ACCOUNTS 2019

Annual Accounts 2019

Engineering Ingegneria Informatica S.p.A.
Registered Office:
00144 Rome – Italy
Piazzale dell'Agricoltura, 24
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

ENGINEERING

Financial Statements

ENGINEERING INGEGNERIA INFORMATICA

Deloitte.

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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, 2019, 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, 2019, 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.

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, 2019, 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, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

Deloitte.

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, 2019 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 10, 2020

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

Directors' report on the Financial Statements as of 31 December 2019

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.

BOARD OF DIRECTORS

On 11 April 2019, 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 31 December 2021. 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

Domenico Muratori	Chairman
Patrizia Paleologo	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.

II. Introduction and general information on operations

INTRODUCTION

The financial statements as of 31 December 2019 of the Company Engineering Ingegneria Informatica (hereafter the “Engineering Company”, “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 Standard - Interpretation Committee) and previously named SIC (Standing Interpretation Committee) interpretations issued by the IASB (International Accounting Standards Boards) and endorsed by the European Union.

A number of estimates and assumptions were used in preparing these financial statements and were consistently applied for all comparative periods presented, which affect the financial values reported therein. Where, based on management’s best estimate, these estimates and assumptions differ in the future from the actual situation, they will be changed in the period in which the circumstances arise. The above-stated valuations are founded on the reasonableness principle and take account of market practice, historic experience, the involvement of external consultants and market conditions.

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

ALTERNATIVE PERFORMANCE MEASURES

The detailed description of the accounting standards, assumptions and estimates adopted is provided in the Explanatory Notes to the financial statements of the Company as of 31 December 2019, to which reference should be made. This report uses a number of alternative performance measures (APMs) not envisaged by IFRS accounting standards. Albeit they do not replace those envisaged by the International Accounting Standards, these indicators are the tools that facilitate the Directors in identifying operational trends, as well as make decisions on investments, allocation of resources and other operating decisions, and permit a better comparability over time of corresponding results.

In particular, the following is highlighted:

- **Adjusted EBITDA**, alternative performance measures (APM), calculated by the Company as performance for the year, adjusted by the following items: taxes, gains on equity investments, net financial income (expenses) (including, inter alia, gains and losses on exchange rates), interest expense (including interest on leases), amortisation/depreciation, allocations and write-downs (including, but not limited to, the allocation to doubtful debt provision and to the provision for risks and charges, comprising allocations made for probable future losses on some orders), costs incurred in relation to the Stock Option Plan, leaving incentives, costs related to the moving of the registered office, charges related to the corporate strategic valuation and charges related to the assessment performed by Tax Authorities. It is noted that adjusted 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 Group might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Group might not be comparable with the one calculated by the latter.

- **Pro-forma adjusted EBITDA:** the APM, calculated by the Company, the details of which are shown in the following reconciliation table. It is noted that pro-forma adjusted 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 Group might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Group might not be comparable with the one calculated by the latter.

- **EBIT** (“Earnings before interest and taxes”), the APM, calculated by the Company as the result of the year, including the following items in the income statement: (i) “net financial income (expenses)” (including, inter alia, gains and losses on exchange rates) and (ii) “taxes”. The Group 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 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.

- **Net Financial Position:** discloses the Company's ability to meet its financial obligations. As regards the breakdown, reference is made to the reconciliation statement in paragraph IX.

- **Pro-forma net financial position:** it concerns the Company's ability to meet its financial obligations, including the impact of the application of IFRS 16 standard.

- **ROE (Return on Equity):** economic index on the return on equity, obtained by dividing the profit for the year by the shareholders' equity.

- **ROI (Return on Investment):** operating profitability index, which is a measure of the return on capital invested in the company by way of debt or risk. It is given by the ratio between operating profit (EBIT) and net capital employed, for the composition of which reference should be made to the specific table in paragraph IX.

For a correct interpretation of APMs used by the Company, it is noted that they are determined based on financial statements and data analyses 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 the Company's 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 Company, might not be consistent with the methods adopted by other groups and therefore might not be comparable.

III. Company activities and operations

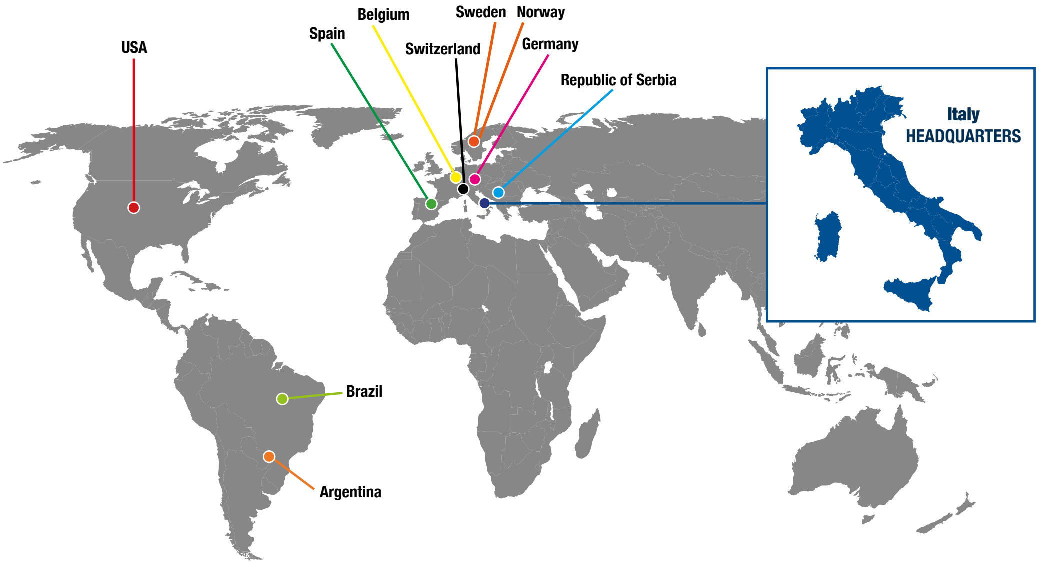
The company Engineering Ingegneria Informatica S.p.A. was established in Padua on 6 June 1980 and leads a Group operating in Software and IT Services. Engineering is the leading Italian player of Digital Transformation.

Established on 6 June 1980

1st Italian IT operator

ICT services, products and consultancy

Present on all markets



With a network of controlled companies and 11,445 employees, over 65 offices throughout Italy, the EU (Spain, Germany, Belgium, Serbia, Switzerland, Turkey and Norway) and Latin America and 2 companies in the United States, it offers services, products and consultancy. At Group level it generates approx. 13% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Transportation, Telecommunications, Utilities, Finance and Public Administration sectors.

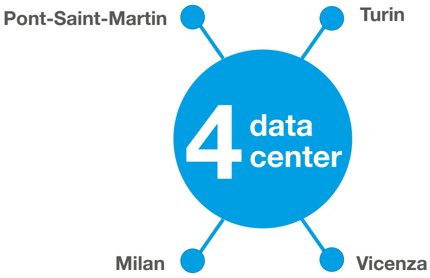
11,445 employees

65 offices

20 countries served

13% foreign revenues

It is a player of primary importance in the markets of outsourcing and Cloud Computing, through an integrated network of four data centres located in Pont Saint-Martin (AO), Turin, Vicenza and Milan. This is a system of services and technological infrastructures that ensure the highest standards for safety, reliability and efficiency.



an integrated **NETWORK**

for more than 300 clients

The Engineering's market consists of medium-large customers, both in the private (banks, insurance companies, industry, services and telecommunications) and in the public sector (healthcare, local and central public administration and defence).

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

Engineering is organised in six market departments: Finance, Industry & Services, Telco & Media, Energy & Utilities, Public Administration (Central, Local) and Health. Engineering covers an important position in all the vertical sectors it operates in. The market share in Italy in the Software and IT Services area, where the Group operates, equals about 9%.

Engineering is the main software manufacturer for the Italian market, with a significant presence of its solutions at international level.

The applicative solutions cover a wide area of public and private markets:

- management of risk and bank compliance (GRACE);
- credit management (ELISE);
- corporate banking (INBIZ);
- bank insurance (EBAAS);
- billing and CRM for Utilities (Net@SUITE);
- integrated solutions in the Health Care segment (AREAS);
- management system for documents and procedures (AURIGA);
- administration, accounting and personnel systems for Local PA (SICER);
- Work Force Management systems (GEOCALL);
- Mobile Payments platforms (MPAY);
- systems for the management of municipal revenues (GERI, NETTUNO);
- business intelligence analytics systems (KNOWAGE);
- Digital platforms (Digital Enabler);
- predictive maintenance systems for manufacturing (DIVE);
- Systems for the management of municipal administration (INFOR);
- Systems for the management of mobility in urban centres (Kiunsys);
- Cloudsire cloud services.

These are object of continuous investments aimed at the adoption of the latest technologies and the upgrading of business models in relation to the markets, to which they are intended.

The products are available under usage licences or service modalities based on Engineering's Cloud platform. This strong presence of proprietary solutions permits Engineering to stand out in the market and this is one of the main strong points with respect to competitors.

IV. Market overview

ECONOMIC OVERVIEW

Before the emergency connected with the spread of the Covid-19 pandemic, a growth of 2.9% in 2020 and 3% in 2021 was foreseen in Europe by the Organisation for Economic Co-operation and Development (OECD).

THE ITALIAN ECONOMY

The year 2019 ended with 0.2% increase in GDP in real terms. Exports grew mainly in the second half of the year, in line with the Eurozone. The labour market reported an increase in employment and a reduction in unemployment.

In 2020, the GDP growth rate is expected to slightly accelerate by 0.6%, supported by household consumption, the labour market and expected investments in the Public Administration.

THE IT SECTOR

According to the Assintel report, in 2019 the ICT market reported 2.3% growth despite the decrease of TLCs, offset by IT growth (+3.8%), especially of the Software component (+5.7%), while IT Services increased by 1.4%.

This growth is primarily due to the component of digitalisation and digital innovation process, supported by emerging technologies, especially Cloud and Big Data & Analytics.

For 2020, given the current situation, there are no up-to-date estimates yet, but a strong boost is to be expected in digitalisation and dematerialisation processes to enable work activities as much as possible based on an agile and mobile approach.

V. Operational overview

RESEARCH AND INNOVATION ACTIVITY

Since its incorporation, 40 years ago, the Group has shown an innate vocation for Research and Development, which has undoubtedly been one of its main factors of success.

The year 2019 was characterised by some events and projects that well represent the afore-mentioned vocation, i.e. the effective ability to capitalise research results in order to be ready to take advantage of new opportunities that may arise. Amongst others, the following three main projects and events are worth mentioning:

- project 5000genomi@VDA following a call for tender launched by the Valle d’Aosta Region for the creation of a regional centre called CMP^{3}VdA;
- the FIWARE Summit in Genoa;
- loan granted by the European Investment Bank (EIB).

The objective of the project 5000genomi@VDA is to establish a centre called CMP^{3}VdA. Its mission is personalised, preventive and predictive medicine, that is to say precision medicine, starting from the study of a patient’s genetic profile and cross-referencing these data with his clinical history, environment and lifestyle to create personalised therapies. Participation in such a project, together with the other partners and in particular the Italian Institute of Technology (IIT), places Engineering as a leading company in a potentially huge market.

For the first time in Italy, the FIWARE Summit saw the Group committed to promote the development of smart applications for Public Administration, Industry and Utilities, by using Open Source technologies and open standards able to ensure full interoperability and independence from technologies and vendors. In this regard, it should certainly be stressed that FIWARE is also the platform that has allowed the development of the Digital Enabler.

The Euro 60 million loan from the European Investment Bank, signed in June 2019, aims to support the Group's three-year investment plan (09/2018-09/2021), which provides for a total amount of approximately Euro 140 million. This plan will allow an important and necessary acceleration of the innovation process of the offer, through research initiatives covering all business sectors of the Company.

Among the previously mentioned activities, reference was made to the solution called Digital Enabler, Engineering platform for Digital Transformation, based on FIWARE or rather, "Powered by FIWARE". This solution, stemmed within the R&D Department, has achieved an excellent advanced technological level. Already in 2019, the first commercial steps were taken and resulted in several contracts signed primarily abroad and in particular with some German cities.

During 2019, ordinary activities continued, such as the participation in European, Italian and regional tenders. These activities resulted in the acquisition of over 30 new projects over the year. We are currently taking part in the latest activities related to the investment plan called Horizon 2020, which will see the end of its calls during the year with top success rates and peaks of excellence in some areas. The Group continues to pursue initiatives focused on the widening of corporate interests in new areas such as agriculture, food and aerospace, for example.

Several initiatives have been launched in relation to the calls for proposals issued by the Ministry of Economic Development, some of which provide for co-financing by the Regions where these projects will be implemented. The decrees related to grants are expected to be issued within 2020.

Moreover, a Programme Contract (CDP) on Cyber called SMarT SENSE 4.0 in the Puglia Region is currently being defined. Finally, the initiatives relating to EIT-DIGITAL are continuing, to which the first proposals have been added with regard to Eit Climate-KIC. This proves that Engineering is still striving to search for new areas where it can test solutions capable of expanding its reference market.

MARKET PERFORMANCE

FINANCE

Financial and insurance institutions are strongly influenced, in terms of strategies, organisation and economic indicators, by the new institutional, regulatory and competitive environment in a situation of low interest rates and stricter requirements concerning risk and regulatory compliance.

In order to effectively deal with the challenges arising from the new environment, financial and insurance institutions have moved towards new business models that are considered sustainable in the short term and capable of strengthening medium to long term performance. Trends common to many of these models are cost rationalisation, aggregation between institutions and outsourcing for a growing range of services.

ICT investments are focused on regulatory compliance, given the resulting regulatory obligations, as well as on the digitalisation of processes, given the twofold requirement to meet customers' expectations of simplification and to challenge the market penetration of new operators.

Engineering is a key player in the Digital Transformation process of the sector, with an approach aimed at providing business consulting, supporting changes in data and process management methods, improving relations between stakeholders, accompanying clients in the adoption of new digital ecosystems, focusing on the excellence of the services offered as an enabling factor for the strengthening of consolidated partnerships with the main operators in the sector.

The 2019 results confirm and consolidate the growth trend that has already marked the results of the Finance market in 2018 and throughout the last five years.

The main criteria underlying the results are soundness of skills, wider range of proprietary solutions, the application of technological and business innovation paradigms and emphasis on operational efficiency.
Various combinations of these factors generated the most successful cases during 2019.

The most important match is the development of consulting services, which began in 2018 and will be consolidated in the coming years through a balanced mix of services:

- **traditional skills**, which permit to strengthen the positioning in areas like Data Management, Governance, Risk, Regulatory Reporting & Compliance, Digital Customer & Credit, Digital Advisory & Sale, Digital Payments & Settlements;
- **new skills**, to penetrate other areas of strong market interest, as was already the case in 2019.

Other successful cases for 2019 are described hereunder:

- the development of the Payments offering in support of a wide range of leading customers, including: SIA Group, Intesa Sanpaolo Group, BNL BNP Paribas Group and Telepass Group. The consolidated business and technological skills, which, in some cases, benefited from the availability of pricing and offering management solutions or specialist skills within the Engineering Group, as in the case of the Salesforce platform, were key elements for these opportunities;
- the development processes of proprietary solutions within Regulatory Reporting, aimed at enhancing the Big Data platforms at customers, while assigning them the task of processing large quantities of data involved, in order to reduce the use of mainframe processing resources (MIPS) and to optimise fast-closing processing times;
- other projects in the banking and postal sector, which were characterised by the use of in-house Engineering Group expertise in new technologies (machine learning, neural networks, big data, micro-services and containerisation systems);
- the enlargement of the customer portfolio through the acquisition of 24 new entries, up compared to 20 new customers in 2018. New entries for 2019 include: Cassa Centrale Banca, Illimity Bank, Telepass PAY, Banca Centro Emilia Credito Cooperativo, Banca di Sassari, Sella Personal Credit, Assicura Broker.

The latest acquisition of the company Deus Technology has created the conditions for a further strengthening of the Department's offer, thanks to the characteristics of the main product that provides financial and insurance institutions with a proactive advisory relationship model, from robo for advisor to roboadvisory, in full compliance with Mifid and PoG regulations. Deus Technology's solutions also rely on a consolidated pool of important customers including Intesa Sanpaolo, UBI Banca, Banco-BPM, Banca Sella, Mediobanca, Anima SGR and AXA.

The key elements of the growth strategy can be summarised as follows:

- constant strengthening of the Data & Process Driven offer to achieve the complete proposal of Open Banking & Insurance that enables Instant Banking & Insurance, a major issue for current financial institutions to respond to competition from Fintech and large digital entities: Google, Amazon, Facebook and Apple;
- promotion and adjustment of the offer in terms of architectures and semi-finished products for transformation projects towards a "Data & Open Company";
- enrichment of integrated cross-cutting offers in the most relevant areas of innovation: Cloud, Cybersecurity, Big Data, Analytics, Artificial Intelligence and Internet of Things;
- improvement of Business Consulting, with the aim of enhancing the driving value for the acquisition of new market shares, through increasingly strong relationships with business entities, in order to increase proactivity vis-à-vis their priorities;
- dissemination of our Digital Advisory & Sales proposal, one of our clients' major investment areas, thanks to the pooling of internal expertise and the strategic acquisition of Deus Technology;
- strengthening of the Salesforce and Microsoft CRM platform proposal;
- enhancement of the skills gained in projects developed on solutions of international partners (for example Meniga);
- development of a collaboration network with companies which developed solutions that are complementary to the company's offer or would allow to improve the time-to-market of new sectors;
- alliances with service centres aimed at supporting customers' cost-optimisation oriented strategies and seize opportunities for financial and insurance institutions that form their captive market and represent potential users of complementary services and solutions (e.g. Cedacri);
- setting up of strategic partnerships with the market's three main Digital Transformation customers: Intesa Sanpaolo (Services of Excellence and Banca Assicurazione), Generali (Life Time Partner of its customers), Poste Italiane (Hub and showcase of third party products);
- development of proposals, solutions, business consulting capable of moving from cost containment to the monetisation of relationships and revenue growth, also through partnerships based on revenue-sharing models.

PUBLIC ADMINISTRATION

Engineering operates in the PA Market both at central and local level and in the Healthcare segment, with a wide range of leading solutions in the market.

CENTRAL PUBLIC ADMINISTRATION

Also in 2019 the absence of Engineering among the companies holding the expiring Consip framework agreements weighed on the impossibility to participate in the renewal of some important contracts.

On the other hand, we have witnessed the start of important new projects, the most significant of which are the Ministry of Justice for the entire Criminal Area of the Ministry, the Chamber of Deputies for the renewal of the Register of Deputies area, the INPS Revenue and Contributions contract.

In 2019, we took part in all the main new tenders (Consob, Consap, Council of State, Ministry of Health, Ministry of Education, University and Research, Tax Information System, Jurisdictional Information System of the Court of Auditors, ICT Infrastructure of the Ministry of Economy and Finance) and won the following tenders: Consob (not yet final award), Consap, Ministry of Health, Tax Information System, while the MIUR, Council of State, MEF ICT Infrastructure are still being evaluated.

The adoption of new technologies is becoming increasingly important in current projects. All the important new contracts that started during the year (Criminal Area for the Ministry of Justice, Register of Deputies in the Chamber of Deputies, etc.) are characterised by the adoption of micro-service architectures, multi-cloud optics, Agile Development and Design Thinking. Also worth mentioning is the Rehosting project of the INAIL system from the mainframe to the departmental one.

HEALTHCARE

2019 witnessed another year of growth, with an improvement in results both in terms of revenues and of margins. It is also worth noting the results achieved on booking, which increased by over 20% compared to 2018, thanks to the numerous tenders won, as well as optimal exploitation of Consip agreements by maximising partnerships with the owners of these agreements.

It is worth noting that:

- in Piedmont, the project for the implementation of the Regional CUP was launched with gratifying results in terms of technical delivery. It is also worth mentioning the award of the tender for the supply of the First Aid Information System of ASL Torino 4;
- in Liguria, the implementation of the Management Information System for the Accounting System of all the Regional Health Authorities was launched;
- in Lombardy, a renewed presence in local healthcare companies has led, among other things, to the finalisation of contracts for the Hospital Information System of the ASST of Cremona;
- in Emilia, works have started on the new health information system of the Rizzoli Orthopaedic Institute in Bologna and the Mental Health and Pathological Dependencies Departments for the entire region, which are scheduled to become operational at the beginning of 2020. The awarding of the tender for the realisation of the Electronic Clinical Record of all the Hospitals of the Area Vasta Emilia Centro is also worth noting.

In the regions of Central Italy, better results were reported compared to the previous year.

Specifically:

- in Lazio, Engineering's positioning was consolidated through the signing of management and evolution contracts for the Information System of both ASL Roma 4 and ASL Roma 2. Lastly, as regards the SGI convention, Engineering was awarded the software selection on the accounting system of the ASL of Viterbo. All installations already present on the territory are still maintained, together with the gradual further implementation of specific solutions for hospitals;

- in Tuscany, the award is to be noted of the tender launched by Estar for the implementation of a Regional System of Pathological Anatomy Services for the entire region;

- in Abruzzo, Engineering was awarded the tender for the implementation of the AREAS AMC administrative accounting system taken from Sardinia, which envisages the extension of the use of the platform in all regional ASLs.

As regards Southern Italy, with respect to diagnostics, the year 2019 witnessed the start-up of two regional transfusion systems, related to the Molise Region and the Basilicata Region.

In Apulia, one of the greatest successes of 2019 was achieved, i.e. the award of the MOSS tender for the creation of a single accounting system for the Apulia Region (Department, Health Authorities and Hospitals).

In Campania, the migration of the information systems of the Azienda Ospedaliera dei Colli di Napoli and the Azienda Ospedaliera Universitaria Federico II to the cloud was contractually agreed through TIM's SPC Cloud convention. Engineering was also awarded the tender for the management and evolution of the Information System of the Avellino Local Health Authority and that of the S. Giovanni di Dio e Ruggi d'Aragona Hospital in Salerno.

Finally, during 2019 the SIRES Regional Health Emergency System (118) of the Campania Region was migrated to the cloud.

In Sicily, Engineering was awarded the tender for the supply of the new ISMETT Hospital Information System in Palermo.

Finally, it should be noted that almost all the major initiatives in 2019 relating to the clinical health sector are based on the new ellipse platform, the development of which began in 2017 and continued this year.

INDUSTRY & SERVICES

AUTOMOTIVE AND INDUSTRIAL AUTOMATION DEPARTMENT

In 2019, the Automotive Department reported some very positive events, accompanied by the news of the creation of the new giant in the sector that will be born soon with the merger of FCA and the French PSA.

Some aspects to be highlighted are our consolidation in strategic areas of FCA, including the total control of the manufacturing area with the extension of the MES 4.0 solution to all factories and the consolidation of our presence in important strategic areas, including sales processes and product quality control processes. As regards quality control, the car emissions control system is worth mentioning. These are strategic areas that could allow us to achieve a good positioning in the converging process between FCA and PSA.

In addition to FCA, Engineering grows in the automotive segment on all the most important sales companies in Italy and with its own suite dedicated to dealers and licensees, to support them in this unprecedented phase of market disruption related to the transformation of the sales process from product to mobility service.

Industrial Automation grew in 2019 by 20%, enhancing the skills developed in several directions such as:

- the centre of competence for individual market clusters, among which both the automotive and transport segments stand out for the quality and quantity of revenues;
- structure that, at international level, increases the ability to support our large customers in their needs around the world, whether they are Italian companies that have to automate factories abroad, or large foreign groups that we manage not only in Italy, but at global level;
- partners of large industrial groups, which develop projects around the world, including Leonardo and Hitachi that should be mentioned for the significance of their projects abroad;
- in-house development laboratory, which, in synergy with the excellence of the Group, has been able to complete the first suite of products in the catalogue of the Engineering industry market dedicated to the problems of Industry 4.0 and predictive maintenance. The product was successfully supplied to a first list of around twenty customers.

TRANSPORTATION AND INFRASTRUCTURES DEPARTMENT

Growth in 2019 confirmed the trend reported in the strategic actions aimed at enlarging the market (diversification of customer portfolio), as well as upgrading skills in the infrastructures and transportation segment.

The strategic approach of the Department follows the impact of technological innovations in the whole sector by focusing on solutions that contribute to increase safety and operational efficiency in order to accelerate the quality and development of transport services on safe infrastructures. Great attention is given to the offer of solutions that enable data management, a basic element for the creation of new services that arise under the paradigm of smart mobility.

In 2019, an internal organisational transformation was launched to accompany a new approach to the market, focusing no longer only on the Group's wide range of System Integration offers, but also on the exploitation of the domain experience gained in the Rail, Road, Airport, Port, Public Transport System and Construction (EPC) sectors. Moreover, great importance is given both to the selection of product partners for the sector and to the international market in partnership with major players, who appreciate and recognise a high level of bid engineering skills and a proven experience in the management of complex contracts.

Conversely, in the Italian market, great attention is cast to important tenders that will regulate the sourcing choices of the main entities.

INDUSTRY DEPARTMENT

Engineering is acknowledged as a reference player for digital transformation, having been able to promote a debate on the issue by focusing on some key aspects and allowing companies to improve their management and production processes.

Our success factors have been the ability to combine twenty years' experience with the potential offered by technologies such as Cloud, Artificial Intelligence, Digital Twin, Digital Enabler, IoT, Cybersecurity, and Big Data.

