation to the reimbursement claim, filed in 2012, for the higher IRES tax paid on personnel costs, not deducted for the years 2007-2011 for the IRAP tax purposes.

Risks and benefits related to receivables were transferred to the transferee. Receivables were therefore eliminated from the assets in the statement of financial position against the consideration received from the factoring company.

The amount of the receivables collected amounted to Euro 8,199 thousand.

b) Others

The "Others" item includes:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Applied research grants	38,910,945	34,835,217	4,075,728
Prepaid expenses	600,044	4,076	595,969
Others	869,582	743,644	125,938
Total	40,380,572	35,582,937	4,797,635

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	31.12.2017	31.12.2016	Change
Cash and cash equivalent	181,943,568	297,770,328	(115,826,760)

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	31.12.2017	31.12.2016	Change
Bank and postal deposits	181,931,807	297,756,559	(115,824,753)
Cash and cash equivalents	11,761	13,769	(2,008)
Total	181,943,568	297,770,328	(115,826,760)

Cash and cash equivalents include Euro 10.2 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".

Changes in item "Cash and cash equivalents" must be read together with changes in other financial assets and liabilities.

15 Breakdown of financial instrument assets by category

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Pursuant to provisions set out by the accounting standard IFRS 7, the following table shows information related to categories of financial assets and liabilities of the Company as of December 31, 2017.

As regards financial instruments related to the statement of financial position, at fair value, the IFRS 7 also requires that these amounts be classified based on a hierarchy of levels that would reflect the relevance of inputs used in determining the fair value.

The following levels are highlighted:

- level 1: if the financial instruments is listed in an active market;
- level 2: if the fair value is determined based on evaluation techniques taking as reference the indicators that can be observed on the market, other than prices of the financial instrument. In particular, fair value of derivatives was determined by using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined based on evaluation techniques taking as reference the indicators that cannot be observed on the market.

The following table highlights the financial assets measured at fair value as of December 31, 2017.

(in Euros)				
Items as of 31.12.2017	Assets valued at fair value in P&L	Investments held to maturity	Loans and receivables	Financial assets available-for-sale
Other non-current assets			4,336,023	
Trade receivables			430,976,988	
Other current assets			53,651,863	
Cash and cash equivalents			181,943,568	
Total			670,908,443	

(in Euros)				
Items as of 31.12.2016	Assets valued at fair value 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	

16 Information on shareholders' equity

(in Euros)

Description	31.12.2017	31.12.2016	Change
Shareholders' equity	572,484,719	442,075,438	130,409,281

The changes are shown in the table below:

(in Euros)

Shareholders' equity	Value as of 31.12.2016	Increase	Decrease	Value as of 31.12.2017
Share capital	31,875,000	0	0	31,875,000
Treasury shares in portfolio	(875,193)	875,193	0	0
Share capital unpaid		0	0	
Total share capital	30,999,807	875,193	0	31,875,000
Legal reserve	6,375,000	0	0	6,375,000
Reserve acquisition treasury shares	87,978,827	0	(87,978,827)	0
Share premium reserve		0	0	
Merger reserve	116,044,240	387,661,107	0	503,705,347
Difference of exchange conversion IAS 21		0	0	
Other reserves	1,401,721	9,425,814	(81,721)	10,745,814
Total reserves	211,799,788	397,086,921	(88,060,548)	520,826,160
Prior years' undistributed profit/(loss)	161,924,094	7,126,560	(176,998,095)	(7,947,441)
First-time application of IAS/IFRS	1,754,162	0	0	1,754,162
IAS 19 actuarial gains/(losses)	(7,826,895)	0	(529,624)	(8,356,519)
Fair value cash flow hedge reserve		0	0	
Retained earnings /(Losses carried forward)	155,851,361	7,126,560	(177,527,719)	(14,549,799)
Profit/(Loss) for the year	43,424,482	34,333,357	(43,424,482)	34,333,357
Total shareholders' equity	442,075,438	439,422,031	(309,012,749)	572,484,719

The shareholders' equity underwent significant changes for the reverse Merger of Mic Bidco S.p.A. in Engineering Ingegneria Informatica S.p.A. occurred in the first half of 2017 and the Purchase Price Allocation (PPA) of Engineering Ingegneria Informatica S.p.A. by Mic Bidco S.p.A. on acquired assets and liabilities carried out at the acquisition date of July 1, 2016.

17 Share capital

The subscribed and fully paid-in share capital is Euro 31,875,000, divided into 12,500,000 shares each without par value. Sole Shareholder Mic Newco S.p.A..

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.
- Merger reserve:
the merger reserve totalled Euro 503,705,347 and it is broken down as follows:
 - Euro 116,044,240 relate to mergers of subsidiaries, occurred from 2003 to 2013; the reserve refers to profits gained by the incorporated companies over the years before the merger. Euro 387,661,107 refer to the reverse Merger of Mic Bidco S.p.A., occurred in the first half of 2017.
- Other Reserves of Euro 10,745,814 relate to:
 - Stock Option Reserve:
this reserve, amounting to Euro 9,425,814, is for the assignment of Stock Options, as per the share incentive plan and the extraordinary plan addressed to employees and approved by the Board of Directors on June 28, 2017. For further details, reference is made to paragraph 35 "Personnel Costs".
 - 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/(Losses carried forward)

Retained earnings/(Losses carried forward) of Euro (14,549,799) include:

- losses from previous years, amounting to Euro (7,947,441), acquired with the merger of Mic Bidco S.p.A.;
- first-time application of IAS/IFRS 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 - IAS 19 - amounting to Euro (8,356,519); the reserve increased by Euro 529,624, net of deferred taxes due to the actuarial profit.