The Cloud, in particular, is certainly one of the priorities of the CIOs in relation to the objectives of economic efficiency, flexibility in the management of IT resources and the development of new digital transformation strategies. Engineering has increased its offer as a Cloud Provider in a distinctive way, well knowing how to guide the first customers in the transformation.

- In the CPG-Pharma & Process market, the proposition on MES/MOM and the Digital Twin, which uses increasingly refined analysis and simulation techniques in both portfolio management and supply chain areas, was crucial to achieve results.
- In the Aerospace sector, our success factors were the potential offered by technologies such as Artificial Intelligence, Cloud and Digital Twin. The EPC Contractor market witnessed an evolution towards digitalisation and plant efficiency.
- In 2019 the Retail sector was even more active in disseminating E-Commerce. Engineering anticipated this trend by signing strategic partnerships and acquiring Digitelematica. The attention and the central and innovative role of the store are requirements that led to the release of version 2.0 of MyClienteling, (in partnership with Cegid), active today in more than 2,000 stores and 30 countries worldwide. The Engineering-Conad PassPay project is of great innovative importance in the large-scale retail trade to enable spending without cash payment.
- Thanks to Cloud services and Industry 4.0 solutions, the manufacturing segment led the digital transformation in companies, thus permitting the connection of corporate value chain with its reference ecosystem.

TELCO & MEDIA

Our Company reported a remarkable growth in 2019, except for the unexpected drop in "Revenue Sharing" Services related to Mobile Payment and Centro Stella. This decrease was due to the adoption of new control and safety measures for the process of customer acquisition required by operators and Agicom.

Particularly significant is our consolidation in strategic areas of our main customers:
- Network Operations services for the customer Vodafone Italia, thanks to the award of additional service perimeters in the "End User Services" area;
- Vodafone IT area, including Application Development & Maintenance services of the Security (Log Management) platform;

- digital transformation projects in DWH and Wholesale Billing in TIM, started in October 2019;
- Application Development & Maintenance services of the Big Data area of TIM;
- the "Tiscali 4.0" digital transformation project started in September, which foresees the digital evolution of Tiscali's BSS systems;
- the project for the realisation of the Single Portal of the SIAE customer for the management of agencies in the territory.

In addition, the foundations were laid to support growth in 2020 with:
- Open Fiber: development of CRM based on Salesforce platform;
- RAI: Application Development & Maintenance in the Digital area;
- BT Italy: IT transformation (under award).

ENERGY & UTILITIES

The results, achieved in 2019, confirm the growth trend over the last few years, mainly focused in the System Integration area.

The success of proprietary solutions, Net@Suite and Geocall by OverIT, was confirmed by increased business and customer portfolio. The evolution of Net@Suite towards mainstream technologies (cloud, botnets, e-payments, e-invoicing, etc.) has allowed to develop the customer portfolio together with the evolution of the existing technologies and the acquisition of new customers with an important moving of customers on our Cloud.

In the System Integration area, Engineering has confirmed itself as the main player and partner of the major Energy & Utilities companies operating in Italy and abroad. Engineering is one of the first suppliers of the two main energy companies in Italy and worldwide, ENEL and ENI, and of the major national utilities, Hera Group, Veritas Group, Iren ACEA and A2A, with a coverage of expertise and solutions spanning all market sectors (Oil, Power, Gas, Extra Commodity, Water Waste), offering solutions and assistance on the entire operational chain, from production to sale, in partnership with the main market solution providers (SAP S/4 Hana, SAP SCP, Big Data Cloudera, CRM Salesforce, Amazon Cloud, Microsoft Azure, etc.).

Some of the primary commercial successes achieved are described hereunder:

- a remarkable increase in Product Licences Net@ obtained on ENI customer and on customers providing water services with Net@2°;
- the implementation of CRM Salesforce on HERA and ACEA;
- the signing of the contract with the ESTRA Group to switch the entire application map from the SAP world to the Net@ solution.

On the Spanish market, the consolidation of projects in ENDESA and ACCIONA continued in 2019. The market prospecting activity has continued both directly and through partners for the dissemination of our solutions.

VI. Personnel

As of 31 December 2019, the Company workforce (with long-term contracts) numbered 7,193, of which only 66 with temporary contracts.
The number of employees grew by 286 (+4.1%) individuals compared to December 2018.

Some detailed figures are provided below, related to 2019, with reference to the Company workforce:

- graduated people total 59.9%;
- women totalling 33.3%;
- the average age is 44;
- the number of executives was equal to 4.3%;
- employees with Super Management/Management qualifications total 23%.

TRAINING

With regard to the training activities provided by the IT & Management Engineering School "Enrico Della Valle", a remarkable increase was reported in classroom activities in 2019, which rose from 16,323 days/person in 2018 to 17,235 in 2019 (+5.59%) within 377 different training courses provided.

The training in classrooms involved a total of 5,405 participants. Thanks to the corporate Learning Management System (LMS) FORENG, also several initiatives of remote training, available to Group employees, are to be mentioned. This led to over 11,000 accesses to the various e-learning training courses (+141% compared to 2018) and over 1,100 hours of webinars.

Amongst the training initiatives performed during 2019, the following are worth mentioning:

- the launch of the new edition of MeM - Master Engineering in Management, an excellence training course in English for 59 future managers selected from among all the Italian and foreign companies of the Engineering Group. The Master is composed of 9 modules of 2.5 days each and a final Bootcamp, in which participants will have to present to a Commission what they have learned through the development of a real project. The Master is divided into 3 didactic macro-areas: 1) Leadership and Personal Effectiveness; 2) Business, Finance and Performance 3) Internationalisation, Technological Scenarios and New Business Models. Teaching in the classroom is also accompanied by a series of meetings, with the aim of implementing, in a vertical structure, in-class discussions related to the Engineering Group through dedicated meetings with General Managers and Company Testimonials;
- the launch of the 2019 edition of the Master Engineering in Project Management, a specialist training course, addressed to 58 Project Managers to obtain PMP certification by the end of the year and, at the same time, to enhance overall strategic and operational know-how. The Master includes 8 days of residential lectures at the School, accompanied by several integrated distance learning activities, such as Webinars and Knowledge Community, which aim to further enrich in-class work with testimonials and best practices from real business projects;
- two important new language training initiatives, performed with the aim of supporting the Group's internationalization processes and increasing its ability to communicate in foreign contexts. The first concerned the availability, to all Group employees, of an e-learning platform with unlimited access for multimedia training activities in several languages including English, French, German, Spanish, in total autonomy. The second one, addressed to Managers, concerns one-week full immersion courses abroad with a personal teacher in addition to an individual language coaching program;
- the didactic activities were aimed at obtaining professional certificates for the Group staff on the main technologies and methods in the IT world. Through these activities, the Group's employees took more than 1,000 certificate examinations in the first half of the year, obtaining various certificates such as, for example: ITIL, SCRUM, COBIT, DEVOPS, Prince2, Microsoft, Oracle, SAP, AWS, VMware. This result was possible thanks to the School of Ferentino, which is both the official Testing Centre and the centre for exam intensive preparation courses;
- specific training activities on safety in the workplace, which saw the participation in the classroom of over 650 participants in 48 course editions delivered in all the Group's main offices. The traditional mandatory content was flanked, for the first time, by innovative modules related to wellness issues such as correct posture to be maintained in the workplace and nutritional education, achieving an important level of participation;
- a structured professional update plan, addressed to various categories of employees and aimed at more thoroughly study the Digital Transformation phenomenon. This provides a comprehensive view of the market dynamics and emerging technologies that characterise this transformation, the sectors that are and will be involved and the impact it will have on corporate processes. This training programme, which will continue in 2020, was focused on specific issues such as Augmented City, Digital Defence, Digital Finance, Digital Industry, E-Health, Smart Agriculture and others. Over 130 colleagues attended this programme in 2019.

VII. Outlook

The year 2019 reported very positive results for our Company, leader of Digital Transformation processes.

We are not yet in a position to make predictions on business trends for 2020, but it is widely believed that this dramatic situation will represent the starting point for a new digital renaissance that will allow our country to fill the gap that places us at a disadvantage compared to our global competitors.

The priority is currently the safeguard of everybody's health.

Our work organisation and cloud collaboration infrastructure allows everyone to work remotely, balancing security and work.

The few exceptions are strictly monitored by the management.

Special attention is given to the protection of our data centres, whose availability is obviously essential in this period.

In this way, while maintaining our expertise and our infrastructures, we will be ready to resume our growth by taking advantage of the greater opportunities that will arise when normal working life starts up again.

VIII. Financial highlights

MAIN FINANCIAL DATA

The main financial data related to the year 2019 are show hereunder compared with the restated previous year, as described hereunder.

(in millions of Euros)

Description	2019	2018	% change YoY
Total revenues	**933.0**	**895.1**	**+4.2**
Net revenues	**902.9**	**867.1**	**+4.1**
Pro-forma adjusted EBITDA	**100.3**	**97.5**	**+2.9**
% of net revenues	+11.1	+11.2	
Adjusted EBITDA	**114.0**	**97.5**	**+16.9**
% of net revenues	+12.6	+11.2	
EBIT	**33.6**	**53.0**	**-36.5**
% of net revenues	+3.7	+6.1	
Net profit	**14.7**	**35.5**	**-58.5**
% of net revenues	+1.6	+4.1	
Shareholders' equity	**599.1**	**616.5**	**-2.8**
Pro-forma net financial position	**(121.8)**	**(86.0)**	**+41.6**
ROE % (U.N./P.N.)	**+2.5**	**+5.8**	**-57.2**
ROI % (EBIT/C.I.N.)	**+3.9**	**+7.5**	**-48.4**
No. of employees	**7,193**	**6,907**	**+4.1**

Total revenues came to Euro 933 million, a 4.2% increase compared to the previous year.

Net revenues, equal to Euro 902.9 million, reported 4.1% increase compared to the previous year.

EBITDA pro-forma adjusted stood at Euro 100.3 million, up by 2.9% compared to the previous year.

EBIT stood at Euro 33.6 million, down compared to 2018. It included amortisation/depreciation equal to Euro 39.3 million, as well as allocations amounting to Euro 22.7 million, both up compared to the previous year. For further details please refer to the integrative notes.

Net profit amounted to Euro 14.7 million as of 31 December 2019.

Pro-forma net debt equalled Euro 121.8 million, registering an increase mainly due to the profit distribution and to the acquistions of new controlled companies.

The alternative performance measure, pro-forma adjusted EBITDA, is calculated as follows:

(in millions of Euros)

Description	note	2018	2019
Profit for the year		**35.5**	**14.7**
Taxes		16.4	8.2
Gains of equity investments		0.2	7.1
Financial income		(5.7)	(3.7)
Interest expense (excluding interest on leases)	(1)	6.5	6.0
Interest on leases		n/a	1.3
Depreciation of property, plant and equipment		3.9	3.9
Depreciation on right-to-use assets	(1)	n/a	13.6
Amortization of the intangible assets		25.1	21.8
Provisions and write-downs		5.9	22.7
Stock Option costs	(2)	9.5	9.6
Leaving incentives	(3)	0	3.2
Cost of transfer of registered office	(4)	0	1.6
Charges related to the corporate strategic valuation process	(5)	0	1.0
Tax charges related to tax assessment of Tax Authorities	(6)	0	2.9
Adjusted EBITDA		**97.5**	**114.0**
Standardisation, IFRS 16	(7)	0	-13.6
Pro-forma adjusted EBITDA	**(7)**	**97.5**	**100.3**

(1) As from 1 January 2019, following the first-time application of IFRS 16 standard, for all lease contracts, except for short-term leases, the Company recognises right-of-use assets at the effective date of the lease contract itself, which is the moment in which the underlying asset is available for use.
The rights of use are measured at cost, net of any accumulated depreciation and impairment losses, and they are adjusted by any redetermination of lease liabilities. The right-of-use value includes the amount for financial lease payables for recognised leases, as well as initially borne direct costs, advanced payments and restoring costs. Financial lease payables are recognised at the effective date of the lease contract and they are entered at the current value of the instalment payments to be made, discounted by using the incremental borrowing rates (IBR) if the underlying specific interest rate of the lease contract cannot be easily determined. After the effective date, the amount of the financial lease payables increases to reflect the accumulated interest and decreases according to instalments paid. Each single instalment is apportioned between principal and interest. Interest is charged through income statement for the entire duration of the contract in order to obtain a constant periodic interest rate on the residual balance of the financial payables. IFRS 16 requires lessees to recognise new assets and liabilities under an on-statement of financial position accounting model that is similar to finance lease accounting envisaged by IAS 17. The Company has adopted the IFRS 16 standard by using the modified retrospective approach, with effect on the balance of the opening shareholders' equity of the Company as of 1 January 2019, equal to zero. The comparative period has not been restated and continues to be carried forward in accordance with the accounting standards in force for periods prior to 1 January 2019. Therefore, by effect of the adoption of IFRS 16, the adjusted EBITDA for financial years ended 31 December 2018 and 2017 is not directly comparable with adjusted EBITDA for the year ended 31 December 2019.

(2) Charges related to 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 28 June 2017.

(3) Charges related to leaving incentives paid over the year.

(4) Total costs incurred for the transfer to the new registered office.

(5) Charges related to all activities performed for the strategic valuation process of the Company.

(6) Charges resulting from the acceptance request of the reports on findings of the latest tax assessments carried out by Tax Authorities.

(7) In order to disclose the effect of IFRS 16 on adjusted EBITDA, a pro-forma adjusted EBITDA is shown for the financial year ended 31 December 2019 to show the hypothetical non-application of IFRS 16. In particular, we added expenses related to operating leases, as if IFRS 16 had not been applied. This adjustment, however, does not intend to represent adjusted EBITDA in the event IFRS 16 had not been applied for the year ended 31 December 2019. The assumptions underlying this adjustment are based on our estimates and involve risks, uncertainties and other limitations that could cause actual results or performance to differ materially from those expressed by this adjustment.

The detail of revenues, apportioned by market, is shown hereunder. Direct revenues and costs are allocated according to the relevant sector. Other revenues or income and central structural costs, not specifically identifiable to markets, are allocated in relation to the contribution margin.

(in Euros)

Description	2019		2018		Change
		%		%	%
Total revenues					
Finance	238,975,418	+26.5%	216,577,272	+25.0%	+10.3
Public Administration	151,259,473	+16.8%	130,831,532	+15.1%	+15.6
Health	66,786,686	+7.4%	69,141,173	+8.0%	-3.4
Industry & Services	169,292,755	+18.8%	156,598,717	+18.1%	+8.1
Telco & Media	119,320,387	+13.2%	130,053,376	+15.0%	-8.3
Energy & Utilities	157,245,058	+17.4%	163,863,077	+18.9%	-4.0
Net revenues	**902,879,777**	**+100.0%**	**867,065,147**	**+100.0%**	**+4.1**
Other revenues	30,135,678		27,989,951		+7.7
Total revenues	**933,015,455**		**895,055,098**		**+4.2**

OPERATING EXPENSES

(in Euros)

Description	2019	2018	Change	
			Absolute	%
Personnel costs	421,881,779	399,233,089	22,648,689	+5.7
Service costs	387,008,809	392,018,092	(5,009,283)	-1.3
Raw materials and consumables	22,603,786	12,005,514	10,598,272	+88.3
Amortisation and depreciation, provision	62,041,662	34,948,004	27,093,658	+77.5
Other costs	5,849,374	3,882,910	1,966,464	+50.6
Total operating expenses	**899,385,409**	**842,087,610**	**57,297,800**	**+6.8**

Overall operating expenses increased by approx. Euro 57 million, compared to 2018, to be attributed mainly to:

- the increase in "Personnel Costs", amounting to Euro 22.6 million (+5.7%);
- the increase in "Amortisation/Depreciation and Allocations", amounting to Euro 27 million (+77.5%).

The increase in personnel is due to the hiring, net of leaves, of 286 individuals. It is worth noting that from this year, personnel costs also include the cost of depreciation of leased cars, as required by the IFRS accounting standard applied from 1 January 2019. The impact was Euro 3.3 million.
For further details, reference is made to paragraph VI herein, focused on personnel.

The increase in "Amortisation/Depreciation and Allocations", amounting to Euro 27 million, is due primarily to depreciation of "right of use and leased assets", in application of IFRS 16 (Euro 13.6 million), as well as the allocation, for doubtful debts, especially related to the subsidiary SiSEV (Euro 16.5 million).

The increase in item "Raw materials and consumables" is strictly linked to resale activities.

OPERATING PROFIT AND NET PROFIT

(in Euros)

Description	2019	2018	Change %
Operating profit after depreciation/amortisation (EBIT)	**33,630,046**	**52,967,488**	**-36.5**
Financial income (expenses)	(3,664,512)	(848,103)	
Income financial (expenses) from investments	(7,079,239)	(225,475)	
Profit before taxes	**22,886,294**	**51,893,910**	**-55.9**
% of net revenues	+2.5%	+6.0%	
Income taxes	8,151,804	16,428,328	-50.4
Tax rate	+35.6%	+31.7%	
Net profit	**14,734,490**	**35,465,582**	**-58.5**
% of net revenues	+1.6%	+4.1%	

The profit before taxes, amounting to Euro 22.9 million, includes the item "Financial income/(expenses)" and "Income/(expenses) from investments". For details, reference is made to paragraphs 42 and 43 of the Explanatory Notes.
The net profit, following the allocation of taxes, was equal to Euro 14.7 million.
The tax rate stood at 35.6%.

IX. Statement of financial position

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

(in Euros)

Description	31.12.2019	31.12.2018
Cash flow from operating activities		
Cash collected from the sales of products/services - third parties	975,529,937	911,969,301
Cash collected from the sales of products/services - Group	19,382,563	7,924,576
Payments for goods and services - third parties	(369,032,818)	(347,686,257)
Payments for goods and services - Group	(127,227,968)	(87,999,300)
Personnel costs	(430,556,742)	(401,246,701)
Interest received	27,749	496,985
Interest paid for operating activities	(73,826)	(76,051)
Exchange differences	(69,088)	(12,033)
Loans disbursed/received to/from Group companies	(1,450,000)	(1,550,000)
Loans repaid/collected by Group companies	3,599,940	329,312
Income tax payments and reimbursements	(24,416,377)	(13,001,525)
Cash pooling	13,037,593	(1,281,266)
A) Total cash flow from operating activities	**58,750,963**	**67,867,040**
Cash flow from investing activities		
Sale of property, plant and equipment	57,707	57,463
Purchase of property, plant and equipment	(3,527,144)	(3,079,561)
Purchase of intangible assets	(2,482,998)	(962,200)
Consideration paid for acquisition of the businesses	(27,666,753)	(5,251,458)
Disposal of subsidiaries	0	246,843
Purchase of business unit	(535,465)	(616,629)
Purchase of other investments and securities	(292,056)	(837,560)
Sale of other investments and securities	309,419	0
Dividends received	0	18,750
Monetary contribution from merger	0	8,418,958
B) Total cash flow from investing activities	**(34,137,291)**	**(2,005,393)**
Cash flow from financing activities		
New loans	80,110,958	55,100,327
Repayment of loans	(42,749,923)	(147,356,972)
Interest paid for financing activities	(2,263,514)	(2,790,900)
Repurchase of treasury shares	(39,650,442)	0
Repayment of lease liabilities	(11,623,627)	0
C) Total cash flow from financing activities	**(16,176,547)**	**(95,047,545)**
D) = (A + B + C) change in cash and cash equivalents	**8,437,125**	**(29,185,898)**
E) Cash and cash equivalents at beginning of year	**152,757,670**	**181,943,568**
F) Cash and cash equivalents from merger	**289,613**	
G) = (D + E + F) cash and cash equivalents at end of year	**161,484,408**	**152,757,670**

Cash and cash equivalents totalled Euro 161 million at the end of the period, up by Euro 10 million compared to last year. The cash flow from operating activities (Euro +58.7 million) entirely covered investment requirements for the period (Euro -34.1 million) and the negative cash flows from financing activities (Euro -16.2 million), mainly due to the balance between the disbursement of loans and the repayments of the credit lines used.

NET FINANCIAL POSITION

Net financial position recorded Euro -265.8 million due to the recognition of payables for “right of use and leased assets”, amounting to Euro 144 million, due to the coming into force of the IFRS 16 standard.
Without the aforesaid extraordinary payables, the net financial position would have recorded a balance of Euro 121.8 million.

(in Euros)

Description	31.12.2019	31.12.2018
Cash	17,328	14,772
Other liquid assets	161,467,080	152,742,898
A) Cash and cash equivalents	**161,484,408**	**152,757,670**
B) Current financial receivables	**0**	**0**
Bank overdraft		(50)
Short-term bank loans	(76,303,990)	(52,874,803)
Other current financial liabilities	(15,679,028)	(10,620,493)
Current lease liabilities	(13,440,996)	(1,250,877)
C) Current borrowing	**(105,424,015)**	**(64,746,223)**
D) Net current financial position	**56,060,393**	**88,011,447**
Non-current financial liabilities	(181,538,043)	(166,043,961)
Other non-current financial liabilities	(9,816,003)	(2,310,091)
Non-current lease liabilities	(130,512,656)	(5,670,119)
E) Non-current borrowing	**(321,866,702)**	**(174,024,171)**
F) Net financial position	**(265,806,309)**	**(86,012,724)**

CENTRALISED TREASURY

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

Subsidiaries adhering to the cash pooling have used this instrument this year to meet their financial commitments when the latter were higher than their own liquidity. The other companies have financed themselves or, in special cases, they benefited from loans granted directly by Engineering. In all cases, they have had facilitated access to the liquidity of Engineering or to external sources, at rates they would not have been able to obtain independently on the market. This had been possible thanks to the good rating (I6) of the Company and ongoing discussion with the various banks, which permitted to take advantage of the best conditions offered based on real needs. The above resulted in the optimal allocation of financial resources within the Company and the maximised efficiency in managing the working capital and reduction of financial charges.

The cyclical collection trend, which historically characterises day-to-day management and the periodic transfer operations of trade receivables without recourse, have limited the use of short-term procurement operations. During the year, given also the particular conditions obtained, short-term funding transactions were completed for which the banks were paid an annual weighted average rate of 0.0504%. The assignment of receivables without recourse, arranged on a quarterly basis, amounted to a total of approximately Euro 137.3 million. Against these receivables, factoring companies were paid an average rate of 0.35% for commissions and interest. During the year, new medium/long-term loans were granted for a total of approximately Euro 70.6 million, mainly to support investments in activities and in research and technological development projects. This is the case of the loan granted in direct line by the European Investment Bank (EIB) for Euro 60 million and of those issued by the MIUR (Ministry of education, university, and research) and the MISE (Ministry of Economic Development) for a further Euro 580 thousand. The other Euro 10 million loan by Banco BPM was instead granted for the financial restructuring of Cybertech S.r.l., a company acquired at the beginning of the year.

As regards the medium/long-term loans in place, a total of around 42.7 million of principal and 2.2 million of interest were repaid at an average annual rate of 0.9991%. At 31 December 2019, the residual debt of medium/long-term loans amounted to Euro 239.7 million, including the new ones, with approximately 56.3 million of capital repayments to be made in the year 2020. The foregoing highlights the care and attention placed in the management of resources and cash flows in order to maintain an efficient working capital structure and confirms that the Group is not only capable of generating sufficient liquidity to remunerate and repay the debt, but is also a measure of its ability for sustainable development and one of the objective measures of its performance.

WORKING CAPITAL

The net working capital increased by Euro 3 million compared to 2018 (+1.7%), amounting to Euro 177 million. The current assets increased by 4.3% while current liabilities increased by 5.2% due to improved management of payment terms for trade payables.

(in Euros)

Description	31.12.2019	31.12.2018	Change	
			Absolute	%
Current assets				
Customer contract assets	157,000,914	133,119,480	23,881,434	+17.9
Deferred contract costs	7,357,880	3,076,943	4,280,937	+139.1
Trade receivables	486,083,407	483,990,269	2,093,138	+0.4
Other current assets	38,411,149	40,367,791	(1,956,641)	-4.8
Total	**688,853,351**	**660,554,483**	**28,298,867**	**+4.3**
Current liabilities				
Trade payables	(381,972,361)	(355,568,776)	(26,403,585)	+7.4
Other current liabilities	(129,864,058)	(131,004,135)	1,140,077	-0.9
Total	**(511,836,419)**	**(486,572,911)**	**(25,263,508)**	**+5.2**
Net working capital	**177,016,932**	**173,981,572**	**3,035,359**	**+1.7**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(in Euros)

Description	31.12.2019	31.12.2018	Change	
			Absolute	%
Property plant equipment	18,126,384	26,631,704	(8,505,321)	-31.9
Right of use and leased assets	142,238,320	0	142,238,320	+100.0
Intangible assets	501,264,480	518,335,033	(17,070,553)	-3.3
Goodwill	44,648,340	44,648,340	0	0.0
Equity investments	170,664,577	142,496,095	28,168,481	+19.8
Fixed assets	**876,942,101**	**732,111,172**	**144,830,928**	**+19.8**
Short-term assets	688,853,351	660,554,483	28,298,867	+4.3
Short-term liabilities	(511,836,419)	(486,572,911)	(25,263,508)	+5.2
Net working capital	**177,016,932**	**173,981,572**	**3,035,359**	**+1.7**
Other non-current assets	22,830,708	19,243,196	3,587,513	+18.6
Post-employment benefits	(53,133,499)	(52,195,439)	(938,061)	+1.8
Other non-current liabilities	(158,731,807)	(170,643,262)	11,911,455	-7.0
Net capital employed	**864,924,434**	**702,497,240**	**162,427,194**	**+23.1**
Total shareholders' equity	**599,118,125**	**616,484,516**	**(17,366,391)**	**-2.8**
(Availab.)/Fin. indebtedness M/LT	140,328,659	7,980,210	132,348,449	+1,658.5
(Availab.)/Fin. indebtedness ST	(56,060,393)	(88,011,447)	31,951,054	-36.3
(Availab.)/Fin. indebtedness	**265,806,309**	**86,012,724**	**179,793,585**	**+209.0**
Total sources	**864,924,434**	**702,497,240**	**162,427,194**	**+23.1**

X. Significant events during the year

The significant events are detailed below:

- on 1 January 2019, Engineering Ingegneria Informatica S.p.A. changed its registered office in Piazzale dell'Agricoltura 24 – 00144 Rome;
- with deed of 14 January 2019, Engineering purchased a further 31.5% of the share capital of Sogeit Solutions S.r.l., thus owning the entire share capital of the company and becoming its Sole Shareholder;
- on 15 January 2019, with Consorzio Agrario del Nordest Soc. Coop. and ESRI S.p.A., Engineering established a new limited liability company, with registered office in Verona, whose denomination is Terram and holding 40% of the share capital. The corporate scope is the development of an IT system aimed at offering a series of services destined to the agricultural sector;
- in April, the sale of 25% of Unimatica S.p.A.'s equity investments, held by Engineering Ingegneria Informatica S.p.A., was completed, following the merger by incorporation of Infogroup S.p.A.. The equity investments were sold to the company RGI S.p.A., with registered office in Milan;
- on 28 June 2019, the investee company ISTELLA S.p.A., of which Engineering owned 8.61%, resolved to increase the share capital from Euro 94,048.00 to Euro 102,598.00, to be offered entirely in subscription to the shareholder Engineering. At the same time, this increase was partially subscribed by Engineering, bringing the share capital to Euro 96,898.00 and Engineering's equity investment to 11.29%;

- on 2 July 2019, Engineering acquired 80% of Digitelematica S.r.l., with registered office in Lomazzo (CO), share capital of Euro 100,000.00;

- on 11 July 2019, the Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved to proceed with the distribution, in favour of the Sole Shareholder, of part of the retained earnings reserve for an amount equal to Euro 40,500,000.00;

- on 6 August 2019, Engineering signed a preliminary agreement for the purchase of 100% of Deus Technology S.r.l., a company based in Milan, with share capital of Euro 147,000.00, fully paid-up. This company operates in the financial technology sector, which provides banks, financial intermediaries and other entities with consulting services, advanced security and portfolio analysis, compliance and risk MIFID;

- on 24 September 2019, Engineering Ingegneria Informatica S.p.A. acquired 100% of the company Deus Technology S.r.l. and became its Sole Shareholder;

- on 27 September 2019, the Extraordinary Shareholders' Meetings of Engineering Ingegneria Informatica S.p.A., Mic Newco S.p.A. and Mic Holdco S.r.l. resolved to approve the merger project of "Mic Holdco S.r.l." and "Mic Newco S.p.A. " into "Engineering Ingegneria Informatica S.p.A.";

- on 28 November 2019, Engineering Ingegneria Informatica S.p.A. acquired 5% of the share capital of SIIT Società Consortile per Azioni (S.C.P.A.) from the University of Genoa for a total of 300 shares;

- on 3 December 2019, the Merger Deed by "reverse" incorporation of Mic Holdco S.r.l. and Mic Newco S.p.A. into Engineering Ingegneria Informatica S.p.A. was signed and became legally effective on 6 December 2019.

XI. Shareholders and treasury shares

Mic Topco S.à.r.l. holds 93.35% of the share capital of Engineering Ingegneria Informatica S.p.A.; the residual 6.65% is held by individuals.

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 Topco S.à.r.l..

TREASURY SHARES

At the date of approval of this Financial Report, no treasury shares are owned by the Parent Company.

XII. Subsequent events to the year-end

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

- on 7 February 2020 Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 95% of the company F.D.L. Servizi S.r.l., which operates in the IT sector in the software market for the integrated management of Energy Services, Heat Management and District Heating Networks, with registered office in Breno (BS), share capital of Euro 20,800.00 fully paid-up.

XIII. 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 12 November 2010, the procedure for the identification and carrying out of Transactions with Related Parties. No transactions with related parties were recorded, except for what is described in paragraph 47 of the Explanatory Notes, to which reference is made.

MAIN RISKS AND UNCERTAINTIES

Engineering adopts specific procedures for the management of risk factors that might affect the Company's results. As in all companies, risk factors which may affect the Company's results exist and for this purpose numerous preventative actions have been put in place.

These procedures are the result of a management that has always aimed at maximising value for its shareholders by taking all necessary measures to prevent the risks inherent in the Company activities.

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 all details, see paragraph XIII of the Directors' report on the management of the financial statements.

TAX CONSOLIDATION

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

TAX AUTHORITY RELATIONS

With reference to the general audit for the purposes of direct taxes, IRAP (Regional Business Tax) and VAT charged to Engineering Ingegneria Informatica S.p.A. for 2017 by the Lazio Regional Authority – Office of Large-Scale Taxpayers, ended in April 2019 with the drafting of a report on findings including some objections related to IRES (Corporate Income Tax), the Company came to a settlement of some objections in November 2019.

In December 2016, the company Engineering.IT (merged into Engineering Ingegneria Informatica in 2013) was served with an assessment notice related to VAT for transactions undergone with Banca Antonveneta first, and then with Consorzio Operativo Gruppo Monte Paschi, in the 2011-2013 period. This audit resulted from the report sent by the Tuscany Regional Authority after the tax audit on Consorzio Operativo Gruppo Monte Paschi, carried out by the Italian Tax Police that objected the VAT exemption. Engineering Ingegneria Informatica filed an appeal at the Tax Commission: both the first and second instance judgements have acknowledged the grounds put forward by the Company and the reasons given in the appeal and to date the judgement has become final due to the failure of the Valle d'Aosta Regional Authority to appeal it to the Court of Cassation.

In July 2018, the subsidiary Infogroup S.p.A. (merged in Engineering Ingegneria Informatica in 2018) underwent a general tax assessment related to direct taxes, IRAP (Regional Business Tax) and VAT for 2015 charged by the Florence Province Authority to the subsidiary. This tax assessment was concluded in December 2018, with the drafting of a report on findings including an objection and a report related to VAT. The Company settled the report on findings in December 2019 by obtaining the cancellation of the objection.

XIV. Conclusions and shareholders' meeting proposals

The net profit amounted to Euro 14,734,490.

The Board of Directors proposes the entire net profit for the year being carried forward.
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 financial statements are subject to audit by the Independent Auditors Deloitte & Touche S.p.A..

STATEMENT OF FINANCIAL POSITION

(in Euros)

Statement of Financial Position - Assets	Note	31.12.2019	31.12.2018
A) Non-current assets			
Property, plant and equipment	4	18,126,384	26,631,704
Intangible assets	5	501,264,480	518,335,033
Right of use and leased assets	6	142,238,320	0
Goodwill	7	44,648,340	44,648,340
Equity investments	8	170,664,577	142,496,095
Deferred tax assets	9	16,432,971	13,963,067
Other non-current assets	10	6,397,737	5,280,129
Total non-current assets		**899,772,809**	**751,354,368**
B) Non current assets held for sale			
C) Current assets			
Inventories	11	42,035	42,035
Customer contract assets	12	156,958,879	133,077,445
of which from related parties		11,225,358	9,323,347
Deferred contract costs	13	7,357,880	3,076,943
Trade receivables	14	486,083,407	483,990,269
of which from related parties		114,373,688	137,255,525
Other current assets	15	38,411,149	40,367,791
Cash and cash equivalents		161,484,408	152,757,670
Total current assets		**850,337,758**	**813,312,153**
Total assets (A + B + C)		**1,750,110,567**	**1,564,666,521**

(in Euros)

Statement of Financial Position - Liabilities	Note	31.12.2019	31.12.2018
D) Shareholders' equity			
Share capital	18	31,875,000	31,875,000
Reserves	19	541,482,307	531,461,244
Retained earnings/(losses carried forward)	20	11,026,328	17,682,690
Profit/(loss) for the year		14,734,490	35,465,582
Total shareholders' equity	17	**599,118,125**	**616,484,516**
E) Non-current liabilities			
Non-current financial liabilities	21	191,354,046	168,354,052
Non-current lease liabilities	22	130,512,656	5,670,119
Deferred tax liabilities	23	156,700,459	160,906,565
Other non-current liabilities	24	2,031,348	9,736,698
Post-employment benefits	25	53,133,499	52,195,439
Total non-current liabilities		**533,732,008**	**396,862,872**
F) Current liabilities			
Current financial liabilities	26	91,983,019	63,495,346
Current lease liabilities	27	13,440,996	1,250,877
Current tax payables	28	721,127	811,020
Current provisions for risks and charges	29	9,228,919	9,069,774
Other current liabilities	30	119,914,012	121,123,341
of which from related parties		883,880	793,453
Trade payables	31	381,972,361	355,568,776
of which from related parties		139,024,125	124,336,712
Total current liabilities		**617,260,434**	**551,319,134**
G) Total liabilities (E + F)		**1,150,992,442**	**948,182,006**
Total liabilities and shareholders' equity (D + G)		**1,750,110,567**	**1,564,666,521**

INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

(in Euros)

Income Statement	Note	2019	2018
A) Revenues			
Revenues		902,879,777	867,065,147
Other revenues	33	30,135,678	27,989,951
Total revenues	32	**933,015,455**	**895,055,098**
of which related parties		28,879,166	28,070,731
B) Operating expenses			
Raw materials and consumables	36	22,603,786	12,005,514
Service costs	37	387,008,809	392,018,092
Personnel costs	38	421,881,779	399,233,089
Amortisation and depreciation	39	39,318,004	29,019,910
Allocations	40	22,723,657	5,928,094
Other costs	41	5,849,374	3,882,910
Total operating expenses	35	**899,385,409**	**842,087,610**
of which related parties		110,492,259	98,411,814
C) Operating profit (A - B)		**33,630,046**	**52,967,488**
Financial income		3,703,812	5,679,423
Financial expenses		7,368,325	6,527,526
D) Net financial income (expenses)	42	**(3,664,512)**	**(848,103)**
of which related parties		754,755	912,946
E) Income (expenses) from investments			
Total income/(expenses) from investments	43	**(7,079,239)**	**(225,475)**
F) Profit before taxes (C + D + E)		**22,886,294**	**51,893,910**
G) Income taxes	44	8,151,804	16,428,328
H) Profit/(loss) from continuing operations		**14,734,490**	**35,465,582**
I) Profit/(loss) from discontinued operations			
L) Profit/(loss) for the year		**14,734,490**	**35,465,582**

(in Euros)

Comprehensive Income Statement	Note	2019	2018
L) Profit/(loss) for the year		**14,734,490**	**35,465,582**
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		(2,835,769)	(1,222,493)
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		680,585	293,398
Total other comprehensive profit/(loss) which will not be reclassified in profit/(loss) for the year, net of tax effect		**(2,155,185)**	**(929,095)**
Total other comprehensive profit/(loss), net of tax effect		**(2,155,185)**	**(929,095)**
O) Total comprehensive income for the year (L + M + N)		**12,579,305**	**34,536,487**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euros)

Description	Share capital	Reserves	Retained earnings	Profit for the year	Group shareholders' equity
Note	**18**	**19**	**20**		
Balance as of 31.12.2017	**31,875,000**	**520,826,160**	**(14,549,799)**	**34,249,930**	**572,401,292**
First time adoption of IFRS 9 as of 01.01.2018			(487,442)		(487,442)
Balance as of 01.01.2018	**31,875,000**	**520,826,160**	**(15,037,241)**	**34,249,930**	**571,913,850**
Net profit for the year	-	-	-	35,465,582	35,465,582
Other net comprehensive items	-	-	(929,095)	-	(929,095)
Comprehensive income for the year	**-**	**-**	**(929,095)**	**35,465,582**	**34,536,487**
Allocation of the residual result of the previous year to retained earnings	-	-	34,249,930	(34,249,930)	-
Share-based compensation plans	-	9,902,544	-	-	9,902,544
Other changes	-	732,539	(600,904)	-	131,635
Transactions with shareholders and other movements	**-**	**10,635,083**	**33,649,026**	**(34,249,930)**	**10,034,179**
Balance as of 01.01.2019	**31,875,000**	**531,461,243**	**17,682,690**	**35,465,582**	**616,484,516**
Net profit for the year			-	14,734,490	14,734,490
Other net comprehensive items	-	-	(2,155,185)	-	(2,155,185)
Comprehensive income for the year	**-**	**-**	**(2,155,185)**	**14,734,490**	**12,579,305**
Allocation of the residual result of the previous year to retained earnings	-	-	35,465,582	(35,465,582)	-
Dividends distribution	-	-	(39,650,442)	-	(39,650,442)
Share-based compensation plans	-	10,021,063	-	-	10,021,063
Reverse merger	-	-	(316,317)	-	(316,317)
Transactions with shareholders and other movements	**-**	**10,021,063**	**(4,501,177)**	**(35,465,582)**	**(29,945,696)**
Balance as of 31.12.2019	**31,875,000**	**541,482,306**	**11,026,328**	**14,734,490**	**599,118,125**

CASH FLOW STATEMENT

The cash flow statement, drawn up according to the direct method, summarizes the movements of cash flows.

(in Euros)

Description	31.12.2019	31.12.2018
Cash flow from operating activities		
Cash collected from the sales of products/services - third parties	975,529,937	911,969,301
Cash collected from the sales of products/services - Group	19,382,563	7,924,576
Payments for goods and services - third parties	(369,032,818)	(347,686,257)
Payments for goods and services - Group	(127,227,968)	(87,999,300)
Personnel costs	(430,556,742)	(401,246,701)
Interest received	27,749	496,985
Interest paid for operating activities	(73,826)	(76,051)
Exchange differences	(69,088)	(12,033)
Loans disbursed/received to/from Group companies	(1,450,000)	(1,550,000)
Loans repaid/collected by Group companies	3,599,940	329,312
Income tax payments and reimbursements	(24,416,377)	(13,001,525)
Cash pooling	13,037,593	(1,281,265)
A) Total cash flow from operating activities	**58,750,963**	**67,867,042**
Cash flow from investing activities		
Sale of property, plant and equipment	57,707	57,463
Purchase of property, plant and equipment	(3,527,144)	(3,079,561)
Purchase of intangible assets	(2,482,998)	(962,200)
Consideration paid for acquisition of the businesses	(27,666,753)	(5,251,458)
Sale of investments in subsidiaries	0	246,843
Purchase of business unit	(535,465)	(616,629)
Purchase of other investments and securities	(292,056)	(837,560)
Sale of other investments and securities	309,419	0
Dividends received	0	18,750
Monetary contribution from merger	0	8,418,958
B) Total cash flow from investing activities	**(34,137,290)**	**(2,005,394)**
Cash flow from financing activities		
New loans	80,110,958	55,100,327
Repayment of loans	(42,749,923)	(147,356,972)
Interest paid for financing activities	(2,263,514)	(2,790,900)
Repurchase of treasury shares	(39,650,442)	0
Repayment of lease liabilities	(11,623,627)	0
C) Total cash flow from financing activities	**(16,176,548)**	**(95,047,545)**
D) = (A + B + C) Change in cash and cash equivalents	**8,437,125**	**(29,185,897)**
E) Cash and cash equivalents at beginning of year	**152,757,670**	**181,943,568**
F) Cash and cash equivalents from merger	**289,613**	
G) = (D + E + F) Cash and cash equivalents at end of year	**161,484,408**	**152,757,670**

1 General information

Engineering Ingegneria Informatica S.p.A., with registered office in Rome at Piazzale dell'Agricoltura, 24, 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 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).

SIGNIFICANT OPERATIONS

Reverse Merger of Mic Newco S.p.A. and Mic Holdco S.r.l. into Engineering Ingegneria Informatica S.p.A.

On 6 December 2019, the reverse merger between the companies Mic Holdco S.r.l. (it owned 100% of share capital of Mic Newco S.p.A.) and Mic Newco S.p.A. (it owned 100% of share capital of the Company), which were incorporated into the Company was completed. According to the International Accounting Standards applied by the Company and given that this merger aimed at reorganising the corporate structure, this reverse merger was not accounted for as a business combination under IFRS 3.

Given the above, the reverse merger project did not result: (i) in any further "goodwill" being recognised in this post-merger financial statements and (ii) the assets and liabilities of the two companies Mic Newco S.p.A. and Mic Holdco S.r.l. were included in the financial statements of the Company according to the principle of continuity of book values.

The legal effects of the merger, as per paragraph 1 of Article 2504-bis of the Italian Civil Code, are effective on 6 December 2019, the day of the last record, as per Article 2504 of the Italian Civil Code. Conversely, the financial statements of the merging company as from 1 January 2019 will include transactions of the merged companies, as well as the effects, for income tax purposes, pursuant to Article 172, paragraph 9, of Presidential Decree no. 917/1986 and as envisaged by the merger deed dated 3 December 2019, Rep. no. 19924, file no. 10188.

The net book value of the assets and liabilities was equal to Euro 316 thousand and was recorded in the financial statements of the Company as a reduction of the shareholders' equity.

The following reconciliation statement as of 1 January 2019, after the merger, is shown hereunder.

(in Euros)

Statement of Financial Position Assets	Engineering Ingegneria Informatica S.p.A. 01.01.2019	Mic Newco S.p.A. 01.01.2019	Mic Holdco S.r.l. 01.01.2019	Net off	After reverse merger
A) Non-current assets					
Property, plant and equipment	26,631,704				26,631,704
Intangible assets	518,335,033				518,335,033
Goodwill	44,648,340			-	44,648,340
Equity investments	142,496,095	528,250,096	493,408,633	(1,021,658,729)	142,496,095
Deferred tax assets	13,963,067				13,963,067
Other non-current assets	5,280,129				5,280,129
Total non-current assets	**751,354,368**	**528,250,096**	**493,408,633**	**(1,021,658,729)**	**751,354,368**
B) Current assets					
Inventories	42,035				42,035
Customer contract assets	133,077,445				133,077,445
Deferred contract costs	3,076,943				3,076,943
Trade receivables	483,990,269	9	200,009	(200,000)	483,990,287
Other current assets	40,367,791		4,013	(4,013)	40,367,791
Cash and cash equivalents	152,757,670	152,280	137,333		153,047,283
Total current assets	**813,312,153**	**152,289**	**341,355**	**(204,013)**	**813,601,784**
Total assets (A+B)	**1,564,666,521**	**528,402,385**	**493,749,988**	**(1,021,862,742)**	**1,564,956,152**

(in Euros)

Statement of Financial Position Liabilities	Engineering Ingegneria Informatica S.p.A. 01.01.2019	Mic Newco S.p.A. 01.01.2019	Mic Holdco S.r.l. 01.01.2019	Net off	After reverse merger
D) Shareholders' equity					
Share capital	31,875,000	989,672	989,271	(1,978,943)	31,875,000
Reserves	531,461,244	527,341,152	492,504,908	(1,020,162,377)	531,144,927
Retained earnings/(losses carried forward)	17,682,690	(124,671)	(179,802)	304,473	17,682,690
Profit/(loss) for the year	35,465,582	(66,851)	(111,267)	178,118	35,465,582
Total shareholders' equity	**616,484,516**	**528,139,302**	**493,203,110**	**(1,021,658,729)**	**616,168,199**
E) Non-current liabilities					
Non-current financial liabilities	174,024,171				174,024,171
Deferred tax liabilities	160,906,565				160,906,565
Non-current provisions for risks and charges					-
Other non-current liabilities	9,736,698				9,736,698
Post-employment benefits	52,195,439				52,195,439
Total non-current liabilities	**396,862,873**	**-**	**-**	**-**	**396,862,873**
F) Current liabilities					
Current financial liabilities	64,746,223	200,000		(200,000)	64,746,223
Current tax payables	811,020				811,020
Current provisions for risks and charges	9,069,774				9,069,774
Other current liabilities	121,123,341	4,013	9,056	(4,013)	121,132,397
Trade payables	355,568,776	59,071	537,821		356,165,667
Total current liabilities	**551,319,132**	**263,083**	**546,877**	**(204,013)**	**551,925,080**
G) Total liabilities (E+F)	**948,182,005**	**263,083**	**546,877**	**(204,013)**	**948,787,953**
Total liabilities and shareholders' equity	**1,564,666,521**	**528,402,385**	**493,749,987**	**(1,021,862,742)**	**1,564,956,152**

2 Form, contents and accounting standards

These financial statements as of 31 December 2019, 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 19 July 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 comprehensive income statement, the statement of changes in shareholders’ equity, the cash flow statement and the related Explanatory Notes.

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 accounting standard “IFRS 16 - Leases”, applied from 1 January 2019. The standard IFRS 16 supersedes 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 standard provides a new definition of lease and introduces a criterion based on the notion of control (right of use) of a good in order to distinguish lease contracts from service contracts, while identifying the following as discriminating factors for a lease: 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, lastly, 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 lease 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. Conversely, the standard does not include significant changes for lessors.

For the description of the effects resulting from the above-mentioned standard, reference is made to Note 3.

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 of the Company, or in the twelve months following the year-end.

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

The income statement is classified according to the nature of the costs while the cash flow statement uses the direct method.

Transactions with related parties are disclosed in the statement of financial position, the income statement and the cash flow statement.
The transactions with related parties concern subsidiaries, associated companies and Directors and executives with strategic responsibilities. Please see paragraph 3.28.

For each item of the statements, the corresponding figure of the previous year is disclosed for comparison purposes.
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 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 liabilities, deferred tax assets and liabilities and customer contracts assets. 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 the opinions and assumptions might have a significant impact on the following financial years.

Impairment of assets (Goodwill Euro 44.6 million and Trademark Euro 453 million)
As explained in more detail in paragraph 7 hereof, for the calculation of the value in use of Cash Generating Units, the Company has taken into account, with reference to the specified period, the expected trends resulting from the budget for 2019 and, for subsequent years, the forecasts included in the 2020 - 2022 multi-year plan. The budget and multi-year plan were updated by the management on 3 August 2019.
The impairment test carried out on the basis of these forecasts did not generate any write-downs.

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.

Deferred tax assets
As of 31 December 2019, prepaid taxes are recorded in relation to tax losses for the current year and previous years insofar as there is a probable future taxable income for which the tax liabilities can be used. Moreover, the recoverability of deferred tax assets is subject to the achievement of sufficiently large future taxable profits for the absorption of the aforementioned tax losses or up to the deferred taxation connected to the other deferred tax assets. Significant management assessments are required to determine the amount of deferred tax assets that can be recognised in the financial statements based on the timing and amount of future taxable income. In particular, it should be noted that deferred tax assets have been recorded on past tax losses for the portion estimated as recoverable against future taxable income shown in the updated strategic plans of the Company, also as a consequence of the fact that tax losses may be carried forward indefinitely.

Receivable from Sicilia Digitale S.p.A. and from the subsidiary Sicilia e-Servizi Venture S.c.r.l.
As explained in more detail in Note 14 hereof, trade receivables include receivables from Sicilia Digitale S.p.A., which amount to Euro 8,350,000 and are the object of a repayment plan resulting from the transaction signed on 12 June 2019 between the transferees of the SISEV receivable and Sicilia Digitale S.p.A..

Receivables from subsidiaries include the exposure as of 31 December 2019, with respect to Sicilia e-Servizi Venture S.c.r.l., equal to Euro 49,793,454 (gross of the doubtful debt provision amounting to Euro 17,184,508), of which Euro 8,996,914 of customer contracts assets, resulted from 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. and Sicilia e-Servizi Venture S.c.r.l. in liquidation ("SISEV" or "Venture") on 21 May 2007 and expired on 22 December 2013.

Given the legitimacy of the receivables and the correct execution of services, after assessing that the expertise drawn up by the experts and concerning the summons to obtain the payment of receivables amounting to around Euro 79,675 thousand, is materially omitting and misstating, SISEV, supported by the opinion of the legal advisers, and after performing the adequate checks, deem that SISEV's amount receivables from Sicilia Digitale S.p.A. are collectable.

In any case, after acknowledging the continuous change in institutional interlocutors, in view of a legal dispute and of the objections filed in by Sicilia Digitale S.p.A. and the Sicilian Region, SISEV, taking account of the rationales for an amicable agreement (concerning only a portion of receivables), allocated an amount of around Euro 20.7 million to the doubtful debt provision, in addition to the amount already allocated the previous year, for a total amount of the doubtful debt provision equal to Euro 62.7 million. The latter included the total impairment of the aforesaid interest set out by law and recognised in the financial statements (for an amount of Euro 35.3 million) and, for the remaining portion, the impairment of the nominal value of the receivable (for an amount of Euro 27.4 million).
In the Explanatory Notes, SISEV explained that this determination is the result of a prognostic judgement formulated on the basis of a careful reflection of all existing available information.

The Directors of Engineering Ingegneria Informatica S.p.A., having assessed the above and taken note of the equity deficit of the subsidiary, deemed their receivables from SISEV partially uncollectible. The amount of Euro 17,184 thousand, proportional to the Company's share of the equity deficit, was therefore written down.