E) Non-current liabilities

20 Non-current financial liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Non-current financial liabilities	229,610,638	85,593,903	144,016,734

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

(in Euros)

Description	31.12.2017	31.12.2016	Change
Payables to lenders	222,342,353	85,289,333	137,053,021
Other non-current financial liabilities	7,268,284	304,571	6,963,713
Total	229,610,638	85,593,903	144,016,734

Payables to lenders as of December 31, 2017 are as follows:

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Over 5 years
Svil. Econ. Pia E-Gov	2018	0.7400000	194,971		
Svil. Econ. Pia Odcdn	2018	0.7400000	175,156		
Svil. Econ. Pia Sinim	2018	0.7400000	201,975		
Bei/Serapis N. 82199	2018	Euribeur363m+1,99100	1,875,000		
Miur Prog. 28953 Foodsys	2019	0.2500000	144,905	145,631	
Miur Prog. 28953 Foodsys	2019	2.7000000	39,063	41,041	
Intesa Sanpaolo Fin.83817	2020	Euribeur363m+0,85000	16,625,000	24,937,500	
BEI/SERAPIS N. 84744	2018	2.7000000	4,545,455		
BEI/SERAPIS N. 84744	2022	Euribeur363m+1.06000	4,545,455	31,818,182	
Banca IMI - pool of banks	2021	2.0000000	18,850,000	104,000,000	
Banca Popolare Milano	2023	1.2500000		61,400,000	13,644,444
Total			47,196,979	222,342,353	13,644,444

Payables to lenders totalled Euro 269,539 thousand, of which Euro 222,342 thousand are loans due beyond 12 months and Euro 47,197 thousand for loans due within 12 months, recorded as current financial liabilities.

Some information and characteristics of the main loans are shown hereunder:

- to support research and development activities the European Investment Bank (EIB) granted two direct credit lines of Euro 15 and 50 million, disbursed on January 30, 2013 and January 8, 2016, respectively. The first loan was redeemed on January 30, 2018;
- the loan granted by Banca Intesa Sanpaolo S.p.A. was supplied in two instalments, of which the first of Euro 31.5 million on December 30, 2015 and the second of 38.5 million on June 30, 2016;
- following the reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., occurred on May 26, 2017, a loan of Euro 130 million was supplied in favour of Engineering Ingegneria Informatica S.p.A. by a pool of banks through Banca IMI. This loan was used to redeem another loan of Euro 290 million, granted to Mic Bidco S.p.A. by the same pool of banks, always through Banca IMI S.p.A., against the Public Tender Offer (OPA) that last year permitted to acquire the control of Engineering Ingegneria Informatica S.p.A.;
- on December 27, 2017, a 6-year loan was also granted by Banco BPM, for the amount of Euro 61.4 million, in relation to the acquisition of Infogroup S.p.A..

As regards the loan granted by Banca IMI S.p.A./pool of banks on July 23, 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate at 0.15%, with maturity term on October 21, 2019, will not be activated as long as the 6-month Euribor, 360 day basis remains negative. This Interest Rate Cap (IRC) contract, the fair value of which is substantially equal to zero, as of December 31, 2017, was designated under hedge accounting, subscribed for a notional principal of Euro 45,944 thousand with the aim, as aforesaid, of hedging the above-mentioned medium-long term loan from interest rate oscillation.

Covenants

The covenants of previous loans, all at variable rate, envisage the fulfilment of the following financial parameters:

- as regards the loans granted by the European Investment Bank (EIB):
 - net financial debt/reported EBITDA not higher than 2.3;
- as regards the loan granted by Banca Intesa Sanpaolo S.p.A.:
 - net financial position/reported EBITDA lower than 2.2;
(The Bank undertook to reevaluate and allow for the amendment of the parameter until a maximum of 3.5x should conditions change);
 - standardised EBITDA/net financial charges higher than 5.0;
- as regards the loan granted by Banca IMI S.p.A./pool of banks:
 - net debt/reported EBITDA not exceeding 3.0;
- as regards the loan granted by Banco BPM:
 - the same parameters of the loan granted by Banca IMI S.p.A./pool of banks.

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 may give the banks the right of withdrawal, as per article 1845 of the Italian Civil Code, and to exercise the right to recover all amounts covered by the agreement, unless they are recovered:

- within 30 subsequent business days for the EIB loans;
- within 20 business days for the IMI/pool of banks loan, in the event the value be higher than 3.5, while no action shall be taken if it remains within 3.0 and 3.5 and the value is fulfilled again in the following half year; and
- within 60 subsequent business days for the loan granted by Banca Intesa Sanpaolo S.p.A. and both values are not fulfilled.

All covenants stipulated in the agreements were fulfilled as of December 31, 2017.

As regards the loan granted by Banca IMI S.p.A./pool of banks on July 23, 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate at 0.15%, with maturity term on October 21, 2019, will not be activated as long as the 6-month Euribor, 360 day basis remains negative. This Interest Rate Cap (IRC) contract, the fair value of which is substantially equal to zero, as of December 31, 2017, was designated under hedge accounting, subscribed for a notional principal of Euro 61.4 million with the aim, as aforesaid, of hedging the above-mentioned medium-long term loan from interest rate oscillation.

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	31.12.2017	31.12.2016	Change
Derivative (cash flow hedge)	175,695	296,507	(120,812)
Security deposits	107,590	115,750	(8,160)
Payables for finance leases/equity investments	9,055,854	-	9,055,854
Value of financial debt at amortised cost	(2,070,855)	(107,686)	(1,963,169)
Total	7,268,284	304,571	6,963,713

The tables of "Other non-current financial liabilities" include:

- 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 Unicredit S.p.A.'s loan related to the hedging. In particular, the fair value of IRS under evaluation was equal to Euro 0.2 million as of December 31, 2017 (Euro 0.3 million as of December 31, 2016) and fair value changes, compared to the previous year, were recognised in the income statement by reason of the redemption of the loan related to IRS and to the related hedging.