Lease term
The Company analysed all the lease agreements, defining the lease term for each of them, given by the "non-cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was deemed reasonably certain. Specifically, for real estate, this evaluation considered the specific facts and circumstances of each activity. As for the other categories of goods, mainly company cars and equipment, the Company has generally deemed it unlikely to exercise any extension or early termination clause in consideration of the practice usually followed by the Company. For the buildings, the Company, in assessing the lease terms, chose, based on business development plans, to consider in addition to the non-cancellable period, the first renewal period as reasonably certain, not believing that there were facts or circumstances that led to consider additional renewals as reasonably certain.

3 Accounting standards

These financial statements have been prepared on a going concern basis, as the Directors have verified that there are no financial, management or other indicators that could report critical issues regarding the Company's ability to meet its obligations in the foreseeable future. A description of how the Company manages financial risks, including liquidity and capital risks, is provided in Note 3.27.
These financial statements were prepared using measurement criteria based on historical cost, with the exception of the measurement at fair value of the derivative financial instrument hedging the variable interest rate risk relating to an existing loan.
The criteria adopted in the preparation of this financial statements 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 book 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 INTANGIBLE ASSETS

Intangible assets, all with a definite useful life, except for the trademark, 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
Development costs	3 – 5 years
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.

Costs required to substantially remake products are capitalised as improvements and increased by the original cost of the software. Development costs that improve the performance of the product or adapt it to regulatory changes are also capitalised.

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.

3.3 LEASING

On 13 January 2016, the IASB published the standard IFRS 16 – Leases which supersedes 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 standard provides a new definition of lease and introduces a criterion based on the notion of control (right of use) of a good in order to distinguish lease contracts from service contracts, while identifying the following as discriminating factors for a lease: 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, lastly, 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 lease 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. Conversely, the standard does not include significant changes for lessors.

Accounting for the lessee
At the date of initial recognition, the lessee will recognise the asset (a right of use) covered by the contract at the same value attributed to the related financial liability, adding other components of direct costs and any advance fees. The lessee shall determine the duration of the lease, which shall begin on the date on which the asset is available for use, to which shall be added any periods covered by an option to extend/resolve the lease, if the lessee is reasonably certain to exercise/not to exercise that option.
The liability relating to the lease contract is recognised at the present value of the lease payments due, discounted using the interest rate implicit in the lease contract or, if it is not available, the Company uses its incremental borrowing rate, i.e. the interest rate that it is prepared to pay to finance itself in order to obtain the right to use an asset with the same characteristics as the lease contract.

The liability is subsequently restated to take account of any new valuations or changes in the lease or revision of substantially fixed payments, it is reduced as a result of payments and is increased to reflect interest. Variable payments that do not depend on indices or rates and are therefore not reflected in the liability relating to the lease contract must be recorded in the income statement when the instalment is paid.
The right of use is depreciated on a systematic basis over the term of the lease contract. If the lease provides for the transfer of ownership or a redemption option whose exercise is considered reasonably certain at the end of the contract, the right of use is depreciated over the useful life of the asset.

The Company restates the value of the Lease liabilities (and adjusts the value of the corresponding right of use), if there is:

- a change in the duration of the lease or there is a change in the assessment of the exercise of the option right; in this case, the lease liability is recalculated by discounting the new lease payments at the revised discount rate;
- a change in the value of the lease payments following changes in the indices or rates, in such cases the lease liability is recalculated by discounting the new lease payments at the initial discount rate (unless the payments due under the leases change as a result of interest rate fluctuations, in which case a revised discount rate must be used);
- a lease agreement has been modified and the modification is not included in the case studies for the separate recognition of the lease agreement. In such cases, the lease liability is recalculated by discounting the new lease payments at the revised interest rate.

The Company did not detect any of the aforementioned changes in the period.
Lease-related incentives (e.g. free rental periods) are recognised as part of the initial right of use value, as well as part of the lease liabilities over the contract term.

A provision for risks is made in compliance with the provisions of IAS 37 in the event that the Company is obliged to bear the costs for dismantling and removing the leased asset, restoring the site where the asset is leased or restoring the good under the conditions required by the terms of the contract. These costs are included in the value of the right of use.

The right of use is subject to the impairment process provided for by IAS 36 in case of indicators of a loss in value.
This value will also change as a result of new valuations or changes in the liability relating to the lease contract.
In the cash flow statement, the Company divides the total amount paid between the principal portion (recognised in the cash flow deriving from financing activity) and the interest portion (entered in the cash flow deriving from operating activity).

Cases of exclusion from the application of IFRS 16
The Company has decided not to recognise assets for the right of use and liabilities related to leases:

- short term (equal to or less than one year);
- leasing of low value assets (identified below Euro 5,000).

Therefore, the Company recognises the payments due relating to the aforementioned leases as a cost on a straight-line basis over the lease term.

Lease accounting for the lessor
If the lease has the characteristics of a loan, the Company recognises under financial receivables the amount of the lease payments to be received and distributes the gross receipts so as to obtain a constant rate of return based on the net investment method.
If, on the other hand, the lease has the characteristics of an operating lease, the Company will continue to keep the asset under its fixed assets and will record the receipts as income on a straight-line basis over the lease term. The costs incurred to obtain the contract are considered as accessory charges to the leased asset.

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 (CGU). 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.

3.5 LOSS IN VALUE OF AN ASSET (IMPAIRMENT)

An impairment is established wherever the book value of an asset is greater than the recoverable value. Where indicators of an impairment 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 for indefinite useful life assets, irrespective of the existence of such indicators for these assets.

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 acquisition 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 at 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 equity. 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 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.

3.8 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.

3.9 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. The purchase cost is inclusive of all directly attributable costs and indirect costs and is determined according to the weighted average cost method. Any potential write-down is derecognised in subsequent years if the reason for the write-down no longer exists.

3.10 CUSTOMER CONTRACT ASSETS

Customer contract assets are represented by 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 item “Customer contract assets”. 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 DEFERRED CONTRACT COSTS

3.11 a Incremental costs of obtaining a contract

IFRS 15 allows for the capitalisation of costs of obtaining a contract, provided that they are considered “incremental” and recoverable through the future economic benefits of the contract. All costs incurred as a result of the acquisition of the contract are considered as incremental costs. Costs, on the other hand, which have been incurred independently of the acquisition of the contract, and therefore they cannot be classified as incremental, are expensed in the income statement as they are not related to the stage of completion (not a cost to cost component).

Incremental costs are suspended and booked under a specific item of current assets (deferred contract costs) and systematically released together with the transfer of control of the goods/services to the customer.

3.11 b Costs of fulfilling a contract

IFRS 15 provides for the capitalisation of costs for the fulfilment of the contract, i.e. those costs that meet all of the following criteria:

- relate directly to the contract;
- generate and improve resources that will be used to meet the contractual performance obligation in the future;
- are recoverable through future economic benefits of the contract.

Usually this type of cost is represented by pre-operating costs, which are not explicitly recognised within contracts with customers and are remunerated through the contract overall margin. In this case, in compliance with the three conditions mentioned above, pre-operating costs are systematically suspended and released, corresponding to the transfer of control of the goods/services to the customer.
In addition to the above, new provisions set out in IFRS 15 define all the costs that, for their type and nature, cannot be used for the course of the contract as, despite the fact that they are specifically referable to the contract and considered as recoverable, they do not generate or improve the resources that will be used to fulfil the contract performance obligation, or contribute to transfer the control of goods and/or services to customers.

3.12 TRADE RECEIVABLES

Trade receivables are held as part of a business model whose objective is to collect contractual cash flows consisting solely of payments of principal and interest on the amount of principal to be refunded. They are therefore initially recorded at fair value, adjusted with directly attributable transaction costs, and subsequently measured at amortised cost based on the effective interest rate method (i.e. the rate that equalizes, upon initial recognition, the current value of expected cash flows and the book value) and adequately adjusted to take account of any possible write-downs, through the creation of a doubtful debt provision. Trade receivables are included in current assets, with the exception of those falling due more than twelve months after the reporting date, which are classified as non-current assets.

At each reporting date, financial assets, with the exception of those measured at fair value with a contra-entry recognised in the income statement, are analysed to assess the existence of any possible impairment indicators. IFRS 9 requires the application of a model based on expected losses on receivables. The Company applies the simplified approach to estimate expected losses along the receivable useful life and takes into account its historical experience of losses on receivables, adjusted to reflect current conditions and estimates of future economic conditions. The model of expected losses on receivables requires the immediate recognition of expected losses over the useful life of the receivable, since it is not necessary for a trigger event to occur for the recognition of losses.

For trade receivables recorded at amortised cost, when an impairment has been identified, its value is measured as the difference between the asset book value and the present value of expected future cash flows, discounted at the original effective interest rate. This value is recognised in the income statement.
Receivables factored through non-recourse factoring transactions, according to which the final transfer to the transferee was carried out in relation to risks and benefits of factored receivables, were derecognised from the financial statements upon their transfer. Receivables that were instead factored through with recourse factoring transactions were not written off from the financial statements.

3.13 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 three 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.

3.14 DISCONTINUED OPERATIONS

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

3.15 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.

3.16 RESERVES

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

3.17 RETAINED EARNINGS

The item “Retained earnings/(losses carried forward)” 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.

3.18 FINANCIAL LIABILITIES

Financial liabilities are initially booked at the fair value of collected sums, adjusted for 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.

3.19 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 income statement 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 31 December 2006. The liability is determined as the current value of the benefit obligation defined at the date of reporting, in compliance with Italian regulations in force, and adjusted in order to take actuarial profits/losses into account. The amount of the defined obligation is calculated and certified annually by an independent actuary based on the “Projected Unit Credit” method.
Actuarial gains and losses are recognised in the comprehensive income statement and recorded under shareholders’ equity on an accrual basis.

Defined contribution plans
As from 1 January 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 Share Based Payments Equity Settled, 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 the item personnel costs, and its contra-entry is recognised as equity reserve.

3.20 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 recognised in the financial statements. Information in this regard is provided however.

3.21 REVENUES AND COSTS

IFRS 15 superseded the previous IAS 18 and IAS 11 standards, as well as the related interpretations IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

The new standard sets out the criteria to recognise revenues resulting from contracts with customers, with the exception of those falling within the scope of application of standards on lease, insurance contracts and financial instruments. The standard defines an overall reference framework to identify the timing and amount of revenues to be entered in the financial statements.

Pursuant to IFRS 15, the Company shall recognise revenues from contracts with customers and related impact on accounts through the following steps:

a) identification of the contract;
b) identification of the performance obligations in the contract;
c) determination of the transaction price;
d) allocation of the transaction price to each identified performance obligation;
e) recognition of revenues when the performance obligation is met.

Therefore, the amount that the Company recognises as revenue must reflect the consideration to which it is entitled in transfer of goods and/or services to customers. These amounts shall be recognised when the underlying contractual performance obligations have been fulfilled, or when the Company has transferred control of the goods or services to the customer, in the following ways:

a) over time;
b) at a point in time.

The table below shows the main types of products and services that the Company provides to its customers and the related methods of recognition:

Fulfilment of obligations	Revenue Stream			
	Deliverable-based contracts	**Resource-based contracts**	**Service-based contracts**	**Assistance and maintenance based contracts**
At a point in time	n/a	n/a	Service provision tied to the occurrence of specific events. Revenues are recognized based on the occurrence of specified events (for example delivery/ installation).	n/a
Over time	Annual and multi-annual orders. Revenues are recognized based on the percentage of accrued costs on total contract costs in relation to total contract revenues.	Consulting services. Revenues are recognized based on the number of working days and the price list established in the contract.	n/a	Assistance and maintenance services. The service is provided periodically and costantly over the contract period. Revenues are recognized periodically, according to the agreement (monthly, quarterly, yearly and so on).

Deliverable-based contracts
Deliverable-based contracts typically include fixed price projects (e.g.: system integration or design and development of customised IT systems and related processes, the engineering of industrial processes and the distribution and storage of energy and water, online ticketing).
Contract terms typically range from 1 to 2 years.
Contract prices might be subject to incentives and penalties, based on achievement of specified performance targets or level of benefits delivered to the customer.
For deliverable-based contracts, revenue is generally recognised over time, because at least one of the following conditions is met:

(i) the Company's performance enhances or creates an asset that the customer controls as the Company performs;

(ii) the Company builds an asset that has no alternative use (e.g. it is customer-specific) and the Company has an enforceable right to payment for performance to date in case of termination by the customer.

The Company applies the “cost-to-cost” method to measure progress to completion.
The percentage of completion is based on costs incurred to date relative to the total estimate of cost at completion of the contract. Estimates of total contract costs are revised when new elements arise and changes in estimates and related percentage of completion are recorded in the income statement.
The related costs on deliverable-based contracts are expensed as incurred.
The Company earns contractually the right to bill upon achievement of specified milestones or upon customer acceptance of work performed.
The difference between costs borne at the date of progress in work, added to margins recognised, and the billing already carried out to certify the progress of the work is recorded as “Customer contract assets”.
Any up-front fees (non-refundable) received are recognised over the duration of the service.

Resource-based contracts
This type of contracts generally includes IT consultancy or operational activities on IT systems.
Revenue from Resource-based contracts is recognised based on working hours (or days spent) finalised for the fulfilment of the service.
Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services.
The amount to be billed is representative of the value of the service delivered to the customer and therefore, applying the right-to-bill practical expedient, revenue is recognised over time based on the working hours spent/working days valued on the basis of defined prices.

Service-based contracts
The Company supplies goods (e.g. software) and services (e.g. installation, tax collection etc.) to customers.
These revenues are recognised at a point in time, when the control of the goods have passed to the customer and when all the benefits deriving from the performance have been transferred to the customer.
In particular, as far as Public Administration and tax collection are concerned, the revenue is recognised when the evidence of the collection has been provided (e.g. tax has been paid by the tax payer).
The direct costs charged to the tax collection activity which are considered recoverable through the fees that are reasonably expected to be collected over the duration of the contract are recognised, up to the moment the obligation is fulfilled, among the “Deferred contract costs”.
Any up-front fees (non-refundable) received are recognised over the duration of the service.

Assistance and maintenance based contracts
This type of contract generally includes assistance and maintenance services, innovative cloud services, and licensing granted as a service, therefore on a right-to-access basis.
Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services.
The amount to be invoiced is representative of the service provided monthly/quarterly to the customer.
Any up-front fees (non-refundable) received are recognised over the duration of the service.

Costs
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.

3.22 DIVIDENDS

Dividends are recognised at the date of endorsement of the resolution by the Shareholders’ Meeting, unless the sale of shares is reasonably certain before the coupon detachment date.

3.23 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 in 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.

3.24 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 temporary 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 temporary 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 to the extent that it is no longer probable that the related tax benefit will be realised.

3.25 TRANSLATION OF ACCOUNTS IN FOREIGN CURRENCIES

Functional and presentation currency
The financial statements items are valued utilising the currency of the primary economic environment in which the entity operates (“functional currency”).
The Company’s functional currency is the Euro.

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 into foreign currencies at the date of preparation of the accounts are recorded in the income statement.

3.26 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. Changes in accounting policies are accounted for retrospectively with the effect recorded in shareholders’ equity for the first of the financial years presented. The comparative information is restated accordingly. The prospective approach is made only when it is impractical to reconstruct the comparative information. The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard itself. If the standard does not provide for transition procedures, the change is booked in accordance with the method described in the previous 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.

3.27 FINANCIAL RISK AND CAPITAL MANAGEMENT

As in all businesses, risk factors, which may affect the results, exist and therefore preventive actions have been taken. These procedures concern the commitment and responsibilities undertaken and are subject to maximum transparency and correctness. 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 the Group Directors' report.
The Company's activities are exposed to the following risks: market risk (defined as exchange and interest rate risks), credit risk and liquidity risk.
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 the Directors' report.

3.27.1 Credit risk

Credit risk represents the Company's exposure to the risk of potential losses resulting from the non-performance of obligations undertaken by the counterparties.
Allocations to doubtful debt provisions reflect the effective credit risks through the targeted quantification of the allocation itself.
The Company manages credit risk mainly by having relationships with counterparties with a high creditworthiness and does not present significant concentrations of credit risk. Maintaining effective credit risk management is a strategic objective for the Company and in this sense, the type of business and the payment instruments activated guarantee a limited credit risk overall.

The Company recognises a doubtful debt provision for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Maximum credit risk exposure is examined in more detail in paragraph 14 hereof.

3.27.2 Liquidity risk

Liquidity risk is understood as the difficulty of fulfilling obligations associated with financial liabilities settled in cash or through another financial asset.
The difficult economic and financial context of the markets requires particular attention to be paid to the management of liquidity risk and in this sense to actions aimed at generating financial resources through operational management and maintaining an adequate level of available liquidity. The Company therefore plans to meet the requirements deriving from financial payables falling due and expected investments through cash flows from operations, available liquidity and centralised management of the Group's treasury.

The Company believes that it has access to sufficient sources of financing to meet its planned financial needs, taking into account its cash and cash equivalents, its ability to generate cash flows, its ability to find sources of financing in the bond market and the availability of credit lines from banks.

A detailed analysis of the due dates for financial liabilities is contained in paragraph 21 of these notes.

3.27.3 Market risk

The strategy followed for this type of risk is aimed at mitigating interest rate and exchange rate risks and optimising the cost of debt.
These risks are managed in accordance with the principles of prudence and in line with best market practices. The main objectives set out in the policy are as follows:

- to pursue the defence of the long-term plan scenario from the effects caused by exposure to exchange rate and interest rate risks, by identifying the optimal combination of fixed and variable rates;
- to pursue a potential reduction of the Company's debt cost;
- to manage transactions in derivative financial instruments, taking into account the economic and equity impacts that these transactions may have, including in relation to their classification and accounting.

The exposure to interest rate risk arises from the need to finance operations and M&A investments and using available liquidity. Fluctuations in market interest rates can have a negative or positive impact on the Company's economic result, indirectly influencing the costs and returns of financing and investment transactions.
The interest rate risk to which the Company is exposed derives from bank loans. The Company constantly monitors the trend in interest rates to mitigate this risk and, when deemed appropriate, makes use of derivative instruments designated as "cash flow hedges". The use of such instruments is governed by written procedures consistent with the Group's risk management strategies, which do not include derivative instruments for trading purposes.

3.28 RELATED PARTIES

Engineering Ingegneria Informatica S.p.A. approved the procedure for the identification and carrying out of Transactions with Related Parties through Board of Directors' resolution of 12 November 2010, effective on 1 January 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 executives with strategic responsibilities and their related parties do not appear to be any more favourable than those applied, or which may have been reasonably applied, in the event of similar transactions under normal market conditions with executives without strategic responsibility of the same entities.

3.29 NEW IFRS AND IFRIC INTERPRETATIONS

For the purposes of drafting the financial statements, the International Accounting Standards (IFRS) approved by the European Commission and effective on 31 December 2019 were applied. With reference to the new IFRS in force, we highlight the first application of IFRS 16 "Leases", as from 1 January 2019, whose impacts are commented on in detail below.

Accounting standards, amendments and IFRS and IFRIC interpretations applied as of 1 January 2019

The following accounting standards, amendments and IFRS interpretations were applied for the first time by the Company as of 1 January 2019.

- **IFRS 16 "Leases"**

Main elements of IFRS 16

On 13 January 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 standard provides a new definition of lease and introduces a criterion based on the notion of control (right of use) of a good in order to distinguish lease contracts from service contracts, while identifying the following as discriminating factors for a lease: 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, lastly, 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 lease 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. Conversely, the standard does not include significant changes for lessors.

Impacts deriving from the adoption of IFRS 16

The project to identify the impact of the new standard on the Company's accounting balances was carried out in several stages, including the mapping of contracts potentially suitable to contain a lease contract and the analysis of the same in order to understand the main clauses relevant to the application of IFRS 16. It emerged that the most significant lease contracts, held by the Company, mainly relate to operating leases of property.

The Company has chosen to apply IFRS 16 using the modified retrospective approach, without changing the comparative data for 2018, in accordance with the provisions of IFRS 16: C7-C13. In particular, in relation to lease contracts previously classified as operating leases, the Company accounted for the following:

a) a financial liability, equal to the present value of future payments remaining on the transition date, discounted using for each contract the incremental borrowing rate applicable on the transition date;
b) a right of use equal to the value of the financial liability on the transition date, net of any accrued income and prepaid expenses referring to the lease and recognised in the statement of financial position on the closing date of these financial statements.

It should be noted that leased assets recognised in application of IFRS 16 "Leases" have been shown under "Rights of use and leased assets" in the consolidated statement of financial position as of 31 December 2019, and are detailed in the table in Note 6.

The following table shows the impacts deriving from the adoption of IFRS 16 on the Company's statement of financial position as of 1 January 2019.

(in millions of Euros)

Assets	Impacts on the transition date (01.01.2019)
Non-current assets	
Rights of use land and buildings	135
Rights of use other assets	6
Rights of use plant and machinery	0
Rights of use industrial and commercial equipment	1
Total	**142**
Liabilities	
Non-current liabilities	
Financial liabilities for non-current leases	134
Current liabilities	
Financial liabilities for current leases	6
Total	**140**

The Company has chosen to refer to a marginal debt rate ("incremental borrowing rate" or "IBR") in line with a hypothetical loan that would have been obtained in the current economic context, defined for groups of contracts with similar residual duration. In particular, the individual IBR takes into account the Risk free rate identified on the basis of factors such as the economic context, the currency, the contractual maturity, and the Credit Spreads which reflects the Company's organisation and financial structure.

The IBRs applied to discount the lease payments as of 1 January 2019 are shown below:

Currency	Within 3 years	From 4 to 9 years
EUR	0.85%	1%

In adopting IFRS 16, the Company has made use of the exemption granted in paragraph IFRS 16:5(a) in respect of short-term leases for the following classes of assets:

- Buildings
- Vehicles
- HW and SW

Likewise, the Company availed itself of the exemption granted by IFRS 16:5(b) concerning lease contracts for which the underlying asset is a low-value asset (i.e. the assets underlying the lease contract that do not exceed Euro 5,000, when new). The contracts for which the exemption has been applied fall mainly into the following categories:

- HW and SW

For these contracts, the introduction of IFRS 16 did not result in the recognition of the financial liability of the lease and the related right of use, but the lease instalments are recognised in the income statement on a straight-line basis for the duration of the respective contracts.

In addition, with reference to the transition rules, the Company has made use of the following practical expedients available in the event of choosing the modified retrospective transition method:

- use of a single discount rate for lease portfolios with reasonably similar characteristics;
- use of the assessment carried out at 31 December 2018 according to the rules of IAS 37 Provisions, Contingent Liabilities and Contingent Assets in relation to the accounting of onerous contracts as an alternative to the application of the impairment test pursuant to IAS 36 on the value of the right of use on 1 January 2019;

- classification of contracts that expire within 12 months from the transition date as a short-term lease. For these contracts, lease payments are recorded in the income statement on a linear basis;
- exclusion of the initial direct costs from the measurement of the right of use on 1 January 2019;
- use of the information present on the transition date for the determination of the lease term, with particular reference to the exercise of extension and early closing options;
- divestment of the service component of leases, by accounting the service component through income statement.

Reconciliation of lease commitments

To better understand the impact of first-time adoption of the standard, the following table provides a reconciliation between future commitments relating to lease contracts, as disclosed in paragraph 3.29 (EII) of the consolidated financial statements as of 31 December 2018, and the impact of the adoption of IFRS 16 on 1 January 2019.

(in millions of Euros)

	01.01.2019
Commitments for operating leases as of 31.12.2018	**122**
Minimum payments on finance lease liabilities as of 31.12.2018	7
Short-term lease instalments (exemption)	(4)
Low-value lease instalments (exemption)	0
Non-lease components amount included in the liability	(3)
Instalments per extension period	40
Other changes	0
Undiscounted financial liability for leases as of 01.01.2019	**162**
Discounting effect	(22)
Financial liabilities for leases as of 01.01.2019	**140**
Current value of financial lease liabilities as of 31.12.2018	(7)
Additional financial liability for leases due to the transition to IFRS 16 as of 01.01.2019	**133**

- **Amendments to IFRS 9 "Prepayment Features with Negative Compensation"**
  On 12 October 2017, the IASB published an amendment to **IFRS 9 "Prepayment Features with Negative Compensation".**

- **"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"**
  On 7 June 2017, the IASB published the interpretation **"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)".**

- **"Annual Improvements to IFRSs 2015-2017 Cycle"**
  On 12 December 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;
  - IAS 12 Income Taxes;
  - IAS 23 Borrowing Costs. The adoption of this amendment had no impact on the Company's financial statements.

- **"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"**
  On 7 February 2018, the IASB published the document **"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"**. The adoption of this amendment had no impact on the Company's financial statements.

- **"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**
  On 12 October 2017, the IASB published the document **"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**.

With the exception of that illustrated in the IFRS 16 “Leases” paragraph, the adoption of these amendments did not have an impact on the Company’s financial statements.

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

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

- On 18 May 2017, the IASB published **IFRS 17 - Insurance Contracts**, which is intended to replace IFRS 4 – Insurance Contracts.
  The standard is applicable as from 1 January 2021 but early application is allowed solely for entities which apply IFRS 9 – Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. Directors deem that the adoption of this standard will have no material impact on the Company’s financial statements.

- On 22 October 2018, the IASB published the document **“Definition of a Business (Amendments to IFRS 3)”**. Considering that this amendment will be applied to new acquisition transactions that will be concluded as from 1 January 2020, any effects will be recognised in the financial statements closed after that date.

- On 31 October 2018, the IASB published the document **“Definition of Material (Amendments to IAS 1 and IAS 8)”**. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company’s financial statements.