Description of IRS	Opening of contract	Expiry date of contract	Principal (in thousands of Euro)	Fixed rate	Fair value 31.12.2017 (in thousands of Euro)	Fair value 31.12.2016 (in thousands of Euro)
Hedging of Unicredit loan - redeemed	30.06.2014	31.03.2020	35,000	0.56	(176)	(297)

As already described above, as regards the loan granted by Banca IMI S.p.A./pool of banks on July 23, 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The effective test calculation of current derivatives, designated under hedge accounting, was performed based on valuation models used by the best practice, in line with IFRS 13 requirements.

Description of IRC	Opening of contract	Expiry date of contract	Principal (in thousands of Euro)	Fixed rate	Fair value 31.12.2017 (in thousands of Euro)	Fair value 31.12.2016 (in thousands of Euro)
Hedging of Banca IMI S.p.A./pool of banks loan	23.10.2017	23.10.2019	61,425	0.15	0	0

(in Euros)		
Amounts due for finance leases	Instalments	Principal
Within one year	1,493,309	1,204,984
Beyond one year	7,638,254	6,920,996
Over 5 years	0	0
Total lease instalments	9,131,564	
Interest	(1,005,584)	(107,686)
Total current lease instalment value	8,125,980	8,125,980

- payables for earn out, with respect to minority shareholders of the companies Sogeit Solutions S.r.l. and Sofiter Tech S.r.l., are equal to Euro 2,134 thousand. In particular, both business combination, acquired during the year, envisage an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018. The total amount, recognised over the year for these earn outs, equal to Euro 3.388 thousand (of which Euro 2.134 thousand non-current), reflects the best estimate of amounts to be paid upon maturity based on contracts entered with the counterparties;
- the difference between the par value of financial payables recorded and the value of payables measured at amortised cost;
- the payables for finance leases, for the portion of finance leases related to real estates in Turin (Euro 6,921 thousand).

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

(in Euros)		
Description	31.12.2017	31.12.2016
Cash	11,761	13,769
Other liquid assets	181,931,807	297,756,559
Cash and cash equivalents	181,943,568	297,770,328
Current financial receivables	0	0
Current bank payables	(6,114)	(14,452)
Current borrowing	(92,196,979)	(30,453,426)
Other current financial payables	(13,114,626)	(11,765,778)
Current borrowing	(105,317,719)	(42,233,656)
Net current financial position	76,625,849	255,536,673
Non-current borrowing	(222,342,353)	(85,289,333)
Other non-current payables	(7,268,284)	(304,571)
Non-current borrowing	(229,610,638)	(85,593,903)
Net financial position	(152,984,789)	169,942,769

The net financial position stood at -Euro 153 million, down compared to the end of 2016 (+Euro 170 million).

The remarkable change in financial resources available is connected with the reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., which involved the redemption of a loan already in place in Mic Bidco (around Euro 290 million) through the use of cash and the disbursement of a new loan of Euro 130 million, as well as through commitments and growth strategy, above all through acquisitions that led the Company to perform also short-term procurement transactions that had not been adopted for a long time.

For further details, reference is made to the following paragraphs herein and in the Directors' report.

21 Deferred tax liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Deferred tax liabilities	147,583,996	18,582,729	129,001,267

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	31.12.2017		31.12.2016	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Goodwill	10,823,776	3,019,833	9,925,256	2,769,147
Trademark	453,029,362	126,395,192		
Research grants	308,546	86,084	525,309	146,561
Research grants taxed in 5 years	66,832,326	16,039,757	62,571,700	15,017,208
IFRS adjustments	2,219,905	619,354	2,329,080	649,813
Allocation of goodwill	5,103,138	1,423,776		
Total	538,317,053	147,583,996	75,351,346	18,582,729

Movements in deferred tax liabilities are illustrated below:

(in Euros)

Description	
01.01.2016	18,595,398
Increase	6,668,249
Decrease	(6,680,918)
31.12.2016	18,582,729
Increase	136,853,086
Decrease	(7,851,818)
31.12.2017	147,583,996

22 Other non-current liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Other non-current liabilities	8,148,793	3,030,773	5,118,020

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	31.12.2017	31.12.2016	Change
Post-employment benefits	47,253,132	50,171,307	(2,918,175)

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 0.3122% to 1.7179% 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 table 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%
Infl.	-10%	47,348,017	434,041	46,913,976	(425,977)	46,487,999
		(344,285)	94,885	(339,156)	(765,133)	(334,143)
	100%	47,692,302	439,170	47,253,132	(430,990)	46,822,142
		347,635	786,805	342,441	(93,626)	337,364
	+10%	48,039,937	444,364	47,595,573	(436,067)	47,159,506

Description		Discounting				
		-10%		100%		10%
Infl.	-10%	+100.20%	+0.92%	+99.28%	-0.90%	+98.38%
		-0.73%	+0.20%	-0.72%	-1.62%	-0.71%
	100%	+100.93%	+0.93%	+100.00%	-0.91%	+99.09%
		+0.74%	+1.67%	+0.72%	-0.20%	+0.71%
	+10%	+101.67%	+0.94%	+100.72%	-0.91%	+99.80%

Actuarial gains 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 01.01.2016	57,594,691
Provisions	16,124,212
Amounts paid to social security institutions + INPS	(17,185,246)
Actuarial gains/(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
Change in opening balance for Merger	14,431
Provisions	16,918,371
Amounts paid to social security institutions + INPS	(16,603,513)
Actuarial gains/(losses)	696,874
Benefits paid	(4,257,586)
Indemnities on acquisition of Group business units/subsidiaries	1,255,819
Transfer payables of Group business units/subsidiaries	(942,571)
Balance as of 31.12.2017	47,253,132

Note: The "Provisions" item comprises the interest cost for an amount equal to Euro 135,788.

F) Current liabilities

24 Current financial liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Current financial liabilities	105,317,719	42,233,656	63,084,063

(in Euros)

Description	31.12.2017	31.12.2016	Change
Payables to lenders	92,196,979	30,453,426	61,743,553
Bank payables	6,114	14,452	(8,338)
Other current financial liabilities	13,114,626	11,765,778	1,348,848
Total	105,317,719	42,233,656	63,084,063

Payables to lenders amounted to Euro 92,197 thousand and refer, in the amount of Euro 47,197 thousand, to the short-term portion of payables to lenders, of which reference is made in paragraph 20 “Non-current financial liabilities” herein. As for the remaining portion, equal to Euro 45,000 thousand, they refer to loans with a term shorter than six months.