- On 11 September 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 Directors are currently evaluating the possible impact of the introduction of these amendments on the Company’s financial statements.

Statement of financial position

A) Non-current assets

4 Property, plant and equipment

(in Euros)

Description	31.12.2019	31.12.2018	Change
Property, plant and equipment	18,126,384	26,631,704	(8,505,321)

(in Euros)

Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improv.	Total
Historical cost as of 31.12.2018	22,306,113	13,493,930	43,349,679	14,283,620	10,733,521	104,166,862
Acc. depreciation as of 31.12.2018	(5,255,864)	(10,788,351)	(38,754,990)	(12,190,078)	(10,545,874)	(77,535,158)
Balance as of 31.12.2018	**17,050,249**	**2,705,579**	**4,594,688**	**2,093,542**	**187,646**	**26,631,704**
Historical cost as of 31.12.2019	12,703,619	13,597,106	40,866,590	15,156,988	10,154,549	92,478,852
Acc. depreciation as of 31.12.2019	(5,000,921)	(11,121,422)	(36,268,407)	(11,888,510)	(10,073,207)	(74,352,468)
Balance as of 31.12.2019	**7,702,698**	**2,475,684**	**4,598,182**	**3,268,477**	**81,342**	**18,126,384**

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	Leasehold improv.	Total
Balance as of 01.01.2018	**17,094,055**	**3,031,527**	**2,316,307**	**1,662,884**	**294,514**	**24,399,287**
Op. change from merger	0	1,304	2,666,094	103,642	0	2,771,040
Increase	552,151	448,981	1,568,993	880,076	0	3,450,201
Decrease	0	(26,692)	(414,824)	(290,465)	0	(731,981)
Incr. in accumulated depreciation	0	0	(410)	0	0	(410)
Decr. in accumulated depreciation	0	10,424	369,503	286,781	0	666,708
Depreciation	(595,957)	(759,966)	(1,910,974)	(549,376)	(106,868)	(3,923,141)
Balance as of 31.12.2018	**17,050,249**	**2,705,579**	**4,594,688**	**2,093,542**	**187,646**	**26,631,704**
Increase	144,077	606,191	2,056,553	1,760,046	0	4,566,867
Decrease	(9,746,571)	(503,014)	(4,539,642)	(886,678)	(578,971)	(16,254,877)
Decr. in accumulated depreciation	590,701	499,728	4,508,219	882,046	578,971	7,059,665
Depreciation	(335,758)	(832,799)	(2,021,636)	(580,478)	(106,305)	(3,876,975)
Balance as of 31.12.2019	**7,702,698**	**2,475,684**	**4,598,182**	**3,268,477**	**81,342**	**18,126,384**

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, while decreases relate to the sale of obsolete assets and restatements as envisaged by accounting standards.

“Land and buildings” increased by Euro 144 thousand as a result of the redevelopment of the property in Ferentino.

The net decrease of Euro 9,155 thousand refers to the reclassification of financial leases (formerly IAS 17) to "Rights of use and leased assets" in accordance with IFRS 16.

"Plant and machinery" increased by Euro 606 thousand due to the installation of new air conditioning, telecommunications and security systems in a number of Company offices.

The increase in "Industrial and commercial equipment", equal to Euro 2,057 thousand, relates to the purchase of computers for internal use while the decreases are due to the disposal and/or donation of obsolete computers.

The increase in "Other assets", amounting to Euro 1,760 thousand, refers to the purchase of furniture and fittings.

5 Intangible assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Intangible assets	501,264,480	518,335,033	(17,070,553)

(in Euros)

Description	Development costs	Industrial patents and intellectual property	Conc., licences and trademarks	Assets in progress	Customer contract and customer relation	Other assets	Total
Historical cost as of 31.12.2018	25,628,016	108,302,602	453,059,490	2,647,836	96,439,612	483,230	686,560,786
Acc. amortisation as of 31.12.2018	(20,309,408)	(102,780,314)	(30,128)	0	(44,767,673)	(338,230)	(168,225,753)
Balance as of 31.12.2018	**5,318,608**	**5,522,289**	**453,029,362**	**2,647,836**	**51,671,939**	**145,000**	**518,335,033**
Historical cost as of 31.12.2019	27,787,851	109,212,770	453,059,490	4,007,049	96,439,612	483,230	690,990,001
Acc. amortisation as of 31.12.2019	(22,393,560)	(105,672,569)	(30,128)	0	(61,218,534)	(410,730)	(189,725,521)
Balance as of 31.12.2019	**5,394,290**	**3,540,201**	**453,029,362**	**4,007,049**	**35,221,078**	**72,500**	**501,264,480**

The changes in intangible assets are detailed as follows:

(in Euros)

Description	Development costs	Industrial patents and intellectual property	Conc., licences and trademarks	Assets in progress	Customer contract and customer relation	Other assets	Total
Balance as of 01.01.2018	**1,330,433**	**3,983,500**	**453,029,362**	**5,144,073**	**5,104,077**	**217,500**	**468,808,944**
Op. change from merger	0	628,258	0	0		0	628,258
Increase	5,373,358	4,259,742	0	2,877,121	67,233,806	0	79,744,027
Decrease	0	0	0	(5,373,358)		0	(5,373,358)
Incr. in accumulated amortisation	0	(250)	0	0	(375,820)	0	(376,070)
Amortisation	(1,385,183)	(3,348,961)	0	0	(20,290,125)	(72,500)	(25,096,769)
Balance as of 31.12.2018	**5,318,608**	**5,522,289**	**453,029,362**	**2,647,836**	**51,671,939**	**145,000**	**518,335,033**
Increase	2,159,835	1,243,025	0	3,519,048		0	6,921,907
Decrease	0	(332,857)	0	(2,159,835)		0	(2,492,692)
Decr. in accumulated amortisation	0	332,857	0	0	0	0	332,857
Amortisation	(2,084,152)	(3,225,113)	0	0	(16,450,861)	(72,500)	(21,832,626)
Balance as of 31.12.2019	**5,394,290**	**3,540,201**	**453,029,362**	**4,007,049**	**35,221,078**	**72,500**	**501,264,480**

Intangible assets increased by Euro 6,922 thousand, broken down as follows:

- the amount in item "Development costs", equal to Euro 2,160 thousand, is related to:
  - the product known as "Net@2A", of the Energy & Utilities area relating to the management of the Integrated Water Service and the Environmental Hygiene service in view of a Cloud Service, created internally, in use since 1 January 2019, and whose amortisation period is 5 years. The value is Euro 2,037 thousand;
  - the construction of the new site of Engineering Ingegneria Informatica S.p.A., in the R&D area, for an amount of Euro 123 thousand, with estimated cost amortisation over 3 years;
- "Industrial patents and intellectual property" reported an overall increase of Euro 1,243 thousand, including Euro 910 thousand for the purchases of software programs;
- "Assets in progress" increased by Euro 3,519 thousand due to internal investments in new solutions:
  - in the Health area, the development of the product known as "Cartella clinica elettronica" (Electronic Medical Record) and the "Percorso Diagnostico Terapeutico Assistenziale" (Diagnostic Therapeutic Care Diagnostic Path) product continued. The total value is Euro 1,291 thousand of which Euro 728 thousand incurred in 2019. Amortisation will be initiated in 2020 for 5 years;
  - in the Finance area, the product known as "Soluzione collocamento prodotti" (Product placement solution) is being developed. The project has a total cost of 2 million over two years. Completion is expected in 2020. The costs incurred in 2019 amounted to Euro 1,695 thousand;
  - the new site of Engineering Ingegneria Informatica S.p.A. was included in the Research and Development area. The costs incurred in 2019 amounted to Euro 75 thousand. Amortisation started on 1 April 2019;
  - in the Utilities area, the NET@4SETTLEMENT module was created for an investment of Euro 924 thousand, amortisation will initiate in 2020 for 5 years, in addition to a module known as "Upstram" which will end in 2020. Costs incurred in the year amount to approximately Euro 98 thousand;
- the item "Concessions, licences and trademarks", amounting to Euro 453 million, refers to the fair value of the Engineering brand. This value was recognised in 2017 upon completion of allocation of the purchase price for the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries, by Mic Bidco S.p.A. and subsequent reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A..

(in Euros)

Description	As of 31.12.2018	Write-downs	As of 31.12.2019
Gross value – Trademark	453,029,362	0	453,029,362
Acc. impairment losses	-	-	-
Net value – Trademark	**453,029,362**	**0**	**453,029,362**

In the financial statements of previous years, the brand value recorded under intangible 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 trademark. In particular, in line with the literature and the best professional practice, the value of the trademark owned by Engineering was determined by using the income-based method, based on the discounting of future benefits attributable to the asset subject to value appraisal.

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 an 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.

The impairment test carried out as of 31 December 2019 had confirmed that there was no need to write down the value of the trademark with an indefinite useful life expressed in the financial statements. In 2019, the Group performance, in terms of operating results, remained substantially unchanged with respect to forecasts included in the 2019 budget and assumptions for the following years developed by the corporate management. Therefore, there are no indicators that the trademark was impaired in 2019.

The item “Customer contract and customer relation” consists of the “Contract Portfolio” and the “Customer Relation Value” recorded as a result of the business combinations carried out by Engineering Ingegneria Informatica S.p.A. in previous years.

6 Right of use and leased assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Right of use and leased assets	142,238,320	0	142,238,320

(in Euros)

Description	Buildings IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Total
Historical cost as of 31.12.2019	148,716,631	199,382	593,391	9,154,472	158,663,875
Acc. depreciation as of 31.12.2019	(13,235,970)	(84,558)	(299,072)	(2,805,955)	(16,425,555)
Balance as of 31.12.2019	**135,480,661**	**114,823**	**294,319**	**6,348,517**	**142,238,320**

Rights of use and leased assets include all corporate leased assets, both operating and financial. By effect of the adoption of IFRS 16, as from 1 January 2019, only one accounting model is used for leases (see paragraph 3.3 hereof).

The following table shows movements of rights of use and leased assets divided by product category:

(in Euros)

Description	Buildings IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Total
Balance as of 31.12.2018	**0**	**0**	**0**	**0**	**0**
Beginning balance of leased assets	134,823,888	233,166	628,375	6,135,552	141,820,981
Increase	17,005,275	36,860	30,197	3,748,171	20,820,503
Decrease	(3,703,233)	(70,643)	(65,182)	(729,251)	(4,568,310)
Decr. in accumulated depreciation	443,679	70,643	65,182	495,249	1,074,753
Depreciation	(13,088,948)	(155,202)	(364,254)	(3,301,204)	(16,909,607)
Balance as of 31.12.2019	**135,480,661**	**114,823**	**294,319**	**6,348,517**	**142,238,320**

The item “Beginning balance of leased assets” provides the data concerning lease contracts entered into before 1 January 2019, which was subject to evaluation for the First Time Adoption, as envisaged in IFRS 16. It also includes the reclassification in financial lease (formerly IAS 17) relating to properties in Turin, already recorded in the previous year under “Land and Buildings”.

The “Other assets IFRS 16” refer entirely to cars under operating lease, assigned to employees and its amortisation has been reclassified under personnel costs.

The following table highlights the impact, through profit or loss, of values related to right of use and leased assets:

(in Euros)

	31.12.2019
Depreciation on right-of-use assets	(16,909,607)
Interest expense on lease liabilities	(1,390,086)
Costs related to short-term lease contracts	(879,601)
Costs related to low-value lease contracts < 5 thousand Euro	(98,799)
Decrease (increase) in accumulated depreciation	1,074,753
Amounts recognised in income statement	**(19,278,093)**

Note 3.29 hereof summarises the impacts deriving from the adoption of IFRS 16 on the transition date.

7 Goodwill

(in Euros)

Description	31.12.2019	31.12.2018	Change
Goodwill	44,648,340	44,648,340	0

(in Euros)

Description	31.12.2019	31.12.2018	Change
Goodwill - Finance	16,344,694	16,344,694	0
Goodwill - Energy & Utilities	9,662,147	9,662,147	0
Goodwill - Telco & Media	6,798,110	6,798,110	0
Goodwill - Public Administration	4,759,832	4,759,832	0
Goodwill - Health	6,738,383	6,738,383	0
Goodwill - XC	345,174	345,174	0
Total	**44,648,340**	**44,648,340**	**0**

The analysis was performed to determine the goodwill recoverable value, which was allocated to Cash Generating Units (CGUs) to which it is related.

CGU is defined as an asset or small group of assets that generate incoming cash flows that are widely independent from the incoming cash flows resulting from other assets or group of assets. The CGUs were determined based on the market segments and the single operating investees, consistently with the corporate management view in terms of monitoring of results and economic planning.

The impairment test carried out as of 31 December 2019 on the goodwill allocated to the Cash Generating Units (CGUs) to which it relates confirmed that there is no need to write-downs the value disclosed in the financial statements. In 2020, the Company performance, in terms of operating results, remained substantially unchanged with respect to forecasts included in the 2020 budget and assumptions for the following years developed by the corporate management. Therefore, there are no indicators that goodwill was impaired in 2019.

Based on requirements envisaged by the International Accounting Standard IAS 36, the value of the goodwill as of 31 December 2019, tested for impairment, was Euro 44,648,340, as described hereabove.

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

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

For the identification of the recoverable value – the "value in use" of the CGUs – obtained through discounting, of the cash flows (DCF Model) extrapolated from the business plans drawn up by the management of the divisions, the following elements were considered:

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

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

- Risk free rate equal to the average rate of 2019 equal to approx. 2%;
- Equity Risk Premium, equal to the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The rate taken as a benchmark for assessments relates to 2019, equal to around 5%;
- Debt cost, equal to the average indebtedness cost (long and short term) of the Company, equal to 1%;
- Beta unlevered equal to 1;
- LTG (Long Term Growth) equal to 0.5%.

for a WACC:
- of 6.10% for the Finance CGU;
- of 6.09% for the E&U and T&M CGUs;
- of 6.04% for the PA CGU;
- of 6.06% for the Healthcare CGU;
- of 5.07% for the XC CGU.

Sensitivity analysis

Moreover, for all CGUs a sensitivity analysis was performed with an increase of 1% on 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%.

8 Equity investments

(in Euros)

Description	31.12.2019	31.12.2018	Change
Equity investments	170,664,577	142,496,095	28,168,481

CHANGES IN EQUITY INVESTMENTS

(in Euros)

Equity investments	Value as of 31.12.2018	Increase	Decrease	Write-downs	Value as of 31.12.2019
In subsidiaries	142,357,370	36,099,476	0	(7,847,087)	170,609,759
In associated companies	138,725	41,093	(125,000)		54,818
Total	**142,496,095**	**36,140,569**	**(125,000)**	**(7,847,087)**	**170,664,577**

a) Subsidiaries

(in Euros)

	Value as of 31.12.2018	Increase	Decrease	Write-downs	Value as of 31.12.2019
OverIT S.p.A.	11,389,673				11,389,673
Engiweb Security S.r.l.	2,141,089				2,141,089
Municipia S.p.A.	18,667,692				18,667,692
Engineering Sardegna S.r.l.	58,707				58,707
Nexen S.p.A.	5,669,820				5,669,820
Engineering do Brasil S.A.	19,615,006				19,615,006
Engineering International Belgium S.A.	270,202				270,202
Engineering D.HUB S.p.A.	30,138,774	384,922			30,523,696
Engi da Argentina S.A.	1,151,216			(1,151,216)	-
Engineering 365 S.r.l.	7,501,466			(6,686,656)	814,810
WebResults S.r.l.	4,194,317				4,194,317
Engineering Software Lab d.o.o.		47,800			47,800
ITS Holding AG	9,533,666				9,533,666
Engineering Ingegneria Informatica SL	103,589				103,589
Sofiter Tech S.r.l.	1,297,959				1,297,959
Sogeit Solutions S.r.l.	6,077,502	2,000,000			8,077,502
ITS Panama Corporation	9,215			(9,215)	-
Engineering USA Inc.	24,537,476				24,537,476
Digitelematica S.r.l.		3,666,753			3,666,753
Deus Technology S.r.l.		30,000,000			30,000,000
Total	**142,357,370**	**36,099,476**	**-**	**(7,847,087)**	**170,609,759**

Equity investments in subsidiaries reported the following changes:

- the equity investment in subsidiary Engineering D.HUB S.p.A. increased by Euro 384,922 due to Stock Options assigned by Engineering Ingegneria Informatica S.p.A.;

- the company Engineering Software Lab d.o.o increased by Euro 47,800, following the sale of shares by Engineering 365 S.r.l.. The company, already wholly and indirectly controlled, is now directly controlled;

- the equity investment in the company Sogeit Solutions S.r.l. increased by Euro 2,000,000 following a further 31.5% acquisition. The company is now wholly owned;

- the increase of Euro 3,666,753 is due to the acquisition of the company Digitelematica S.r.l., 80% owned;

- the increase of Euro 30,000,000 is due to the acquisition of the company Deus Technology S.r.l., wholly owned.

The decrease, equal to Euro 7,847,087, relates to write-downs of equity investments of Engineering 365 S.r.l., Engi da Argentina S.A. and ITS Panama Corporation.

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.
The impairment test carried out as of 31 December 2019 on the equity investments (Engineering do Brasil S.A., Engineering 365 S.r.l., Engineering USA Inc., Sogeit Solutions S.r.l.) confirmed that there is no need to write-downs the value disclosed in the financial statements. Therefore, there are no indicators that equity investments were impaired in 2019. Based on requirements envisaged by the International Accounting Standard IAS 36, the value of equity investments as of 31 December 2019, tested for impairment, was Euro 51,044,794.

Equity investments in subsidiaries are detailed as follows:

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Profit/(loss) for the year	Value as of 31.12.2019	%
Engineering Sardegna S.r.l.	Cagliari	8,609,170	4,958,128	1,000,000	3,651,042	11,264,865	2,845,607	58,707	100
Municipia S.p.A.	Trento	95,700,061	76,925,741	13,000,000	18,774,320	68,442,632	3,503,334	18,667,692	100
Engiweb Security S.r.l.	Trento	10,659,890	6,453,130	50,000	4,206,760	16,292,925	503,190	2,141,089	100
Nexen S.p.A.	Padua	16,139,811	7,615,882	1,500,000	8,523,928	10,473,701	1,581,488	5,669,820	100
OverIT S.p.A.	Fiume V. (PN)	39,890,163	18,113,564	300,000	21,776,599	39,752,531	2,946,790	11,389,673	95
Sicilia e-Servizi Venture S.c.r.l.	Palermo	52,541,812	78,979,516	300,000	(26,437,704)	0	(16,144,344)	0	65
Engineering do Brasil S.A.	Sao Paulo (Brazil)	52,272,326	37,722,767	11,433,448	14,549,559	56,699,920	4,487,721	19,615,006	100
Engineering International Belgium S.A.	Brussels	5,909,310	5,237,254	61,500	672,056	8,204,592	71,810	270,202	100
Engineering D.HUB S.p.A.	Pont-Saint -Martin	168,989,940	85,075,576	2,000,000	83,914,365	133,675,972	14,297,443	30,523,696	100
Engi da Argentina S.A.	Buenos Aires	3,380,418	3,643,917	105,633	(263,500)	1,415,902	(281,055)	0	91
Engineering 365 S.r.l.	Lancenigo (TV)	23,330,107	22,515,297	2,052,000	814,810	22,260,305	(895,131)	814,810	100
WebResults S.r.l.	Treviolo (BG)	10,411,730	7,594,692	10,000	2,817,038	13,085,036	326,320	4,194,317	100
Engineering Software Lab d.o.o.	Belgrade (SRB)	2,415,246	2,315,766	3,836	99,479	5,212,071	(246,562)	47,800	100
Engineering ITS AG	Berlin	26,554,041	13,053,405	50,000	13,500,636	5,062,712	(6,889,434)	9,533,666	51
Engineering Ingegneria Informatica S.L.	Madrid	1,331,569	759,760	100,000	571,809	1,484,382	187,086	103,589	100
Sofiter Tech S.r.l.	Rome	6,799,713	3,264,049	204,082	3,535,664	8,209,509	1,128,116	1,297,959	51
Sogeit Solutions S.r.l.	Rome	12,582,297	5,301,002	100,000	7,281,295	13,632,148	2,705,276	8,077,502	100
Engineering USA Inc.	Chicago (USA)	12,837,764	4,397,001	232,152	8,440,763	13,738,522	2,499,260	24,537,476	81
ITS Panama Corporation	Panama	0	0	0	0	0	0	0	100
Digitelematica S.r.l.	Lomazzo (Italy)	1,190,147	692,247	100,000	497,899	993,814	51,722	3,666,753	80
Deus Technology S.r.l.	Milan (Italy)	4,494,941	3,834,202	147,000	660,739	5,702,757	859,730	30,000,000	100

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Profit/(loss) for the year	Value as of 31.12.2018	%
Engineering Sardegna S.r.l.	Cagliari	6,985,295	6,179,859	1,000,000	805,435	11,566,119	746,728	58,707	100
Municipia S.p.A.	Trento	77,264,874	61,851,834	13,000,000	15,413,041	56,363,962	1,490,714	18,667,692	100
Engiweb Security S.r.l.	Trento	13,777,589	9,959,357	50,000	3,818,232	20,445,190	241,906	2,141,089	100
Nexen S.p.A.	Padua	11,850,219	4,868,132	1,500,000	6,982,088	4,862,636	878,761	5,669,820	100
OverIT S.p.A.	Fiume V. (PN)	31,376,458	12,526,732	300,000	18,849,726	35,591,070	2,936,488	11,389,673	95
Sicilia e-Servizi Venture S.c.r.l.	Palermo	98,474,720	108,768,081	300,000	(10,293,360)	3,260	(612,820)		65
Engineering do Brasil S.A.	Sao Paulo (Brazil)	43,472,525	33,145,042	11,617,916	10,327,483	47,052,945	808,201	19,615,006	100
Engineering International Belgium S.A.	Brussels	4,012,909	3,412,662	61,500	600,246	6,313,560	(9,915)	270,202	100
Engineering International INC	Delaware (USA)		(246,951)	9	246,951	13,563	7,276		100
Engineering D.HUB S.p.A.	Pont-Saint -Martin	139,925,669	70,414,795	2,000,000	69,510,874	129,575,045	16,768,469	30,138,774	100
Engi da Argentina S.A.	Buenos Aires	3,316,864	3,356,021	164,656	(39,157)	1,846,966	(804,914)	1,151,216	91
Engineering 365 S.r.l.	Lancenigo (TV)	19,032,638	17,196,446	52,000	1,836,192	18,818,871	(3,485,485)	7,501,466	100
WebResults S.r.l.	Treviolo (BG)	7,295,300	4,695,128	10,000	2,600,172	12,304,027	913,136	4,194,317	100
Engineering ITS AG	Berlin	31,383,107	10,977,575	50,000	20,405,532	2,704,232	926,886	9,533,666	51
Engineering Ingegneria Informatica S.L.	Madrid	1,113,520	728,798	100,000	384,723	1,207,519	238,240	103,589	100
Sofiter Tech S.r.l.	Rome	5,633,616	3,226,383	204,082	2,407,233	8,445,685	976,131	1,297,959	51
Sogeit Solutions S.r.l.	Rome	8,200,280	3,509,718	100,000	4,690,562	9,596,941	1,799,714	6,077,502	68
Engineering Usa Inc.	Chicago (USA)	8,755,770	2,917,838	227,773	5,837,932	12,892,692	1,058,341	24,537,476	80
ITS Panama Corporation	Panama							9,215	100

b) Associated companies

(in Euros)

	Value as of 31.12.2018	Increase	Decrease	Value as of 31.12.2019
Si Lab – Calabria S.c.a.r.l.	7,200	1,093		8,293
Si Lab – Sicilia S.c.a.r.l.	3,525			3,525
Consorzio Sanimed Group	3,000			3,000
Unimatica S.p.A.	125,000		(125,000)	0
Terram S.r.l.		40,000		40,000
Total	**138,725**	**41,093**	**(125,000)**	**54,818**

Equity investments in associated companies are detailed as follows:

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Profit/ (loss) for the year	Value as of 31.12.2019	%
Si Lab – Calabria S.c.a.r.l.	Rende	16,795	11,349	30,000	5,446	1	(7,375)	8,293	24
Si Lab – Sicilia S.c.a.r.l.	Palermo	37,737	2,316	30,000	35,421	14,751	1,985	3,525	24
Consorzio Sanimed Group	Terni	n/a	n/a	n/a	n/a	n/a	n/a	3,000	25
Terram S.r.l.	Verona	n/a	n/a	n/a	n/a	n/a	n/a	40,000	40

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Profit/ (loss) for the year	Value as of 31.12.2018	%
Si Lab – Calabria S.c.a.r.l.	Rende	38,379	25,557	30,000	19,822	13,652	(7,135)	7,200	24
Si Lab – Sicilia S.c.a.r.l.	Palermo	35,845	2,410	30,000	33,435	15,944	1,150	3,525	24
Unimatica S.p.A.	Bologna	4,282,043	3,280,773	500,000	1,001,270	5,158,769	74,166	125,000	25
Consorzio Sanimed Group	Terni	n/a	n/a	n/a	n/a	n/a	n/a	3,000	25

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

Terram S.r.l. is a newly formed company. Accounting data are therefore unavailable.

c) Companies under indirect control

(in Euros)