Other current financial liabilities relate to:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Other grants	10,247,995	8,445,761	1,802,233
Payables for leasing	1,204,984		1,204,984
Equity investments to be paid	1,661,648	3,320,017	(1,658,369)
Total	13,114,626	11,765,778	1,348,848

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

“Payables for leasing” relate to the short-term portion of financial leases described in paragraph 20 “Non-current financial liabilities”.

“Equity investments to be paid” relate primarily, in the amount of Euro 1,193 thousand, to the Earn Out of Sogeit Solutions S.r.l., as described in paragraph non-current financial liabilities, in the amount of Euro 400 thousand to payables to the subsidiary WebResults S.r.l. and in the amount of Euro 63 thousand to the investee Consel.

(in Euros)

Description	31.12.2017	31.12.2016	Change
Current tax payables	116,904	3,008,740	(2,891,836)

26 Current provisions for risks and charges

(in Euros)

Description	31.12.2017	31.12.2016	Change
Current provisions for risks and charges	6,664,827	20,373,981	(13,709,154)

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

(in Euros)

Description	31.12.2017	31.12.2016	Change
Provision for risks and charges	1,501,099	18,213,137	(16,712,038)
Provision for losses on projects	5,163,727	2,160,844	3,002,884
Total	6,664,827	20,373,981	(13,709,154)

- Euro 1,204 thousand related to a restructuring plan connected with the reorganisation underway, resolved and communicated to the counterparties, already allocated in previous years under incentive schemes;
- Euro 148 thousand related to the dispute arisen with respect to the tax audit report following the assessment visit that took place in 2012 by the Inland Revenue Office;
- Euro 149 thousand related to disputes for still unsettled cases for which the risk of an unfavourable outcome is deemed as likely;
- around Euro 5,164 thousand for provisions for risks and losses on projects relating to likely future losses on some projects being implemented. The provision for losses on projects was adjusted to account for probable future charges which will be incurred on projects in which difficulties have arisen. The allocated amount is the best estimate made based on the current information available to us.

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

(in Euros)

Description	
Balance as of 01.01.2016	3,881,005
Increase	17,966,781
Decrease	(1,473,805)
Balance as of 31.12.2016	20,373,981
Increase	3,605,668
Decrease	(17,314,822)
Balance as of 31.12.2017	6,664,827

27 Other current liabilities

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(in Euros)

Description	31.12.2017	31.12.2016	Change
Other current liabilities	107,863,878	112,585,882	(4,722,004)

This item is broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Directors and Statutory Auditors	1,195,815	1,288,531	(92,716)
Consultants	72,883	65,018	7,865
Acquisition of business unit	748,512	149,115	599,397
Withholding taxes	87,416	73,452	13,964
Tax payables	16,973,415	25,126,960	(8,153,545)
Due to RTI partners	2,196,083	2,201,197	(5,114)
Social security institutions	13,866,417	13,665,726	200,691
Others	4,544,393	4,780,543	(236,150)
Employees	58,641,915	58,244,947	396,968
Partners for research projects	8,870,566	6,806,958	2,063,608
Accrued m/l loan interest	566,998	81,776	485,222
Other accruals	4,199	-	4,199
Deferred income	95,268	101,660	(6,392)
Total	107,863,878	112,585,882	(4,722,004)

The main change is related to tax payables described in detail in the following table.

(in Euros)

Description	31.12.2017	31.12.2016	Change
VAT	6,558,999	15,149,274	(8,590,274)
Suspended VAT	1,239,162	1,362,728	(123,566)
IRPEF	9,175,253	8,614,954	560,299
Other	-	3	(3)
Total	16,973,415	25,126,960	(8,153,545)

(in Euros)

Description	31.12.2017	31.12.2016	Change
Trade payables	321,264,117	274,794,925	46,469,192

The balance as of December 31, 2017 is broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Suppliers	163,737,482	165,259,600	(1,522,117)
Subsidiaries	121,262,579	77,972,760	43,289,819
Others	36,264,055	31,562,565	4,701,490
Total	321,264,117	274,794,925	46,469,192

a) Suppliers

(in Euros)

Description	31.12.2017	31.12.2016	Change
Due to suppliers	106,382,335	115,437,426	(9,055,091)
Due to foreign suppliers	15,056,440	12,188,420	2,868,020
Invoices to be received	42,791,560	37,763,116	5,028,445
Credit notes to be received	(492,854)	(129,362)	(363,492)
Total	163,737,482	165,259,600	(1,522,117)

b) Subsidiaries

(in Euros)

Description	31.12.2017	31.12.2016	Change
Invoices to be received	24,426,744	18,824,877	5,601,867
Invoices received	63,728,530	36,586,898	27,141,631
Deferred income	109,820	(3)	109,823
Cash pooling	32,997,485	22,560,988	10,436,497
Total	121,262,579	77,972,760	43,289,819

The change in cash pooling payables relates to the subsidiaries Engineering.mo S.p.A. and Nexen S.p.A. that, as of December 31, 2017, reported an amount payable to the Parent Company.

c) Others

(in Euros)

Description	31.12.2017	31.12.2016	Change
Advances for future work	36,264,055	31,562,565	4,701,490
Total	36,264,055	31,562,565	4,701,490

29 Breakdown of financial instrument liabilities by category

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

(in Euros)			
Items as of 31.12.2017	Liabilities valued at fair value in P&L	Liabilities relating to hedging instruments	Liabilities recorded at amortised cost
Non-current financial liabilities		175,695	229,434,943
Other non-current liabilities			8,148,793
Current financial liabilities			105,317,719
Other current liabilities			107,863,878
Trade payables			321,264,117
Total	0	175,695	772,029,450

(in Euros)			
Items as of 31.12.2016	Liabilities valued at fair value 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 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	31.12.2017	31.12.2016	Change
Total revenues	767,364,357	791,917,462	(24,553,105)

30 Total revenues

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Revenues from sales and service	740,902,525	746,722,474	(5,819,949)
Cgs. finished products and construction contracts	(5,575,023)	16,417,452	(21,992,475)
Other revenues	32,036,854	28,777,536	3,259,319
Total	767,364,357	791,917,462	(24,553,105)

The value of revenues is affected by the transfer of two Business Units to subsidiaries Engineering D.HUB S.p.A. (MO Business Unit), occurred on October 1, 2016 and Municipia S.p.A. (PAL Business Unit), occurred in January 1, 2017.

31 Other revenues

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Other revenues	32,036,854	28,777,536	3,259,319

The breakdown of other revenues is as follows

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Grants	17,816,937	17,803,865	13,072
Other income	7,058,921	7,132,412	(73,492)
Other revenues from subsidiaries	7,160,996	3,841,258	3,319,738
Total	32,036,854	28,777,536	3,259,319

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community. 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 use of company cars and corporate SIM cards for mobile telephones.

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

B) Operating expenses

32 Operating expenses

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Operating expenses	719,095,731	733,694,917	(14,599,186)

The breakdown of operating expenses is as follows:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Raw materials and consumables	9,528,056	11,051,965	(1,523,909)
Services	336,437,630	330,992,920	5,444,710
Personnel costs	349,457,747	359,203,960	(9,746,212)
Amortisation and depreciation	14,049,061	10,683,087	3,365,974
Provisions	4,913,536	18,869,768	(13,956,232)
Other costs	4,709,701	2,893,217	1,816,484
Total	719,095,731	733,694,917	(14,599,186)

Cost value is related to revenues accrued and the decrease is always due to the transfer of the Business Units to the two subsidiaries: Engineering D.HUB S.p.A. and Municipia S.p.A..

33 Raw materials and consumables

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Raw materials and consumables	9,528,056	11,051,965	(1,523,909)

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

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Hardware	3,320,845	3,954,146	(633,301)
Software	5,985,383	6,752,338	(766,955)
Consumables	221,828	345,481	(123,653)
Total	9,528,056	11,051,965	(1,523,909)

34 Service costs

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Services	336,437,630	330,992,920	5,444,710

Service costs include the following:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
EDP purchases, services and data lines	157,285	2,182,326	(2,025,041)
Insurance	2,697,450	2,811,628	(114,178)
Bank charges and commissions	1,211,608	1,611,824	(400,216)
Technical support and consultancy	180,068,685	181,708,998	(1,640,313)
Consultancy from subsidiaries	79,263,628	63,078,314	16,185,313
Legal and administrative consultancy	2,033,632	2,506,585	(472,953)
Training and refresher courses	2,839,219	2,890,441	(51,221)
Consultants	108,170	267,162	(158,992)
Cost of corporate boards	2,224,119	2,170,221	53,898
Building rental	10,457,067	11,128,779	(671,712)
Maintenance of tangible and intangible assets	9,231,175	14,810,960	(5,579,784)
Canteen and other personnel expenses	5,181,166	5,465,016	(283,850)
Automotive expenses	8,583,727	8,940,378	(356,652)
Hardware and software rental	400,855	2,520,971	(2,120,116)
Services from subsidiaries	8,416,003	4,528,382	3,887,621
Maintenance and security services	3,379,184	3,482,347	(103,163)
Advertising and sales rep. expenses	1,226,585	862,474	364,111
Travel costs	11,633,448	11,931,850	(298,402)
Postage and shipping expenses	619,919	659,551	(39,631)
Utilities	5,524,535	6,682,648	(1,158,113)
Other	1,180,170	752,064	428,105
Total	336,437,630	330,992,920	5,444,710

The main changes are attributable to items “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 Company.

The following table shows the remuneration paid to the Independent Auditors of these financial statements. Remuneration is net of expenses and also includes certification services related to the submission of the Single Form, IRAP tax and 770 models.

(in Euros)			
Type of services	Provider	Customer	Remuneration
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	267,000

35 Personnel costs

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(in Euros)			
Description	31.12.2017	31.12.2016	Change
Personnel costs	349,457,747	359,203,960	(9,746,212)

Personnel costs consist of:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Salaries and wages	256,420,057	270,666,907	(14,246,850)
Social security expenses	64,184,173	68,084,443	(3,900,271)
Post-employment benefits	16,782,582	16,100,389	682,194
Restructuring and reorganising personnel		3,064,888	(3,064,888)
Other personnel costs	12,070,935	1,287,333	10,783,603
Total	349,457,747	359,203,960	(9,746,212)

The “Salaries and wages” item includes costs related to holidays and leave pays, indemnities, overtime and bonuses.

The change is due primarily to the decrease in the average number of employees, as it can be inferred from the table hereunder.

Other costs include the cost of Euro 9,040 thousand related to the Stock Options plan.

On June 28, 2017, the Board of Directors approved a stock option plan addressed to employees, consultants, collaborators and directors of the Company and the Group companies controlled by the same and aimed at being an incentive for Group growth commitments and obtaining loyalty from beneficiaries. This is a stock option plan for the Company’s shares.

Within this plan, 911,759 options are assigned, for free, to beneficiaries. The options, when exercisable, give the right to subscribe one share each (of special B class), corresponding to 7.5% of the share capital, before a dedicated increase. The options are divided in three pools: the first pool, including 897,718 options, and the second and third pool, of equal number of options, for the residual amount.

The exercise price of each option, being part of the first pool, was determined by the Regulation, while the exercise price of each option included in the second and third pool will be instead determined by the Board of Directors, on an annual basis, according to the Company’s “Market Fair Value” at the date of price determination.