	City	Assets	Liabilities	Share capital	Sharehol-ders' equity	Revenues	Profit/ (loss) for the year	%
Engineering Luxembourg S.à.r.l.	Luxembourg			12,500			(2,395)	100
DST Consulting GmbH	Dusseldorf (Germany)	6,226,746	3,418,541	25,000	2,808,205	15,083,662	(6,869)	51
EMDS GmbH	Stuttgart (Germany)	2,864,528	1,800,361	300,000	1,064,167	8,394,263	(2,689)	51
Engineering Software Labs GmbH	Stuttgart (Germany)	5,262,650	3,584,055	25,000	1,678,595	8,631,678	(5,741)	51
OverIT International Inc.	Miami (USA)	13,342	162,088	44,508	(148,746)	1,014	(16,078)	84
Engineering Software Labs s.r.o.	Prague (Czech Rep.)	618,745	351,181	3,936	267,564	1,298,431	260,956	51
LG-NET S.r.l.	Rome (Italy)	31,214	159,738	26,500	(128,524)	26,148	(131,779)	76
Securetech Nordic S.A.	Stockholm (Sweden)	256,004	184,719	4,786	71,285	684,880	43,456	51
OmnitechIT Secur S.L.	Madrid (Spain)	560,653	541,747	3,000	18,906	725,137	(45,678)	51
OmnitechIT Turkey S.L.	Gebze Osb Mah (Turkey)	16,757	110,100	748	(93,343)	0	(10,012)	51
OmnitechIT GmbH	Geilenkirchen (Germany)	123,927	11,171	25,000	112,755	72,330	36,114	51
Omnisecure d.o.o.	Belgrade (Serbia)	444,538	384,871	20,930	59,667	908,506	21,577	31
BW digitronik A.G.	Ulster (Switzerland)	1,822,079	1,217,521	368,528	604,558	3,215,741	46,450	26
OmnitechIT Security AS	Oslo (Norway)	230,527	193,474	3,041	37,053	488,284	21,936	51
OverIT GmbH	Monaco (Germany)	222,609	180,286	25,000	42,323	240,608	18,494	84
Pragma	Sommacampagna (Italy)	2,038,592	1,873,296	100,000	165,295	3,059,877	150,795	26
Cybertech	Rome (Italy)	18,373,723	27,935,553	1,000,000	(9,561,830)	19,122,001	(300,105)	51

9 Deferred tax assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Deferred tax assets	16,432,971	13,963,067	2,469,904

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	31.12.2019		31.12.2018	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Allocation to other prov. and charges	1,002,000	240,480	8,790,676	2,109,762
IAS amortisation/depreciation	1,978,086	474,741	2,229,509	535,082
Directors' fees	878,000	210,720	817,900	196,296
Doubtful debt provision	38,444,589	9,226,701	23,302,042	5,592,490
Provisions for risks	3,569,423	986,479	4,427,171	1,235,181
Leaving incentives	6,552,500	1,572,600	5,150,566	1,236,136
Adjustments for IAS 19	15,363,478	3,687,235	12,527,709	3,006,650
Other	141,728	34,015	214,457	51,470
Total	**67,929,805**	**16,432,971**	**57,460,029**	**13,963,067**

The following table reports the detail of deferred tax assets:

(in Euros)

Description	IAS amortisation/ depreciation	Directors' fees	Doubtful debt provision	Provision for risks and charges	Leaving incentives	Adjustments for IAS 19	Other	Total
01.01.2018	**402,856**	**263,520**	**8,131,588**	**4,260,166**	**288,961**	**2,583,683**	**6,465,113**	**22,395,887**
Debit/credit through income statement	97,847	(78,360)	(2,611,499)	(1,223,824)	(16,157)		(6,413,644)	(10,245,637)
Debit/credit through OCI						293,398		293,398
Acquisitions of subsidiaries	34,380	11,136	72,401	265,463	984,437	129,569		1,497,386
Exchange rate difference				43,138	(21,105)			22,033
31.12.2018	**535,083**	**196,296**	**5,592,490**	**3,344,942**	**1,236,136**	**3,006,650**	**51,469**	**13,963,067**
Debit/credit through income statement	(60,342)	14,424	3,634,211	(2,117,983)	336,464		(17,455)	1,789,319
Debit/credit through OCI						680,585		680,585
31.12.2019	**474,741**	**210,720**	**9,226,702**	**1,226,959**	**1,572,600**	**3,687,235**	**34,014**	**16,432,971**

The increase in receivables for deferred tax assets is related to the allocation to the doubtful debt provision of the subsidiary SISEV. The decrease is due mainly to the release of the provision for charges relating to the non-competition agreement.

10 Other non-current assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other non-current assets	6,397,737	5,280,129	1,117,609

The balances are comprised of:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Investments in other companies	2,835,170	2,551,207	283,963
Other non-current assets	3,562,567	2,728,921	833,646
Total	**6,397,737**	**5,280,129**	**1,117,609**

a) Investments in other companies

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

(in Euros)

	Value as of 31.12.2018	Increase	Value as of 31.12.2019
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.	237,404		237,404
Distretto Tecnol. Micro e Nanosistemi S.c.r.l.	34,683		34,683
Wimatica S.c.a.r.l. (da Esel)	6,000		6,000
Consorzio Cefriel	191,595		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.	750,000	250,000	1,000,000
Palantir Digital Media S.r.l.	500		500
Seta S.r.l.	82,192		82,192
Ditecfer S.c.ar.l.		3,000	3,000
SIIT S.C.P.A		30,963	30,963
Total	**2,551,207**	**283,963**	**2,835,170**

b) Other non-current receivables

(in Euros)

Description	31.12.2019	31.12.2018	Change
Tax receivables and taxes paid abroad	1,448,727	1,452,327	(3,600)
Security deposits	318,840	325,166	(6,326)
Others	1,795,000	951,429	843,571
Total	**3,562,567**	**2,728,921**	**833,646**

The item “Other” includes the fair value of assets related to the year of the Call option for the purchase of non-controlling interests.

The amount related to “Tax receivables and taxes paid abroad” refers to foreign withholding taxes, paid in Brazil in 2013, and recoverable up to 2021.

C) Current assets

11 Inventories

(in Euros)

Description	31.12.2019	31.12.2018	Change
Inventories	42,035	42,035	0

Inventories include stocks held for sale.

12 Customer contract assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Customer contract assets	156,958,879	133,077,445	23,881,434

The breakdown of customer contract assets and related movements are shown hereunder:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Initial customer contract assets	133,077,445	112,077,761	20,999,684
Adjustments and changes in customer contract assets	(288,729)	8,158,181	(8,446,910)
Amount of costs incurred increased by profits recorded according to percentage completion net of losses	444,596,576	405,053,849	39,542,727
Invoicing actual progress in customer contract assets	(420,426,413)	(392,212,346)	(28,214,067)
Total	**156,958,879**	**133,077,445**	**23,881,434**

Customer contract assets are represented by specific multiannual projects in the course of completion. The increase reported over the year refers mainly to the increase in volumes shown on revenues also inferable from turnover of the period. During this period, there were no significant changes on contractual conditions.

13 Deferred contract costs

(in Euros)

Description	31.12.2019	31.12.2018	Change
Deferred contract costs	7,357,880	3,076,943	4,280,937

The Company recognised deferred contract costs in relation to obtaining the contract represented by the so-called transition costs for Euro 6,821 thousand. These are costs directly associated with the performance of the service offered and, in particular, refer to the costs incurred for the taking over of orders (transition cost). The portions of costs pertaining to 2019, determined on the basis of the ratio between the revenues accrued for the activities carried out at the reporting date and the total estimated revenues until the end of the contracts, amount to Euro 2,541 thousand.

The deferred costs, totalling Euro 7,358 thousand, will be charged to 2020 (Euro 3,590 thousand) and over the following 2 years (Euro 3,768 thousand).

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14 Trade receivables

The book value of trade receivables and other receivables is shown at amortised cost and the value approximates the fair value. The value refers to receivables from banking institutes, utilities, industry, services, Public Administration and companies operating in the telecommunications market.

(in Euros)

Description	31.12.2019	31.12.2018	Change
Trade receivables	486,083,407	483,990,269	2,093,138

Trade receivables as of 31 December 2019 are shown hereunder.

(in Euros)

Description	31.12.2019	31.12.2018	Change
Customers	365,073,545	343,301,367	21,772,179
Subsidiaries	114,373,688	136,805,525	(22,431,837)
Associated companies	552,504	56,473	496,031
Others	6,083,670	3,826,905	2,256,765
Total	**486,083,407**	**483,990,269**	**2,093,138**

a) Customers

(in Euros)

Description	31.12.2019	31.12.2018	Change
Receivables on invoices issued	320,540,440	311,122,786	9,417,654
of which overdue	103,105,105	105,202,913	(2,097,808)
Invoices to be issued	69,457,155	56,895,512	12,561,643
Credit notes to be issued	(255,235)	(198,472)	(56,763)
Doubtful debt provision	(23,798,532)	(23,648,177)	(150,355)
Provision for interest in arrears	(870,283)	(870,283)	0
Total	**365,073,545**	**343,301,367**	**21,772,179**

Receivables from customers, net of the doubtful debt provision, amounted to Euro 365,074 thousand.

It is noted that, as of 31 December 2019, the Company factored trade receivables for a total amount of Euro 137.3 million (Euro 141.7 million as of 31 December 2018). Risks and benefits related to receivables were transferred to the transferee; receivables were therefore written off from the assets in the statement of financial position, according to the consideration received by factoring companies.

Receivables from customers include Engineering's receivables from Sicilia Digitale S.p.A., which amount to Euro 8.35 million and are the object of a recovery plan resulting from the transaction signed on 12 June 2019 between the transferees of the SISEV receivable and Sicilia Digitale S.p.A.. In particular, on 12 June 2019, a specific transaction was agreed between the transferees of the SISEV receivable (Engineering and Accenture, as creditor partners for services rendered and not remunerated at that time) and Sicilia Digitale S.p.A. for the recognition to them of a total amount of Euro 19.5 million (of which Euro 13.2 million in favour of Engineering and Euro 6.3 million in favour of Accenture), with waiver of the interest on arrears and which specifies, among other things, a repayment plan of the receivable transacted by the final repayment date on 1 May 2020. In addition, the transaction provides that the failure to comply with any time scans for the payment so agreed implies, for the express provision of the agreement, the resolution of it and the possibility for the creditor parties (Engineering and Accenture) to act for the entire. In the illustrated context, Sicilia Digitale S.p.A. has only partially complied with the credit repayment plan contained in the transaction; in fact, it should be noted that so far the amounts provided for by the same writing have not been paid since November 2019. For this reason, a special notice was sent on 3 February 2020 to fulfilment under penalty of termination of the transaction. However, to date, no further payment has been received, in so that it is being considered to proceed with the dissolution of the settlement agreement and the enforcement of the judgement for the higher amount indicated therein.

The doubtful debt provision increased by only Euro 150 thousand, substantially due to the difference between the allocation for the year (Euro 576 thousand) and its use (Euro 426 thousand).

The Company applies the simplified approach of IFRS 9 to measure the expected credit loss on all trade receivables and customer contract assets.

In order to determine the expected credit loss, trade receivables were initially grouped by counterparty (third parties and Public Administration) and subsequently, for receivables from third parties only, by days past due. Customer contact assets refer to invoices to be issued for assets related to contracts with customers and have substantially the same risk characteristics as trade receivables for the same type of contracts.
The Company therefore concluded that the expected credit loss for trade receivables represents a reasonable approximation of losses on customer contract assets.
Rates on expected credit loss are based on collection terms over a period of 545 days prior to 1 January 2018, and the corresponding losses on historical receivables during this period. Historical loss rates are adjusted to reflect current and future macroeconomic conditions affecting customers' ability to repay loans. The Company has identified the average default rate of Italian companies for the two-year period 2018-2019 as a relevant factor for receivables from third parties, while it has identified the country risk of Italy as the main factor for receivables from the Public Administration. These factors were used to adjust the historical loss rates recorded. On this basis, the doubtful debt provision to be subject to collective impairment as of 1 January 2018, was determined as follows. It should be noted that, on the basis of the model described above, there are no significant impacts such as to have to adjust the doubtful debt provision as of 31 December 2019, with reference to the expected credit loss.

Expected Credit Loss – Receivables from third parties

(in Euros)

31.12.2019	0-30 days	31-90 days	91-120 days	121-180 days	181-365 days	366-545 days	over 545 days	Total
Rate of Expected Credit Loss	0.02%	0.08%	0.18%	0.24%	0.40%	0.95%	2.18%	1.98%
Trade receivables from third parties and jointly impaired	188,529,862	12,356,541	2,184,491	3,211,492	13,165,358	1,461,612	14,660,317	235,569,673
Doubtful debt provision	**33,421**	**9,524**	**3,901**	**7,557**	**52,788**	**13,851**	**319,917**	**440,959**

Expected Credit Loss – Public Administration

(in Euros)

	31.12.2019
Rate of Expected Credit Loss	0.08%
Trade receivables from third parties and jointly impaired	56,087,316
Doubtful debt provision	**46,482**

The closing balance of the doubtful debt provision for trade receivables is reconciled with the opening balance as shown below:

(in Euros)

Trade receivables	31.12.2019
Doubtful debt provision as of 31.12.2018	24,518,460
Allocation for the period	576,817
Write-off of receivables considered non-recoverable	(426,463)
Doubtful debt provision as of 31.12.2019	**24,668,814**

Overdue receivables by sector are shown in the following table:

(in Euros)

Description	Days falling due					Total as of 31.12.2018
	30	60	90	120	over 120	
Public Administration	5,224,539	2,177,886	3,418,934	445,225	21,495,945	32,762,528
Finance	4,369,281	4,281,523	448,167	889,080	8,069,631	18,057,681
Industry & Services	10,387,870	6,309,598	796,639	619,481	13,253,011	31,366,599
Telco & Utilities	10,869,436	4,219,743	534,911	651,083	6,740,931	23,016,105
Total	**30,851,126**	**16,988,750**	**5,198,651**	**2,604,868**	**49,559,517**	**105,202,913**

(in Euros)

Description	Days falling due					Total as of 31.12.2019
	30	60	90	120	over 120	
Public Administration	4,121,680	4,238,272	502,133	961,040	25,286,335	35,109,460
Finance	8,821,185	1,555,463	866,527	598,089	11,032,792	22,874,056
Industry & Services	7,075,741	5,174,567	973,622	933,405	13,295,104	27,452,439
Telco & Utilities	6,667,708	1,916,214	903,264	1,426,530	6,755,433	17,669,149
Total	**26,686,313**	**12,884,517**	**3,245,547**	**3,919,064**	**56,369,664**	**103,105,105**

b) From subsidiaries

These receivables refer to the following:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Receivables on invoices issued	40,106,451	69,157,014	(29,050,562)
Invoices to be issued	29,577,443	26,722,007	2,855,436
Cash pooling	44,057,359	28,217,979	15,839,380
Doubtful debt provision	(17,184,508)	(6,690,684)	(10,493,824)
Credit notes to be issued	(26,666)	(117,180)	90,514
Loans receivable	16,913,120	19,063,100	(2,149,980)
Others	930,489	453,290	477,199
Total	**114,373,688**	**136,805,525**	**(22,431,837)**

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

Receivables from subsidiaries include the exposure as of 31 December 2019, with respect to Sicilia e-Servizi Venture S.c.r.l. in liquidation (“SISEV”), equal to Euro 49,793,454 (including the related doubtful debt provision amounting to Euro 17,184,508), of which Euro 8,996,914 of customer contract assets 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.r.l. in liquidation on 21 May 2007 and expired on 22 December 2013.

The collection of this credit position is related to the collection of the receivable that the same subsidiary SISEV has from Sicilia Digitale S.p.A., as summarised hereunder.

In order to obtain payment of the sums due, in the mutual interest, on 9 October 2012 SISEV, the Sicilian Region and Sicilia Digitale S.p.A. signed an “agreement” which regulated the repayment of SISEV receivable, indicating the final repayment date on 31 December 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 repayment plan, as envisaged by the agreement, although no objections arose with respect to the correct performance of services rendered.

Given the non-payments of Sicilia Digitale S.p.A., on 26 June 2013, SISEV filed a petition for a payment order before the Court of Palermo against Sicilia Digitale S.p.A., and obtained the payment order for Euro 30,052 thousand (in addition to interests, expenses and remunerations, VAT and CPA), for which, however, no execution order was given. Therefore, to safeguard its rights, on 18 July 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 10 November 2014, the Court of Palermo rejected SISEV's request while underlying that "given that, besides Sicilia e-Servizi S.p.A., also the Sicilian Region (via its accountant general), an undoubtedly solvent entity, is directly committed with respect to Sicilia e-Servizi Venture S.c.r.l. Omitted ... there is no urgency (periculum in mora) ...". In other words, the Judge reported no credit risk, while highlighting the "guarantor" role played by the Sicilian Region in favour of SISEV.

As regards Sicilia Digitale S.p.A.'s judgement of opposition to the payment order, deposited on 3 September 2013, obtained in the amount of approximately Euro 30,052 thousand, the Judge ordered Office Technical Experts, to evaluate, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the payment order. On 17 December 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 28,068 thousand 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). Following a request of integration by the Judge, the experts therefore issued and lodged the supplementary expertise (in which the assets involved in 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). After filing the supplementary expertise report, following the clarification of the conclusions of the parties involved, with a sentence dated 30 August 2018, the Judge ordered, among other things, Sicilia Digitale S.p.A. to pay SISEV Euro 19,508 thousand, plus interest at the rate indicated in the payment order. The Judge therefore confirmed the evaluations expressed by the experts, in the aforementioned supplementary expertise report, considering that only the services certified by SISEV's managerial figures were "recognised" to SISEV.

By a writ of summons on appeal notified on 18 February 2019, Sicilia Digitale appealed against the aforementioned judgement, asking for its complete reform. SISEV appeared with a cross-appeal response asking for recognition of the amounts not included in the Court's sentence. At the first hearing on 31 May 2019, SISEV requested, in agreement with Sicilia Digitale, postponement for negotiations, granted until 5 July 2019. In fact, the above-mentioned amicable agreement was signed on 12 June 2019.

In addition to what has just been illustrated, on 18 February 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 a payment order) 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 9 October 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 9 October 2012 was invalid, the service contracts and related orders were null and void and 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 8 June 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 expertise.

On 30 May 2018, the technical experts appointed by the Court of Palermo sent the parties and their respective technical experts a draft of the expertise. Given the extent of this report, the Judge was first asked to extend the deadline for replies to the expertise; for this reason, the Judge granted the extension as requested and assigned the parties a deadline until 30 September 2018, to communicate their observations on the expertise report, assigning the experts a further deadline until 30 October 2018, to file the final report together with the observations of the parties and setting a hearing on 8 November 2018, for the continuation of the case. The aforementioned final report shows (i) a receivable assessed by SISEV for only Euro 4,198 thousand against a claim of Euro 79,675 thousand and (ii) provides the Judge, as a possible alternative assessment criterion, with a second calculation certifying a total receivable of Euro 26,157 thousand from Venture. The case was adjourned to the hearing of 12 December 2019, for examination by the expertise.

Considering the report to be seriously omissive and erroneous, a new request for the renewal of the expertise, pursuant to Article 196 of the Italian Criminal Code, was submitted. It was discussed at the hearing of 30 May 2019, at which the Region and Sicilia Digitale contested the application and asked for its complete rejection. The Judge deferred decision and, as a result, rejected the application for renewal, deducing, as to form, the absence of any breach by the independent expert of the right to be heard and, on the merits, the possibility of detecting any errors in the expert's report in the decision-making process. At the hearing of 19 December 2019, to which the case was then adjourned, the same was held in judgement. The final briefs are currently being drafted.

Please note that, in addition to the above, 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.

SISEV, considering the legitimacy of the receivables for the services provided and assessing the appraisal delivered by the independent expert as part of the summons to obtain payment of an amount of their receivables, equal to approximately Euro 79,675 thousand, as seriously omissive and erroneous, stated that its receivables from Sicilia Digitale S.p.A. are collectable. Moreover, the above-mentioned claims do not seem prima facie suited to stop the aggregate claims of SISEV.

In any case, after acknowledging the continuous change in institutional interlocutors, in view of a legal dispute and of the objections filed in by Sicilia Digitale S.p.A. and the Sicilian Region, SISEV, taking account of the rationales for an amicable agreement (concerning only a portion of receivables), allocated an amount of around Euro 20.7 million to the doubtful debt provision, in addition to the amount already allocated the previous year, for a total amount of the doubtful debt provision equal to Euro 62.7 million. The latter included the total impairment of the aforesaid interest set out by law and recognised in the financial statements (for an amount of Euro 35.3 million) and, for the remaining portion, the impairment of the nominal value of the receivable (for an amount of Euro 27.4 million).
In the Explanatory Notes, SISEV explained that this determination is the result of a prognostic judgement formulated on the basis of a careful reflection of all existing available information.

The Directors of Engineering Ingegneria Informatica S.p.A., having assessed the above and taken note of the equity deficit of the subsidiary, deemed their receivables from SISEV partially uncollectible. The amount of Euro 17,184 thousand, proportional to the Company's share of the equity deficit, was therefore written down.

c) From associated companies

(in Euros)

Description	31.12.2019	31.12.2018	Change
Receivables on invoices issued	552,504	34,366	518,138
Invoices to be issued	0	22,107	(22,107)
Total	**552,504**	**56,473**	**496,031**

d) From others

(in Euros)

Description	31.12.2019	31.12.2018	Change
Prepayments	869,787	1,235,739	(365,952)
Others	5,213,883	2,591,166	2,622,717
Total	**6,083,670**	**3,826,905**	**2,256,765**

15 Other current assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other current assets	38,411,149	40,367,791	(1,956,641)

The other current assets are broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other assets and tax receivables	4,995,963	6,086,578	(1,090,616)
Others	33,415,187	34,281,212	(866,026)
Total	**38,411,149**	**40,367,791**	**(1,956,641)**

a) Other assets and tax receivables

The item is broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Tax receivables	4,906,955	5,985,657	(1,078,702)
Social security institutions	89,008	100,922	(11,914)
Total	**4,995,963**	**6,086,578**	**(1,090,616)**

The tax receivables mainly relate to the following:

- IRES and IRAP receivables for amounts, equal to Euro 3,156 thousand, paid for IRES tax and Euro 609 thousand paid for IRAP tax, after offsetting the provision for taxes calculated as of 31 December 2019;
- Euro 271 thousand, receivables from the Inland Revenue Office for recoverable VAT;
- Euro 796 thousand in tax refunds receivable.

b) Others

The item “Others” includes:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Applied research grants	32,499,254	32,667,613	(168,360)
Prepaid expenses	976	888,476	(887,500)
Others	914,958	725,123	189,834
Total	**33,415,187**	**34,281,212**	**(866,026)**

The other receivables primarily refer to receivables accrued for applied research, related to projects financed by national public authorities and by the European Community.

16 Cash and cash equivalents

(in Euros)

Description	31.12.2019	31.12.2018	Change
Cash and cash equivalents	161,484,408	152,757,670	8,726,738

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	31.12.2019	31.12.2018	Change
Banks and postal deposits	161,467,080	152,742,898	8,724,182
Cash and cash equivalents	17,328	14,772	2,556
Total	**161,484,408**	**152,757,670**	**8,726,738**

For further information, reference should be made to the cash flow statement hereof.

D) Shareholders' equity

17 Information on shareholders' equity

(in Euros)

Description	31.12.2019	31.12.2018	Change
Shareholders' equity	599,118,125	616,484,516	(17,366,391)

Changes are highlighted in the following table:

(in Euros)

Shareholders' equity	Value as of 31.12.2018	Increase	Decrease	Value as of 31.12.2019
Share capital	31,875,000	0	0	31,875,000
Treasury shares in portfolio		0	0	
Share capital unpaid		0	0	
Total share capital	**31,875,000**	**0**	**0**	**31,875,000**
Legal reserve	6,375,000	0	0	6,375,000
Reserve acquisition treasury shares		0	0	
Share premium reserve		0	0	0
Merger reserve	504,437,886	0	0	504,437,886
Exchange translation reserve IAS 21		0	0	
Other reserves	20,648,358	10,021,063	0	30,669,420
Total reserves	**531,461,244**	**10,021,063**	**0**	**541,482,307**
Prior years' undistributed profits	25,628,395	35,465,582	(39,966,759)	21,127,218
First-time application of IAS/IFRS	1,700,058	0	0	1,700,058
IAS 19 actuarial gains/(losses)	(9,645,763)	0	(2,155,185)	(11,800,948)
Fair value cash flow hedge reserve		0	0	
Retained earnings/(losses carried forward)	**17,682,690**	**35,465,582**	**(42,121,944)**	**11,026,328**
Profit (loss) for the year	**35,465,582**	**14,734,490**	**(35,465,582)**	**14,734,490**
Total shareholders' equity	**616,484,516**	**60,221,135**	**(77,587,525)**	**599,118,125**

18 Share capital

The subscribed and fully paid-up share capital is Euro 31,875,000, divided into 12,156,787 shares each without nominal value.

19 Reserves

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

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

- Merger reserve:
  the merger reserve totalled Euro 504,437,886 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., which occurred in 2017;

- Euro 334,422 for the merger of the subsidiary Infinity Technology Solutions S.p.A. on 1 January 2018;
- Euro 398,117 for the merger of the subsidiary Infogroup S.p.A. on 1 May 2018.

The reserve is available and distributable.