The options become exercisable provided that determined time and performance objectives be achieved (so-called vested options). These options can be exercised only starting from the notification of the expiry term of the plan and not later than the business day prior to the expiry term of the plan. The exercise of the options is also subordinated to the occurrence of a disinvestment (i.e. the transfer of quotes and shares representing more than 50% of the subscribed and paid capital of Engineering, Newco or Holdco; the transfer of all Group assets; the admission to trade on a regulated market) and will be effective upon completion of the same at the expiry date of the plan.

Shares are available to the beneficiary at the expiry date of the plan.

At the expiry date of the plan, the Board of Directors has the faculty to pay the beneficiary the difference between i) the Market Fair Value of shares assigned to the beneficiary and ii) the exercise price. In that case, the beneficiary will not have the right to claim the issue of shares and options assigned to him will no longer be valid.

Despite the fact that the Board of Directors is vested with the power to choose between the payment in cash and the issue of equity instruments, the Directors deem that, at the balance-sheet date, the Company does not have any current obligations for cash payment. Therefore, the plan was accounted for as share-based payment transaction.

After the exercise of share options, shares subscribed by the beneficiary have dividend entitlement the day after the expiry term of the plan.

The Company has the right to ask the beneficiary to repay the minimum amount sufficient to cover tax charges set out by law.

The fair value of options is determined based on both the Company's Equity Value (resulting from its Enterprise Value and determined through the market multiples method) and the unit Equity Value per share (calculated as the ratio between Equity Value and the number of outstanding shares).

The fair value of rights assigned during 2017 was calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model). It totalled Euro 9.4 million (the fair value of options granted in the first pool amounted to Euro 12.18 per option).

In particular, the main input data used to measure the fair value of the Stock Option plan are summarised as follows:

- multiple of EV/EBITDA, determined as mean of a panel of listed comparable values;
- interest rate curve btp 3 years as of December 31, 2017;
- historical volatility at 260 days, observed as of December 31, 2017;
- dividend yield equal to zero for the stock grant measurement;
- historical series of logarithmic yields for the securities involved;
- liquidity discount equal to 20%;
- strike price contractually determined.

The fair value of options granted in the first pool amounted to Euro 12.18 per option. The fair value at the assignment date was determined independently and based on the following parameters for the options granted:

- options are granted free;
- options accrued are exercisable;
- the exercise price is Euro 0;
- the concession time is 4 years.

As of December 31, 2017, a reserve for share-based payments was established for a total amount of Euro 9,426 thousand. As a consequence, personnel costs increased by Euro 9,040 thousand due to this plan. The difference recorded in the shareholders' equity increased the equity investment of the subsidiary Engineering D.HUB S.p.A. by Euro 385 thousand. The subsidiary recognised, instead, a cost of equal amount.

Figures related to the average workforce are shown hereunder:

(units)			
Average number of employees	31.12.2017	31.12.2016	Change
Executives	288	302	(14)
Managers	1,423	1,469	(46)
Other employees	4,183	4,436	(253)
Total	5,894	6,207	(313)

For further information, reference is made to paragraph V of the Directors' report on the 2017 financial statements.

36 Amortisation and depreciation

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Amortisation and depreciation	14,049,061	10,683,087	3,365,974

The breakdown is as follows:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Depreciation of property, plant and equipment	2,774,847	4,859,181	(2,084,334)
Amortisation of intangible assets	11,274,214	5,823,906	5,450,307
Total	14,049,061	10,683,087	3,365,974

The increase of amortisation/depreciation costs are due primarily to intangible assets entered in the financial statements due to the measurement at fair value of assets and liabilities of Engineering by Mic Bidco S.p.A., at the acquisition date (July 1, 2016), based on the Purchase Method (IFRS 3).

37 Provisions and write-downs

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Provisions	4,913,536	18,869,768	(13,956,232)

The breakdown is as follows:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Doubtful debt provision	1,297,104	902,987	394,117
Risk provision	3,605,668	17,966,781	(14,361,113)
Write-down of fixed assets	10,764		10,764
Total	4,913,536	18,869,768	(13,956,232)

The allocation of Euro 3,606 thousand to the provision for losses on projects was made with respect to probable future charges which will be incurred mainly on projects in which difficulties have arisen.

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 2017.

The item "Write-down of fixed assets" refers to the portion that is not allocated of the purchase price of Dekra Italia S.p.A. Business Unit.

38 Other costs

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Other costs	4,709,701	2,893,217	1,816,484

Other costs are broken down as follows:

(in Euros)			
Description	31.12.2017	31.12.2016	Change
Dues and subscriptions	1,522,092	535,911	986,181
Taxes	1,627,172	1,094,691	532,481
Gifts and donations	224,138	161,468	62,670
Charges for social causes	524,614	496,961	27,654
Other	811,685	604,186	207,498
Total	4,709,701	2,893,217	1,816,484

(in Euros)

Description	31.12.2017	31.12.2016	Change
Financial income/(charges)	(8,675,273)	2,399,592	(11,074,865)

Financial income is broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Interest income	1,838,624	2,915,393	(1,076,769)
Fair value gain (differential from derivative)	607,915	114,455	493,460
Other income	161,699	1,147,993	(986,294)
Total	2,608,239	4,177,841	(1,569,602)

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	31.12.2017	31.12.2016	Change
Interest expense	10,575,729	1,716,973	8,858,756
Other	707,783	61,276	646,507
Total	11,283,512	1,778,249	9,505,263

Interest expense is mainly due to loans described in paragraph 20 herein. In particular, it includes interest accrued from January to May, amounting to Euro 2,327 thousand, on the mortgage loan of Euro 290 million acquired with the merger of Mic Bidco S.p.A., redeemed on May 26, 2017, in addition to the related amortised cost of Euro 4,228 thousand by effect of its redemption.

They also include financial charges related to post-employment benefits (IAS 19), equal to Euro 136 thousand.