- Other Reserves of Euro 30,669,420 relate to:
  - Stock Option Reserve:
    this reserve, amounting to Euro 29,349,420, 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 28 June 2017. The increase for the year equalled Euro 10,021,063. For further details, reference is made to paragraph “Personnel Costs”.
    The reserve is available to cover losses after using earnings available and the legal reserve. In this case, the amounts shall be reinstated through allocations of profits from following years.
  - 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.

20 Retained earnings

Retained earnings of Euro 11,026,328 include:

- Prior years’ undistributed profits of Euro 21,127,218.
  This item increased by Euro 35,465,582, mainly due to the allocation of profits gained in 2018. It decreased by Euro 39,966,759 due to profit distribution (Euro 39,650,442) and the effects resulting from the reverse merger (Euro 316,317).
  The reserve is available and distributable, after covering negative reserves.

- First-time IAS/IFRS adoption of Euro 1,700,058.
  The reserve is neither available nor distributable and relates to the first time adoption of International Accounting Standards.

- Actuarial gains/(losses) IAS 19 of Euro (11,800,948).
  This reserve decreased for a total amount of Euro 2,155,185 due to the actuarial gain, net of deferred taxes (Euro 680,585).

E) Non-current liabilities

21 Non-current financial liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Non-current financial liabilities	191,354,046	168,354,052	22,999,994

Non-current financial liabilities refer to “Bank loans” and “Other non-current financial liabilities”:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Bank loans	183,444,398	169,467,551	13,976,847
Other non-current financial liabilities	9,816,003	2,310,091	7,505,912
Value of financial debt at amortised cost	(1,906,355)	(3,423,590)	1,517,235
Total	**191,354,046**	**168,354,052**	**22,999,994**

Bank loans as of 31 December 2019 are as follows:

(in Euros)

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Of which over 5 years
Intesa Sanpaolo Fin. 83817	2020	Euribeur363m+0.85000	8,312,500		
BEI/SERAPIS N. 84744	2022	Euribeur363m+1.06000	9,090,909	13,636,364	
Banca IMI - Pool of Banks	2021	0.9000000	24,700,000	59,150,000	
MIUR Pr. 248064 SAFE&SMART	2024	0.2500000	46,452	328,428	
Banco BPM	2023	1.2500000	13,644,444	40,933,333	
Banco BPM	2024	0.8770000	500,000	9,250,000	
BEI/SERAPIS N. 88682	2026	1.3390000		40,000,000	13,333,333
BEI/SERAPIS N. 88682	2026	1.3060000		20,000,000	6,666,667
MISE/MCC SUMMIT	2028	0.1700000	9,685	146,272	68,492
Total			**56,303,990**	**183,444,398**	**20,068,492**

Payables totalled Euro 239,748,388, including amortised costs, of which Euro 183,444,397 due beyond 12 months, Euro 56,303,990 due within 12 months and are stated under 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 one direct credit line of Euro 50 million, disbursed on 8 January 2016;
- 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 30 December 2015 and the second of Euro 38.5 million on 30 June 2016. The first tranche of Euro 31.5 million was used to repay a previous loan, originally Euro 35 million, granted by the European Investment Bank (EIB) through Unicredit S.p.A.. The loan will expire in March 2020;
- following the reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., on 26 May 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 by the same pool of banks, again through Banca IMI S.p.A., to Mic Bidco S.p.A., which had used it to acquire the entire share capital of Engineering Ingegneria Informatica S.p.A. against the OPA launched in May 2016;
- on 27 December 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.;
- on 2 July 2019, Banco BPM granted a loan of Euro 10 million for a 5.5-year period to support the financial restructuring of Cybertech S.r.l.;
- on 6 June 2019, a new loan contract for Euro 60 million was signed, granted directly by the European Investment Bank (EIB) always in support of research and technological development activities. On 16 July

2019, the first tranche of Euro 40 million was disbursed at a fixed rate of 1.339%, while on 20 September 2019, the second and last tranche of Euro 20 million was disbursed at a fixed rate of 1.306%.

Covenants

All financial loans, except for the Euro 60 million loan granted by the European Investment Bank (EIB), are at variable rate.

The following loans envisage the respect of some covenants:

- loan granted by the European Investment Bank (EIB);
- loan granted by Banca Intesa Sanpaolo S.p.A.;
- loan granted by Banca IMI S.p.A./Pool of Banks;
- loan granted by Banco BPM.

At the reporting date of these financial statements, all covenants have been fulfilled.

The financial parameters are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report.
Failure to observe the financial parameters, unless restored within the 30 (thirty) following business days for the EIB loans, within 20 (twenty) 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 in the following half year it is once again fulfilled, and 60 (sixty) following business days for the Banca Intesa Sanpaolo S.p.A. loan and both values are not fulfilled, may give the banks the right to withdrawal as per Article 1845 of the Italian Civil Code and to exercise the right to recover all amounts covered by the agreement.
All parameters envisaged in the contracts have been fulfilled.
As regards the instalment of Euro 31.5 million supplied by Banca Intesa Sanpaolo S.p.A., the rate swap contract was confirmed to hedge against rate fluctuations, which was entered into on 1 July 2014, with Unicredit S.p.A., to hedge the loan supplied by the same bank on behalf of the European Investment Bank (EIB) and redeemed on 30 December 2015. This changes the variable portion of the rate, 3-month Euribor, 360 days, into a fixed rate equal to 0.56% for the entire duration of the loan instalment redemption. This hedging will expire in March 2020 at the same time as the last repayment instalment of the Banca Intesa Sanpaolo loan.
As regards the loan granted by Banca IMI S.p.A./Pool of Banks on 23 July 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 set at 0.15% expired on 21 October 2019 and was never activated.

The last two loans highlighted in the statement and granted by MIUR and MISE are at a subsidised fixed rate and are always linked to the implementation of research and technological development projects. The Safe & Smart project was launched on 25 January 2019, and the Summit was launched on 23 October 2019.

The other non-current financial liabilities are as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Derivative (cash flow hedge)	8,413	67,643	(59,230)
Security deposits	107,590	107,590	0
Amounts due for finance lease	450,000	0	450,000
Contingent consideration for business combinations	9,250,000	2,134,858	7,115,142
Total	**9,816,003**	**2,310,091**	**(994,088)**

The item “Other non-current financial liabilities” include primarily:

- the fair value of the derivative signed on 1 July 2014 with Unicredit S.p.A. (Interest Rate Swap), recognised under the item financial expenses after the redemption of the Unicredit S.p.A.’s loan related to the hedging;
- the shareholder loan following the reverse merger of Mic Holdco S.r.l.;
- the contingent consideration for business combinations, to be paid from 2021 onwards, refer to the expected earn outs.

The net financial position this year has been affected by values related to liabilities for right of use due to the coming into force of the IFRS 16 standard.

The breakdown of the Company's net financial position is reported below:

(in Euros)

Description	31.12.2019	31.12.2018
Cash	17,328	14,772
Other liquid assets	161,467,080	152,742,898
A) Cash and cash equivalents	**161,484,408**	**152,757,670**
B) Current financial receivables	**0**	**0**
Bank overdraft		(50)
Short-term bank loans	(76,303,990)	(52,874,803)
Other current financial liabilities	(15,679,028)	(10,620,493)
Current lease liabilities	(13,440,996)	(1,250,877)
C) Current borrowing	**(105,424,015)**	**(64,746,223)**
D) Net current financial position	**56,060,393**	**88,011,447**
Non-current financial liablities	(181,538,043)	(166,043,961)
Other non-current financial liabilities	(9,816,003)	(2,310,091)
Non-current lease liabilities	(130,512,656)	(5,670,119)
E) Non-current borrowing	**(321,866,702)**	**(174,024,171)**
F) Net financial position	**(265,806,309)**	**(86,012,724)**

22 Non-current lease liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Non-current lease liabilities	130,512,656	5,670,119	124,842,537

With regard to the portion due within 12 months of lease payables, amounting to Euro 13,440,996, please refer to the paragraph on current financial liabilities.

The table below shows the breakdown of leased liabilities into current and non-current payables:

(in Euros)

Description	Within 1 year	Over 1 year	Of which over 5 years
Amounts due for finance lease (former IAS 17)	1,298,518	4,371,601	
Payables for lease offices and branches	9,027,809	122,564,098	78,381,076
Payables for vehicle financing	2,852,252	3,492,602	
Payables for hardware and software lease	144,443	2,165	
Other lease liabilities	117,974	82,191	
Total	**13,440,996**	**130,512,656**	**78,381,076**

23 Deferred tax liabilities

Deferred tax liabilities, calculated at the current rates (24% for IRES and base on regional rates for IRAP), have been calculated on the following items:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Deferred tax liabilities	156,700,459	160,906,565	(4,206,106)

(in Euros)

Description	31.12.2019		31.12.2018	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Customer relationship - Allocation of goodwill	12,710,473	3,546,222	11,770,916	3,284,086
Trademark	453,029,362	126,395,192	453,029,362	126,395,192
Research grants	157,574	43,963	157,574	43,963
Research grants taxed in 5 years	67,067,529	16,096,207	66,123,982	15,869,756
Adjustments for IFRS	2,001,553	558,433	2,110,729	588,893
Allocation of goodwill	36,020,606	10,049,749	52,738,289	14,713,983
Other	44,555	10,693	44,555	10,693
Total	**571,031,651**	**156,700,459**	**585,975,406**	**160,906,565**

The following table reports the detail of the impact of recognised deferred tax liabilities through income statement:

(in Euros)

Description	Research grants	Goodwill	Trademark	Adjustments for IFRS	Allocation of goodwill	Other	Total
01.01.2018	**16,125,843**	**3,019,833**	**126,395,192**	**619,353**	**1,423,776**	**0**	**147,583,996**
Debit/credit through income statement	(234,404)	264,252		(30,460)	(5,735,388)		(5,736,000)
Debit/credit through shareholders' equity					19,025,596		19,025,596
Acquisition of subsidiaries	22,280					10,693	32,974
31.12.2018	**15,913,719**	**3,284,086**	**126,395,192**	**588,893**	**14,713,983**	**10,693**	**160,906,565**
Debit/credit through income statement	226,451	262,136		(30,460)	(4,664,234)		(4,206,106)
31.12.2019	**16,140,170**	**3,546,222**	**126,395,192**	**558,433**	**10,049,749**	**10,693**	**156,700,459**

24 Other non-current liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other non-current liabilities	2,031,348	9,736,698	(7,705,350)

The item “Other non-current liabilities” refers to the following:

- Euro 997 thousand to the payables for a non-competition agreement signed with the top management and consultants;
- Euro 490 thousand to the fair value of liabilities, related to the exercise of the Put Option, for the purchase of non-controlling interest;
- Euro 545 thousand for the long-term portion of the payable due to the Inland Revenue Office for the acceptance of the report on findings drawn up last April with reference to the general tax assessment, regarding the 2015 tax period, carried out by the Lazio Regional Authority. The short-term portion is recorded in current liabilities, under tax payables, for Euro 721 thousand.

The change is represented mainly by the liquidation of the credit accrued as of 31 December 2018 by the top management and consultants involved in the above-mentioned non-competition agreement.

25 Post-employment benefits

(in Euros)

Description	31.12.2019	31.12.2018	Change
Post-employment benefits	53,133,499	52,195,439	938,061

Due to the introduction of Italian Law no. 296 of 27 December 2006 and subsequent decrees and regulations issued at the beginning of 2007, post-employment benefits from 1 January 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 31 December 2006.
Post-employment benefits, accrued after 1 January 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, therefore the 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 31 December 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;
- future annual revaluation rates 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 0.0000% to 0.6997% 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 cancellation probability, and other).

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%
	-10%	**52,932,088**	92,300	**52,839,788**	(91,754)	**52,748,034**
		(294,677)	(201,411)	(293,711)	(385,465)	(292,752)
Infla	100%	**53,226,765**	93,266	**53,133,499**	(92,713)	**53,040,786**
		296,834	390,099	295,857	202,175	294,888
	+10%	**53,523,598**	94,242	**53,429,356**	(93,683)	**53,335,673**

Description		Discounting				
		-10%		100%		10%
	-10%	**+99.62%**	+0.17%	**+99.45%**	-0.17%	**+99.27%**
		-0.55%	-0.38%	-0.55%	-0.73%	-0.55%
Infla	100%	**+100.18%**	+0.18%	**+100.00%**	-0.17%	**+99.83%**
		+0.56%	+0.73%	+0.56%	+0.38%	+0.55%
	+10%	**+100.73%**	+0.18%	**+100.56%**	-0.18%	**+100.38%**

Actuarial profits and losses are recognised under shareholders' equity on an accrual basis, while interest cost was recognised in the income statement under "Financial expenses".

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2018	**47,253,132**
Provisions	19,275,084
Amounts paid to social security institutions + INPS	(19,002,655)
Actuarial losses/(gains)	1,222,493
Benefits paid	(2,030,840)
Post-empl. benefits on acquisition of Group business units/subsidiaries	5,484,305
Post-empl. benefits, consolidated companies	125,639
Post-empl. benefits, companies not in consolidation scope	(131,719)
Balance as of 31.12.2018	**52,195,439**
Provisions	20,454,204
Amounts paid to social security institutions + INPS	(20,401,697)
Actuarial losses/(gains)	2,835,769
Benefits paid	(2,272,727)
Post-empl. benefits on acquisition of Group business units/subsidiaries	618,534
Transfer payables of Group business units/subsidiaries	(296,023)
Balance as of 31.12.2019	**53,133,499**

Note: the item "Provisions" comprises the interest cost for an amount equal to Euro 77,458.

F) Current liabilities

26 Current financial liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current financial liabilities	91,983,019	63,495,346	28,487,673

(in Euros)

Description	31.12.2019	31.12.2018	Change
Bank loans	76,303,990	52,874,803	23,429,187
Bank overdraft	0	50	(50)
Other current financial liabilities	15,679,028	10,620,493	5,058,535
Total	**91,983,019**	**63,495,346**	**28,487,673**

Bank loans totalled Euro 76,304 thousand and relate, in the amount of Euro 56,304 thousand, to the short-term portion of bank loans for which reference is made to table "Non-current financial liabilities" herein and, in the amount of Euro 20,000 thousand, to short-term loans with a duration lower than six months.

"Other current financial liabilities" relate to:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other grants	14,148,512	9,421,405	4,727,106
Contingent consideration for business combinations	1,530,517	1,199,088	331,429
Total	**15,679,028**	**10,620,493**	**5,058,535**

"Other grants" refer to amounts received for research projects to be reversed to other partner subjects.

The item "Contingent consideration for business combinations" refers to earn-outs still to be paid.

27 Current lease liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current lease liabilities	13,440,996	1,250,877	12,190,119

"Current lease liabilities" relate to the short-term portion of leases described in the "Non-current financial liabilities" paragraph.

28 Current tax payables

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current tax payables	721,127	811,020	(89,893)

The breakdown is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
IRES	0	247,445	(247,445)
IRAP	0	563,575	(563,575)
Other tax payables	721,127	0	721,127
Total	**721,127**	**811,020**	**(89,893)**

The item "Other tax payables" refers to the short-term portion of the payable to the Inland Revenue Office for the acceptance of the report on findings drawn up last April with reference to the general tax assessment, regarding the 2015 tax period, carried out by the Lazio Regional Authority.
The provision for taxes as of 31 December 2019 was decreased by the amounts paid for IRES and IRAP taxes.

29 Current provisions for risks and charges

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current provisions for risks and charges	9,228,919	9,069,774	159,145

(in Euros)

Description	31.12.2019	31.12.2018	Change
Provision for risks and charges	7,902,500	6,925,837	976,664
Provision for losses on projects	1,326,419	2,143,937	(817,518)
Total	**9,228,919**	**9,069,774**	**159,145**

The item "Provision for risks and charges" is broken down as follows:

- Euro 6,552 thousand regarding the restructuring plan linked to the measure provided for in the 2019 Finance Package "Quota 100", which provides for early retirement with respect to the law in force;
- Euro 1,109 thousand relating to legal disputes and the risk of penalties with customer contracts;
- Euro 240 thousand to cover losses of the subsidiary company Engi da Argentina S.A..

The item "Provision for losses on projects" refers to the risks for probable future losses on some existing projects.

The allocations are 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 01.01.2018	**6,664,827**
Op. change from merger	5,011,479
Increase	7,081,855
Decrease	(9,688,386)
Balance as of 31.12.2018	**9,069,774**
Increase	5,597,530
Decrease	(5,438,385)
Balance as of 31.12.2019	**9,228,919**

30 Other current liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other current liabilities	119,914,012	121,123,341	(1,209,329)

This item is broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Directors and Statutory Auditors	940,880	858,453	82,427
Consultants	35,301	76,675	(41,374)
Acquisition of business unit	0	548,080	(548,080)
Withholding taxes	93,102	90,503	2,599
Tax payables	18,290,792	21,476,077	(3,185,285)
Due to RTI partners	3,407,286	2,568,263	839,023
Social security institutions	16,536,444	15,520,980	1,015,464
Others	4,754,099	5,244,163	(490,064)
Employees	69,978,744	66,567,108	3,411,636
Partners for research projects	5,453,437	7,828,320	(2,374,883)
Accrued m/l loan interest	327,408	242,988	84,420
Other accruals	1,227	0	1,227
Other deferred income	95,292	101,731	(6,439)
Total	**119,914,012**	**121,123,341**	**(1,209,329)**

The main changes are related to tax payables described in detail in the following table:

(in Euros)

Description	31.12.2019	31.12.2018	Change
VAT	6,210,476	10,298,775	(4,088,300)
Suspended VAT	1,132,513	1,134,668	(2,155)
IRPEF	10,947,803	10,042,634	905,170
Total	**18,290,792**	**21,476,077**	**(3,185,285)**

31 Trade payables

(in Euros)

Description	31.12.2019	31.12.2018	Change
Trade payables	381,972,361	355,568,776	26,403,585

The account consists of:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Suppliers	206,591,300	195,833,974	10,757,326
Subsidiaries	139,024,125	123,886,712	15,137,413
Associated companies	0	256	(256)
Others	36,356,936	35,847,834	509,102
Total	**381,972,361**	**355,568,776**	**26,403,585**

a) Suppliers

(in Euros)

Description	31.12.2019	31.12.2018	Change
Due to suppliers	136,196,077	108,887,007	27,309,070
Due to foreign suppliers	6,572,994	17,873,644	(11,300,651)
Invoices to be received	64,287,128	69,439,749	(5,152,621)
Credit notes to be received	(464,898)	(366,426)	(98,473)
Total	**206,591,300**	**195,833,974**	**10,757,326**

b) Subsidiaries

(in Euros)

Description	31.12.2019	31.12.2018	Change
Invoices to be received	27,176,326	25,936,722	1,239,605
Invoices received	58,666,765	73,641,331	(14,974,566)
Deferred income	3,785	8,384	(4,598)
Cash pooling	53,177,249	24,300,276	28,876,973
Total	**139,024,125**	**123,886,712**	**15,137,413**

c) Others

(in Euros)

Description	31.12.2019	31.12.2018	Change
Advances for future work	36,356,936	35,847,834	509,102
Total	**36,356,936**	**35,847,834**	**509,102**

Income statement

A) Total revenues

(in Euros)

Description	2019	2018	Change
Total revenues	933,015,455	895,055,098	37,960,357

Revenues changed by Euro 37,960,357. These relate to revenues from sales and services of products produced, in particular, consultancy services, IT design, usage licences, maintenance services, and outsourcing services.

32 Total revenues

(in Euros)

Description	2019	2018	Change
Revenues from sales and service	878,759,933	854,513,375	24,246,558
Cgs. finished products and construction contracts	24,119,844	12,551,772	11,568,072
Other revenues	30,135,678	27,989,951	2,145,727
Total	**933,015,455**	**895,055,098**	**37,960,357**

The Company records revenues from the fulfilment of the obligation to do both "at a point in time" and "over time", as summarised in the table below, per type of product/service:

(in Euros)

Fulfilment of obligations	Deliverable-based contracts	Resource-based contracts	Service-based contracts	Assistance and maintenance based contracts	Total
At a point in time			104,071,927	0	104,071,927
Over time	467,972,685	78,771,319		252,063,846	798,807,850
Total					**902,879,777**

The portion of revenues, recognised over the year and related to liabilities resulting from customer contracts and borne in previous years, amounted to Euro 29 million.

33 Other revenues

(in Euros)

Description	2019	2018	Change
Other revenues	30,135,678	27,989,951	2,145,727

The breakdown of "Other revenues" is as follows:

(in Euros)

Description	2019	2018	Change
Grants	16,855,234	15,531,587	1,323,646
Other income	3,917,493	4,795,462	(877,969)
Other revenues from subsidiaries	9,362,951	7,662,902	1,700,050
Total	**30,135,678**	**27,989,951**	**2,145,727**

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 the corresponding paragraph of the Directors' report.
The item "Other revenues from subsidiaries" is mainly attributable to re-invoicing of general expenses.

34 Disclosure pursuant to Article 1, paragraphs 125-129, Italian Law 124/2017

As required by Italian Law no. 124 of 2017, in relation to transparency obligations envisaged by Art. 1, par. 125-129, information is provided below on amounts collected over the year in relation to grants, contributions, paid assignments and economic benefits of any kind received by public administrations and/or companies directly or indirectly controlled by them.

In order to avoid the accumulation of irrelevant information, the Company has made use of the possibility of not providing information on benefits received of less than Euro 10,000 in the period considered.

(in Euros)

Project title	Project description	Lender	Collection date	Total
SUNRISE PROJECT - Development of technologies for proximity services and the mobility in smart territories - SUNRISE	The objective of the SUNRISE Project is the analysis of the state-of-the-art technological components of the market and the definition and design of a modular and open HW and SW environment aimed at developing an integrated ecosystem of innovative services, such as proximity and location-based services with high added value as: Infomobility, Tourist info, Smartparking, M-payment, Reservation. The project will offer an innovative, modular and open solution, based on integration and collaboration among the various proximity technologies (and other IoT technologies), capable of enabling an end-to-end ecosystem of proximity services.	Tuscany Region	18.06.2019	45,000.00
			Total	**45,000.00**
"SiMonA" - Advanced Monitoring Systems of Production Lines	The SiMonA project provides tools for the control and monitoring of WSN, a data analytics system based on Big Data Analytics, Machine Learning and rule-based semantic reasoning techniques, localization and energy saving services, as well as real-time communication modules between human operators and machine tools.	Piedmont Region (through FinPiemonte)	03.04.2019	127,131.74
			31.10.2019	157,518.38
			Total	**284,650.12**
BA2Know - Business Analytics to Know	The activities of the BA2KNOW project (concluded) were aimed at designing and setting up a multidisciplinary, dynamic, flexible and creative collaborative on-line environment, with a strong focus on the state-of-the art advancement in the field of techniques, models and methods of automatic analysis of large data banks, in order to realise business analytics services focused on service innovation and IT and knowledge innovative management.	MIUR	15.03.2019	988,891.99
			02.05.2019	269,583.37
			Total	**1,258,475.36**
eHealthLEARN ICT for healthcare	eHealthNet - TRAINING: the aim was to train highly professional figures on the following topics: interoperability in the healthcare field, necessary to make existing structures and data communicate and to interconnect them, while guaranteeing security, privacy and confidentiality; technologies for telemonitoring and telemedicine; knowledge technologies to support healthcare processes of diagnosis, therapy and rehabilitation for the rationalisation and control of healthcare spending; technologies for predictive medicine, aimed at early diagnosis on a genetic basis.	MIUR	11.07.2019	7,498.00
			Total	**7,498.00**
eHealthNET - Software Ecosystem for electronic health	Research, modelling and development of innovative computer applications within the eHealth (eHealthNet project).	MIUR	09.10.2019	576,731.91
			Total	**576,731.91**
Training of new smart professionals for the security of agri-food supply chains	The aim was to train new smart professionals for the quality and safety of the food supply chains. In particular, these figures have carried out researches on the issues of traceability and integrity for the supply chain, institutional policies on agri-food, sustainability of production systems for some specific food chains such as cereal and dried fruit, dairy and Grana Padano cheese.	MIUR	01.07.2019	20,467.39
			16.12.2019	19,128.61
			Total	**39,596.00**
FRASI - Framework for Agent-based Semantic-aware Interoperability	The objective of the FRASI project is the creation of "a reference architecture for the definition of dynamic and collaborative software systems, which are modular and specially configurable, with introspective capabilities, based on agents for the management and smart use of information and services in a global and integrated way". More generally, the aim of the project is to investigate the adoption of smart systems that are distributed to support the technological development of SMEs and to enable their e-business processes.	MIUR	24.05.2019	185,000.00
			Total	**185,000.00**
ICOSAF - Integrated and collaborative systems for the Smart Factory	Analysis and development of tools, technologies and systems aimed at fostering greater integration of factory operators according to the concepts of Industry 4.0, such as interconnected automation, and Industry 5.0 with the humanization and reuse of resources. Activities focus, in particular, on the development of smart and interactive technologies for high human density processes, simulation models and validation methods dedicated to these new "cooperative factory" technologies.	MIUR	11.11.2019	225,000.00
			Total	**225,000.00**