40 Income/(Charges) from investments

(in Euros)

Description	31.12.2017	31.12.2016	Change
Income/(Charges) from investments	(978,112)	2,221,707	(3,199,819)

The breakdown is as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Gains on equity investments		125,957	(125,957)
Write-down of equity investments	(1,027,160)	(66,776)	(960,384)
Other income	49,048	2,566,273	(2,517,225)
Non-recurring income/(charges)		(403,747)	403,747
Total	(978,112)	2,221,707	(3,199,819)

Write-downs of equity investments relate, in the amount of Euro 941 thousand, to the subsidiary Engineering Sardegna S.r.l., in the amount of Euro 79 thousand to Consorzio Sirio and in the amount of Euro 5 thousand to the company CENTO-6 società consortile a.r.l., while the remaining portion refers to write-downs of equity investments recorded under "Other non-current assets" (Investments in other companies).

The item "Other income" refers to dividends collected by the subsidiary SedApta US Inc..

41 Taxes

(in Euros)

Description	31.12.2017	31.12.2016	Change
Taxes	4,281,884	19,419,363	(15,137,478)

The breakdown of taxes is as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Current	8,866,537	21,543,565	(12,677,027)
Deferred	(4,584,653)	(2,124,202)	(2,460,451)
Total	4,281,884	19,419,363	(15,137,478)

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

(in Euros)

	31.12.2017		31.12.2016	
Profit/(Loss) before taxes	38,615,242		62,843,845	
Ordinary rate applied	9,267,658	+24.0%	17,282,057	+27.50%
Income taxable in prior years	3,669,108	+9.50%	3,715,785	+5.91%
Income not taxable	(4,784,256)	-12.40%	(6,209,537)	-9.88%
Expenses not deductible	6,298,631	+16.30%	6,899,979	+10.98%
Deductible expenses not charged to income statement	(7,705,147)	-20.00%	(3,899,831)	-6.21%
Utilisation of previous years tax losses	0	0.00%	0	0.00%
Total assessable IRES	28,108,314		64,685,289	
Tax/Tax rate	6,745,995	+24.0%	17,788,454	+27.50%

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	31.12.2017
Third party sureties	167,531,885
Bank sureties in favour of other companies	13,513,850
Bid bonds and performance bonds	8,003,126
Total commitments undertaken	189,048,861

■ OPERATING LEASES

The operating leases principally concern rental contracts for vehicles.

(in Euros)

Description	31.12.2017	31.12.2016
Liability remaining as of 1 st January	11,258,933	17,160,584
Amount of contracts agreed in year	5,663,781	8,388,267
Amount of fees paid in year	(6,131,062)	(8,471,968)
Amount of fees paid in advance		(5,817,951)
Amount of fees still due	10,791,652	11,258,933

(in Euros)

Description	31.12.2017	31.12.2016
Within 1 year	5,310,220	5,384,847
Over 1 year	5,481,432	5,874,086
Over 5 years		
Total	10,791,652	11,258,933

43 Transactions with Related Parties

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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/(charges)	Trade receivables	Trade payables	Receivables cash pooling	Payables cash pooling
Engineering Sardegna S.r.l.	558,808	632,315	13,200	276,362	446,329	3,017,929	
Municipia S.p.A.	5,521,773	675,727	141,739	12,284,399	1,642,404	13,332,206	
Engiweb Security S.r.l.	727,383	21,719,282	88,073	470,877	26,660,635	19,283,786	
Nexen S.p.A.	1,092,220	2,037,208	(33,137)	1,104,425	757,721		4,740,678
OverIT S.p.A.	492,116	26,256,876		852,875	20,037,948		
Sicilia e-Servizi Venture S.c.r.l.	533,743		254	62,235,529	33,295		
Engineering do Brasil S.A.	1,023,422	82,652	843,489	15,358,386	216,369		
Engineering International Belgium S.A.	546,683	3,258,888	21,079	2,409,147	2,285,848		
Engineering International Inc.	290,043			176,738			
Engineering D.HUB S.p.A.	10,812,612	25,488,289	(129,475)	6,681,026	30,947,687		28,256,807
Engi da Argentina S.A.	920,389	13,098		2,582,415	22,736		
MHT S.r.l.	154,275	2,074,846		298,395	2,629,261		
WebResults S.r.l.	1,035,907	5,962,578	1,699	1,006,126	2,105,841		
Engineering Balkan d.o.o.	99,811	432,205		99,811	238,485		
Engineering Luxembourg S.à.r.l.	102,411			173,799			
Engineering ITS AG		34,000	18,542	2,500,000			
Engineering Ingegneria Informatica Spain S.L.	264,776	213,910	2,020	362,490	81,970		
DST Consulting GmbH		57,562			57,562		
Engineering Software Labs GmbH	133,418			133,418			
Sofiter Tech S.r.l.	397,171			442,935			
Sogeit Solutions S.r.l.		11,000			13,420		
Infinity Technology Solutions S.p.A.		25,489			31,097		
IT Soft US Inc.	7,109			7,109			
Infogroup S.p.A				324,431	56,489		
Total	24,714,070	88,975,925	967,483	109,780,693	88,265,095	35,633,922	32,997,485

Work in progress is included in the "Trade Receivables" item. Loans granted to subsidiaries are also included, namely:

- Engineering do Brasil S.A. 12,500,000
- Engineering ITS AG 2,500,000
- Engineering International Belgium S.A. 2,100,000
- Sicilia e Servizi Venture S.c.r.l. 403,000
- WebResults S.r.l. 200,000
- Engineering Ingegneria Informatica Spain S.L. 139,411

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 22 herein.

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

The Members of the Board of Directors and Control Boards are listed in paragraph I. “Corporate Governance and Corporate Bodies” in the Directors’ report.

Directors in office were appointed on the occasion of the Ordinary Shareholders’ Meeting held on August 4, 2016 and accrued a total amount of Euro 65 thousand over the year.

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 1,539 thousand.

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 44 thousand.

The Supervisory Board accrued a total amount of Euro 30 thousand over the year.

As regards the Independent Auditors Deloitte & Touche S.p.A., reference is made to paragraph 34 herein.

Board of Statutory Auditors' report on the Financial Statements drawn up by Engineering Ingegneria Informatica S.p.A. as of December 31, 2017

Pursuant to Art. 2429 of the Italian Civil Code

Dear Shareholders,

the financial statements as of December 31, 2017, that the Board of Directors is submitting you for approval, were approved by the Board of Directors at the meeting held on March 28, 2018.

As per Article 13 of Legislative Decree 39/2010, the independent audit was performed, pursuant to Article 2409-*bis* of the Italian Civil Code, by the Independent Auditors Deloitte & Touche S.p.A., with registered office in Milan.

In the fulfilment of its tasks, the Board of Statutory Auditors acquired information by attending all Shareholders' Meetings and the meetings of the Board of Directors, as well as through meetings held with the Company's Management and the Independent Auditors, Deloitte & Touche S.p.A., in charge of the independent audit of the Company's financial statements for the year and the consolidated financial statements.

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, 2017, 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).

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 be reported;
- (3) there were no claims 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 Article 2409-*septies* of the Italian Civil Code;
- (7) we have also viewed the financial statements of subsidiaries, within the limits of information required for the drawing up of this report and to the purpose of expressing an opinion on the Company's financial statements as of December 31, 2017. This opinion, however, does not cover the single financial statements of subsidiaries;

- (8) we acknowledged that, in the annual report on the 2017 financial year drawn up by the Supervisory Board (SB), which was established pursuant to Legislative Decree 231/2001, no critical issues were highlighted that are worth reporting.

During the supervisory activities described above, no significant facts were identified that would require mention herein.

Comments and proposals as to the Financial Statements and its approval

Financial Statements as of December 31, 2017

We reviewed the draft financial statements ended December 31, 2017 and the following further information is given:

- the financial statements under evaluation reported a profit for the year of Euro 34,333,357;
- we supervised, where competent, the general format of the financial statements, their general compliance with regulations in force and the IFRS International Accounting Standards 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. To this purpose, there are no remarks to report herein.
- we supervised the formation of accounts related to extraordinary merger transactions carried out in 2017, especially the reverse Merger of Mic Bidco S.p.A. (parent-merged company) into Engineering Ingegneria Informatica S.p.A. (subsidiary-merging company), as described in detail in the Directors' report and in the Explanatory Notes on the financial statements, after Mic Bidco S.p.A. acquired Engineering's control. The acquisition, occurred in June 2016 and, then, the reverse Merger, carried out on June 24, 2017, effective under the accounting and tax viewpoint, on January 1, 2017, was recorded pursuant to IFRS 3 - Business Combination, and involved, against the cancellation of the equity investment acquired, the entering of the net amount of Euro 376,621,604 under Assets and Liabilities, including Euro 453.0 million related to Trademarks, Euro 11.0 million related to the value attributed to customer relationships, Euro 48.5 million related to the fair value of equity investments held by the merged company, and Euro 134.2 million related to deferred tax liabilities on the aforesaid assets to be amortised/depreciated and Euro 9.3 million related to impairment of previous current assets. The values emerging from the allocation of the accounting effects of the above-mentioned reverse Merger are also supported by an expertise performed by an independent expert. According to the International Accounting Standards, it is worth noting that, as approved by the Board of Directors on March 28, 2018, intangible assets with indefinite useful life, especially trademarks (Euro 453.0 million) and goodwill (Euro 45.6 million), were tested for impairment pursuant to criteria and methodologies envisaged by IAS 36 - Impairment of assets. The impairment test performed confirmed that the values entered in the Assets were consistent and there was no impairment loss on the value of assets with indefinite useful life. As required by IFRS, the main data and base assumptions required for impairment testing are widely described in the Explanatory Notes. During our supervisory activities we also assessed the impairment test itself and results included in the Explanatory Notes. No remarks are to be reported to this purpose;
- the item "Development Costs" of intangible fixed assets includes the amount of Euro 1,330,433, less amortisation, related to previous years. As reported in the Explanatory Notes, the Directors deem that these values are recoverable through cash flows generated from the commercial use and are amortised according to their useful life or over a period not exceeding five years if the amount can be reliably determined. Moreover, further development costs, totalling Euro 4,234,766, were recorded under Assets in progress, for still incomplete projects regarding new solutions. As referred by Directors, projects still underway will be completed during 2018, with a positive impact for the Company.

Pursuant to Article 2426, no. 5 and no. 6 of the Italian Civil Code, the Board of Directors expresses its approval to the recording under Assets of development costs, including costs related to projects under completion and goodwill.

Lastly, we certify that, to the extent of our knowledge, while preparing the financial statements, the Directors did not avail of the exceptions to law, pursuant to Article 2423, paragraph 5, of the Italian Civil Code.

As regards inter-group transactions, disclosures included in the Explanatory Notes confirm that they were completed in the Company's interest and no atypical and/or unusual transactions were carried out with respect to ordinary operations.

On April 14, 2018, the Independent Auditors Deloitte & Touche S.p.A. issued their report pursuant to Article 14 of Legislative Decree 39/2010, in which they express an opinion with no remarks. In their report, the Independent Auditors certified that the financial statements ended December 31, 2017 provide a true and fair view of the Company's financial position, results of operations and cash flows. Moreover, in the Independent Auditors' opinion, the Directors' Report is consistent with the financial statements as of December 31, 2017.

Conclusions

In light of the above considerations, also taking account of the outcome of the audit carried out by the Independent Auditors, 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 34,333,357.

For the Auditors

Francesco Tabone

Rocco Corigliano

Massimo Porfiri

Chairman - Board of Statutory Auditors

Francesco Tabone

Resolutions of the Shareholders' Meeting

The Ordinary Shareholders' Meeting, held on May 22, 2018 resolved:

Item 1) on the agenda:

1. the approval of the financial statements as at December 31, 2017 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 7,644,487 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 34,333,357 (net of personnel costs as payments to the employees to employees for results achieved).

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