Innovations for data processing in the field of Cultural Heritage (IDEHA)	Analysis and development of tools and technologies to obtain an open IT platform for Cultural Heritage able to offer services for the management of digital contents (such as HBIM, images, text) coming from traditional repositories and able to disclose information generated in real time by users or environmental sensors (e.g. temperature, humidity, etc.). The activities focus in particular on the development of technologies that allow for the management, through an advanced content management system, of both text/ multimedia descriptions in HTML5 and 360 video contents with possible addition of information tags. Besides the management system, the development will also cover applications that allow for the use of contents, also immersive, for both expert and non-expert users - (IDEHA project).	MIUR	22.05.2019	485,322.08
			Total	**485,322.08**
Mobile Continuous Connected Comprehensive - Care - Integrated platform to record, synchronise and share data and access health and lifestyle information as well as the Mobility Health System (MC3CARE).	The research activities of the MC3Care project are aimed at acquiring new knowledge and techniques related to Mobile Health and aimed at the realisation of health services (eHealth). These activities will involve the Engineering Group and people committed in activities of requirements collection, scenario description, technological scouting, design and development with particular emphasis on security and privacy aspects that are essential and mandatory, especially in eHealth issues. Engineering will also be involved as a leader in the analysis of the regulatory context and the reference market.	MIUR	18.04.2019	842,825.13
			12.09.2019	149,546.47
			Total	**992,371.60**
PNRM Echo System	Creation of a decision support platform for the classification of objects detected in open sea, through the analysis of acoustic signals obtained using sonar sensors.	Ministry of Defence - Navarm - Segredifesadirez. Naval Weaponry	28.03.2019	166,357.10
			20.12.2019	248,675.73
			Total	**415,032.83**
RED PROJECT	Research activities aimed at supporting the Valle d'Aosta local Authorities in the management of risks related to avalanches and rockfalls. In order to achieve this goal, an operational dashboard has been created that, using special algorithms, acquires, processes and allows to visualise territorial and environmental data, thus providing the necessary information to the Authorities for rapid and weighted assessments on the type of mitigation intervention to be adopted in an emergency or not. RED has therefore developed three projects related to two distinct operating units. The first was responsible for the modeling, monitoring and management of big data related to disruption phenomena, the second aimed at creating a software capable of returning a complete, reliable and easy to use risk scenario.	Valle D'Aosta Region RED-Risk Evaluation Dashboard	04.07.2019	17,623.27
			Total	**17,623.27**
S.E.A. – Security for marine Environment and Aquacolture	Support activities to the design and development of innovative applications in order to create a Collaborative Work Environment (CWE), which is a Knowledge Management system based on data correlation engine and able to offer dashboards to support decision makers. Interface specifications, message format, server positioning and communication technology, control logic and functionality offered to end users will be defined, thus providing a system capable of ensuring maximum reusability and flexibility.	Puglia Region	26.06.2019	147,805.96
			Total	**147,805.96**
SAFE&SMART - New enabling technologies for food safety and integrity of agro-food chains, within a global scenario	Within the SAFE&SMART research project, support activities for the design and development of innovative applications were carried out in order to create a Service Oriented Architecture (SOA) which is able to render different systems interoperable. The aim is to guarantee the integrity of the information exchanged within the typical processes of the agro-food chains. The project has also envisaged the creation of a prototype system to carry out the functional validation of the "smart chain".	MIUR	01.07.2019	94,856.21
			13.12.2019	64,725.02
			16.12.2019	142,029.12
			Total	**301,610.35**
Smart Health 2.0 - Integration of the two projects "Smart Health" and "ODSH Cluster - SmartFSE - Staywell"	The research activities of the Smart Health project concern the analysis and prototype definition of applications focused on wellness and improvement of lifestyles.	MIUR	08.07.2019	1,028,911.14
			Total	**1,028,911.14**
SUMMIT - Support Multiplatform for IoT Applications	Research activities aimed at conceiving, specifying, implementing and testing through real pilot applications, a configurable, adaptive and extensible IoT (Internet of Things) platform that enables the safe and reliable integration and management of smart objects (e.g. sensors, smartphones, tablets, programmable devices, robots, etc.) - SUMMIT project.	MISE	23.10.2019	367,437.91
			Total	**367,437.91**
Grand total				**6,378,066.53**

B) Operating expenses

35 Operating expenses

(in Euros)

Description	2019	2018	Change
Operating expenses	899,385,409	842,087,610	57,297,800

The breakdown of “Operating expenses” is as follows:

(in Euros)

Description	2019	2018	Change
Raw materials and consumables	22,603,786	12,005,514	10,598,272
Service costs	387,008,809	392,018,092	(5,009,283)
Personnel costs	421,881,779	399,233,089	22,648,689
Amortisation and depreciation	39,318,004	29,019,910	10,298,094
Provisions	22,723,657	5,928,094	16,795,564
Other costs	5,849,374	3,882,910	1,966,464
Total	**899,385,409**	**842,087,610**	**57,297,800**

36 Raw materials and consumables

(in Euros)

Description	2019	2018	Change
Raw materials and consumables	22,603,786	12,005,514	10,598,272

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

(in Euros)

Description	2019	2018	Change
Hardware	3,687,872	2,837,002	850,870
Software	18,727,324	8,970,455	9,756,869
Consumables	188,590	198,057	(9,467)
Total	**22,603,786**	**12,005,514**	**10,598,272**

37 Service costs

(in Euros)

Description	2019	2018	Change
Service costs	387,008,809	392,018,092	(5,009,283)

“Service costs” include the following:

(in Euros)

Description	2019	2018	Change
EDP purchases, services and data lines	1,415,728	1,347,732	67,997
Insurance	3,317,520	2,947,959	369,561
Bank commissions	1,710,889	2,132,048	(421,159)
Technical support and consultancy	207,273,369	215,488,742	(8,215,373)
Consultancy from subsidiaries	98,853,821	88,204,860	10,648,960
Legal and administrative consultancy	2,994,315	1,784,298	1,210,017
Training and refresher courses	3,167,481	2,955,074	212,406
Consultants	156,623	357,214	(200,591)
Cost of corporate boards	1,895,690	1,791,465	104,225
Building rental	1,063,871	11,845,566	(10,781,695)
Maintenance of property, plant and equipment and intangible assets	13,023,495	11,064,552	1,958,943
Canteen and other personnel costs	6,773,504	6,153,388	620,116
Automotive expenses	6,225,223	9,368,732	(3,143,509)
Hardware and software rental	237,571	873,498	(635,926)
Services from subsidiaries	8,599,745	8,593,552	6,193
Maintenance and security services	3,934,603	3,668,985	265,618
Advertising and sales rep. expenses	1,193,746	1,120,020	73,726
Travel costs	13,600,844	12,382,457	1,218,387
Postage and shipping expenses	1,974,144	1,277,422	696,722
Utilities	6,413,479	5,617,444	796,035
Other	3,183,148	3,043,082	140,066
Total	**387,008,809**	**392,018,092**	**(5,009,283)**

The decrease in building rental, hardware and software rental and automotive expenses is due to the application, as from 1 January 2019, of IFRS 16, according to which rental fees are no longer charged to the income statement, but to fixed assets, with a contra-entry of financial payable to the lessor, amortised over the duration of the contract. The financial charge is charged to the income statement using the effective interest rate method.

The item “Technical support and consultancy” is attributable to the decreased services rendered by content providers in relation to Mobile Pay contracts.
Conversely, the item “Consultancy from subsidiaries” increased due to new hirings, which permitted to use resources for the implementation of the Company’s projects.

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

(in Euros)

Service	Provider	Beneficiary	Remuneration
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	332,500
Other certification services (*)	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	142,500

(*) The other services include the fill-in of the Single Form and 770 form, and Agreed Upon Procedures and disclosures on accounts.

Fee is net of expenses.

38 Personnel costs

(in Euros)

Description	2019	2018	Change
Personnel costs	421,881,779	399,233,089	22,648,689

"Personnel costs" consist of:

(in Euros)

Description	2019	2018	Change
Salaries and wages	308,521,408	297,218,065	11,303,343
Social security expenses	77,200,864	73,726,154	3,474,710
Post-employment benefits	20,376,746	19,127,577	1,249,170
Restructuring and reorganising personnel	3,240,192	295,000	2,945,192
Other personnel costs	12,542,567	8,866,293	3,676,274
Total	**421,881,779**	**399,233,089**	**22,648,689**

The item "Salaries and wages" includes costs related to holidays and leave pays, indemnities, overtime and bonuses.
The change is mainly due to the increase in the average number of employees, as shown in the table below.

The item "Restructuring and reorganising personnel" contains the costs of incentives for employees leaving early during the year.

The item "Other personnel costs" includes:

- the reclassification of amortisation and depreciation of Euro 3,301 thousand relating to cars assigned to employees as required by IFRS 16, applied from 1 January 2019;
- the cost of the Stock Option Plan of Euro 9,636 thousand.

It is specified that, over the year, 10,668 options were assigned to the beneficiaries of the Stock Option Plan, while the expired options amount to -3,191.

The Stock Option plan assigned is classified as Equity Settled and therefore the contra-entry of the costs is recorded in an equity reserve.

During 2019, the fair value of rights assigned was calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model).
In particular, the main input data used to measure the fair value of the Stock Option Plan is summarised as follows:

- multiple of EV/EBITDA, determined as mean of a panel of listed comparable values;
- interest rate curve (IRS 3 years) as of 31 December 2017;
- historical volatility (at 260 days), observed as of 31 December 2017;
- dividend yield equal to zero for the Stock Option measurement;
- historical series of logarithmic yields for the securities involved;
- liquidity discount equal to 20%;
- strike price equal to Euro 42.15, contractually determined.

A summary of options granted within the Stock Option Plan is shown hereunder:

(in Euros)

	As of 31.12.2019		As of 31.12.2018	
	Average price for the exercise of the option	Number of options	Average price for the exercise of the option	Number of options
Beginning of year	**0**	**888,964**		**870,729**
Granted during the year	42.15	10,668	42.15	18,235
Exercised during the year	0			
Expired during the year	0	-3,191		
Year end	**42.15**	**896,441**	**42.15**	**888,964**

No option is reported as overdue in the period shown in the table.
As of 31 December 2019, the reserve for share-based payments amounted to Euro 29,349 thousand. The increase for the year in the income statement was Euro 9,636 thousand.

The average workforce is as follows:

(unità)

Average number of employees	2019	2018	Change
Executives	311	299	12
Managers	1,632	1,555	77
Other employees	5,127	4,797	330
Total	**7,070**	**6,651**	**419**

39 Amortisation and depreciation

(in Euros)

Description	2019	2018	Change
Amortisation and depreciation	39,318,004	29,019,910	10,298,094

The breakdown is as follows:

(in Euros)

Description	2019	2018	Change
Depreciation of property, plant and equipment	3,876,975	3,923,141	(46,166)
Amortisation of intangible assets	21,832,626	25,096,769	(3,264,143)
Depreciation and amortisation IFRS 16	13,608,403		13,608,403
Total	**39,318,004**	**29,019,910**	**10,298,094**

Amortisation and depreciation increased mainly as a result of the adoption of the new IFRS 16 standard which provides for the depreciation of the right of use, specifically buildings, plant and machinery, industrial and commercial equipment. For further details, please refer to the paragraph “Rights of use and leased assets”.

40 Provisions and write-downs

(in Euros)

Description	2019	2018	Change
Provisions	22,723,657	5,928,094	16,795,564

The breakdown is as follows:

(in Euros)

Description	2019	2018	Change
Allocation to doubtful debt provision	17,268,650	(495,516)	17,764,166
Risk provision	5,455,008	5,936,729	(481,722)
Write-down of fixed assets		486,880	(486,880)
Total	**22,723,657**	**5,928,094**	**16,795,564**

Amounts recognised in the financial statements are the best estimates and assumptions based on the best information available at the reporting date.

The increase in the allocation to Doubtful debt provision refers primarily to the impaired receivables from the subsidiary Sicilia e-Servizi Venture S.c.r.l. and amounting to Euro 16,593 thousand, as well as the allocation for the year of Euro 577 thousand for doubtful loans. The difference, compared to the amount shown in the table, is related to releases of amounts allocated in previous years which were then settled.

The allocation to provision for risks mainly refer to Euro 5,211 for restructuring costs linked to the early exit of employees who meet the requirements for Quota 100 and to Euro 240 thousand to cover the losses of the subsidiary Engi da Argentina S.A..

41 Other costs

(in Euros)

Description	2019	2018	Change
Other costs	5,849,374	3,882,910	1,966,464

Other costs are broken down as follows:

(in Euros)

Description	2019	2018	Change
Dues and subscriptions	630,841	688,044	(57,203)
Taxes	1,357,239	1,480,525	(123,287)
Gifts and donations	103,079	93,976	9,102
Charges for social causes	782,495	1,020,962	(238,468)
Other	2,975,720	599,402	2,376,318
Total	**5,849,374**	**3,882,910**	**1,966,464**

The item “Other costs” includes charges resulting from the acceptance request of the last report on findings by the Lazio Regional Authority amounting to Euro 2,131,101 and the request to acceptance request of the report on findings related to the tax assessment carried out by the Florence Province Authority on the merged subsidiary, Infogroup S.p.A., in the amount of Euro 600,000.

42 Net financial income/(expenses)

(in Euros)

Description	2019	2018	Change
Net financial income/(expenses)	(3,664,512)	(848,103)	(2,816,409)

Financial income is broken down as follows:

(in Euros)

Description	2019	2018	Change
Interest income	1,756,469	1,822,525	(66,056)
Fair value gain (differential from derivative)	1,864,482	703,299	1,161,182
Other income	82,861	3,153,598	(3,070,737)
Total	**3,703,812**	**5,679,423**	**(1,975,611)**

Financial expenses consist of:

(in Euros)

Description	2019	2018	Change
Interest expense	7,269,679	6,286,105	983,574
Other	98,646	241,421	(142,775)
Total	**7,368,325**	**6,527,526**	**840,798**

Interest expense are due principally to loans detailed in “Non-current financial liabilities” paragraph hereof.

43 Income/(expenses) from investments

(in Euros)

Description	2019	2018	Change
Income/(expenses) from investments	(7,079,239)	(225,475)	(6,853,765)

The breakdown is as follows:

(in Euros)

Description	2019	2018	Change
Gains on equity investments	767,848		767,848
Write-downs of equity investments	(7,847,087)	(401,006)	(7,446,081)
Non-recurring income (charges)		175,531	(175,531)
Total	**(7,079,239)**	**(225,475)**	**(6,853,765)**

The item “Gains on equity investments” refers, in the amount of Euro 583 thousand, to unrecognised earn outs and, in the amount of Euro 175 thousand, to the capital gain recognised for the sale of the equity investment in the associated company Unimatica S.p.A..

The item “Write-downs of equity investments” relates to write-downs of subsidiaries:

- Euro 6,687 thousand of Engineering 365 S.r.l.;
- Euro 1,151 thousand of Engi da Argentina S.A.;
- Euro 0.9 thousand of ITS Panama corporation.

44 Taxes

(in Euros)

Description	2019	2018	Change
Taxes	8,151,804	16,428,328	(8,276,524)

The breakdown of taxes is as follows:

(in Euros)

Description	2019	2018	Change
Current	14,147,229	11,478,760	2,668,469
Deferred	(5,995,425)	4,949,568	(10,944,993)
Total	**8,151,804**	**16,428,328**	**(8,276,524)**

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

(in Euros)

	2019		2018	
Profit/(loss) before taxes	**22,886,294**		**51,893,910**	
Ordinary rate applied	**5,492,711**	**+24.0%**	**12,454,538**	**+24.0%**
Income taxable in prior years	4,623,392	+20.2%	4,233,198	+8.16%
Income not taxable	(4,272,587)	-18.7%	(4,659,776)	-8.98%
Expenses not deductible	12,854,828	+56.2%	8,875,254	+17.10%
Deductible expenses not charged to Inc. St.	(8,044,218)	-35.1%	(6,884,871)	-13.27%
Utilisation of previous years tax losses	0	0.0%	0	0.00%
Total assessable IRES	**44,392,192**		**58,409,763**	
Tax/Tax rate	**10,654,126**	**+24.0%**	**14,018,343**	**+24.0%**

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 previous paragraphs “Deferred tax assets” and “Deferred tax liabilities” herein.

45 Other information

COMMITMENTS UNDERTAKEN

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

(in Euros)

Description	31.12.2019
Third party sureties	326,772,304
Bank sureties in favour of other companies	10,959,588
Bid Bonds and Performance Bonds	8,280,870
Total commitments undertaken	**346,012,762**

46 Breakdown of financial instruments by category

For all transactions the balances (financial or non-financial) for which an accounting standard requires or permits measurement at fair value and which fall within the scope of IFRS 13, the Company applies the following criteria:

a) identification of the unit of account, i.e. the level at which an asset or liability is aggregated or disaggregated to be recognised for IFRS purposes;
b) identification of the main market (or, in the absence thereof, the most advantageous market) in which transactions could take place for the asset or liability being valued; in the absence of evidence to the contrary, it is assumed that the market currently used coincides with the main market or, in the absence thereof, with the most advantageous market;
c) definition, for non-financial assets, of the highest and best use: in the absence of evidence to the contrary, the highest and best use coincides with the current use of the asset;
d) definition of the most appropriate valuation techniques for estimating fair value: these techniques maximise the use of observable data, which market participants would use in determining the price of the asset or liability;
e) determination of the fair value of the assets, as the price that would be received for their sale, and of the liabilities and equity instruments, as the price that would be paid for their transfer in a regular transaction between market participants at the valuation date;
f) inclusion of "non-performance risk" in the valuation of assets and liabilities and, in particular for financial instruments, determination of an adjustment factor in the measurement of fair value to include, in addition to counterparty risk (CVA - credit valuation adjustment), own credit risk (DVA - debit valuation adjustment).

On the basis of the data used for fair value measurements, a fair value hierarchy is identified on the basis of which assets and liabilities measured at fair value or for which fair value is indicated in the financial statement disclosures are classified:

a) level 1: includes prices quoted in active markets for assets or liabilities identical to those being valued;
b) level 2: includes observable data, different from those included in level 1, such as: (i) prices quoted in active markets for similar or identical assets or liabilities; (ii) prices quoted in non-active markets for similar or identical assets or liabilities; (iii) other observable data (interest rate curves, implicit volatilities, credit spreads);
c) level 3: uses non-observable data, which may be used if no observable input data is available.
The non-observable data used for fair value measurement purposes reflects the assumptions that market participants would make when pricing the assets and liabilities being measured.

Please refer to the table below for the definition of the fair value hierarchy level on the basis of which the individual instruments measured at fair value have been classified.

No transfers between the different levels of the fair value hierarchy took place during the year.

The fair value of derivative instruments is determined by discounting expected cash flows, using the market interest rate curve at the reference date and the listed credit default swap curve of the counterparty and Group companies, to include the non-performance risk explicitly provided for by IFRS 13.

For medium/long-term financial instruments, other than derivative instruments, where market prices are not available, the fair value is determined by discounting expected cash flows, using the market interest rate curve at the reference date and considering the counterparty risk in the case of financial assets and its credit risk in the case of financial liabilities.

Therefore, the following table highlights the measurement hierarchical level of fair value, for financial assets and liabilities measured at fair value as of 31 December 2019:

(in Euros)

Items as of 31.12.2019	Asset of amortised cost	Assets at FVPL	Assets at FVOCI
Other non-current assets	4,612,737	1,785,000	
Trade receivables	486,083,407		
Other current assets	38,411,149		
Cash and cash equivalents	161,484,408		
Total assets	**690,591,702**	**1,785,000**	**0**

(in Euros)

Items as of 31.12.2018	Asset of amortised cost	Assets at FVPL	Assets at FVOCI
Other non-current assets	4,338,700	941,429	
Trade receivables	483,990,269		
Other current assets	40,367,791		
Cash and cash equivalents	152,757,670		
Total assets	**681,454,430**	**941,429**	**0**

(in Euros)

Items as of 31.12.2019	Liabilities at amortised cost	Liabilities at FVPL	Liabilities at FVOCI	Other liabilities
Non-current financial liabilities	191,345,633	8,413		
Non-current lease liabilities	130,512,656			
Other non-current liabilities	1,541,348	490,000		
Current financial liabilities	91,983,019			
Current lease liabilities	13,440,996			
Other current liabilities	119,914,012			
Trade payables	381,972,361			
Total liabilities	**930,710,024**	**498,413**	**0**	**0**

(in Euros)

Items as of 31.12.2018	Liabilities at amortised cost	Liabilities at FVPL	Liabilities at FVOCI	Other liabilities
Non-current financial liabilities	168,286,409	67,643		
Non-current lease liabilities	5,670,119			
Other non-current liabilities	8,790,676	946,022		
Current financial liabilities	63,495,346			
Current lease liabilities	1,250,877			
Other current liabilities	121,123,341			
Trade payables	355,568,776			
Total liabilities	**724,185,544**	**1,013,665**	**0**	**0**

47 Transactions with related parties

During the year transactions were carried out with related parties under normal market conditions. These transactions refer to commercial activities carried out on behalf of leading clients that have produced profitability in line with normal activities.

The table below summarises both the commercial and financial operations relating to the use of cash pooling:

(in Euros)

Description	Revenues	Costs	Financial income (expenses)	Trade receivables	Trade payables	Receivables, cash pooling	Payables, cash pooling
OverIT S.p.A.	510,578	33,859,400		985,535	24,874,543		
Engiweb Security S.r.l.	361,587	15,910,418	(14,739)	250,744	9,216,066	861,093	
Municipia S.p.A.	4,004,951	1,010,368	266,170	2,874,374	1,865,567	29,898,345	
Engineering Sardegna S.r.l.	1,064,500	971,527	25,534	277,607	912,684	2,641,904	
Nexen S.p.A.	4,490,712	1,154,590	(60,177)	4,478,632	552,026		7,845,115
Engineering do Brasil S.A.	274,699	109,021	581,675	15,306,214	295,849		
Sicilia e-Servizi Venture S.c.r.l.	60,000		368	32,608,946	33,295		
Engineering International Belgium S.A.	821,535	516,250	27,000	2,803,680	782,654		
Engineering International Inc.				(51)			
Engineering D.HUB S.p.A.	10,223,901	27,054,384	(238,919)	8,931,286	27,080,752		45,332,134
Engi da Argentina S.A.	39,928			2,646,453	30,851		
Engineering 365 S.r.l.	1,848,215	9,268,267	63,455	1,172,585	10,954,961	10,656,016	
WebResults S.r.l.	1,327,681	8,456,790		645,387	3,516,731		
Engineering Balkan d.o.o.	257,380	5,071,903		369,228	1,209,553		
EITS – Engineering ITS	166,896	10,778	97,478	4,312,664	3,778		
Engineering SL	191,892	787,146	428	598,516	956,303		
Engineering DSS GmbH		5,760			24,216		
Engineering Software Labs GmbH	774,735			1,374,895	160,000		
Sofiter Tech S.r.l.	480,298	580,438		196,339	577,500		
Sogeit Solutions S.r.l.	1,154,357	4,233,204	6,482	1,037,484	1,304,959		
Engineering USA Inc.	604,089	33,098		342,830	33,199		
LG-NET S.r.l.	532			532			
Pragma	229			7,992			
Cybertech	208,390	1,194,606		305,076	1,171,720		
Digitelematica S.r.l.	12,080	113,807		14,738	138,667		
Deus Technology S.r.l.		150,505			151,000		
Total	**28,879,166**	**110,492,259**	**754,755**	**81,541,688**	**85,846,876**	**44,057,359**	**53,177,249**

The item “Trade receivables” includes customer contract assets. Loans granted to subsidiaries are also included, namely:

- Engineering do Brasil S.A. 10,500,000
- Engineering International Belgium S.A. 2,100,000
- Engineering ITS AG 3,910,120
- Sicilia e-Servizi Venture S.c.r.l. 403,000

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.

48 Events occurring after 31 December 2019

COVID-19

With the recent and rapid development of the Coronavirus epidemic, many countries have imposed limitation or suspension of certain commercial activities and adopted travel restrictions and quarantine measures. The interruptions are noticeable in some sectors such as tourism, hospitality, transport, retail sales and entertainment, while in other sectors such as manufacturing possible chain effects are expected. The financial markets have suffered immediate effects.

The coronavirus epidemic occurred in China in December 2019 and continued to evolve gradually. On 30 January 2020, the WHO International Emergency Standards Committee declared the epidemic a "public health emergency of international concern". Since then, more cases have been diagnosed, including in other countries. In Italy, the pandemic initially affected the Northern regions and subsequently spread to the rest of the country. The Italian Government issued several decrees of the Presidency of the Council of Ministers, which have introduced increasingly restrictive measures for commercial activities and social aggregation in order to contain the risk of contagion.

In this context, preceding the decree of the Italian Government, which came into force on 23 March 2020, and temporarily suspended all non-essential production activities, Engineering Ingegneria Informatica S.p.A. has progressively limited activities to customers and/or operating offices being able to work in smart working. Indeed, the use of cloud systems and advanced individual productivity systems have allowed a rapid reconfiguration of activities in smart working mode ensuring the safety of the Company's employees and the continuation of the activities contracted with customers. In addition, Engineering Ingegneria Informatica S.p.A. as part of its activities is able to manage remotely the workstations of customers turning them into a "Digital Workplace"; this technology helps and supports the new way of working required in the current scenario.

To protect the health of its employees, Engineering Ingegneria Informatica S.p.A. has issued a series of stringent orders, such as the limitation of travel and access to offices, to consultants and suppliers as well, methods of conducting meetings in compliance with the decrees, internal communication methods through timely circulation of Covid-19 press releases.

For the purposes of preparing these financial statements as of 31 December 2019, the events connected to Covid-19 constitute a "non-adjusting event" of the economic and financial results and therefore the information required pursuant to IAS 10 - Events after the Reporting Period has been provided.

Business scenarios and implemented operations

In the current complex market situation, we are focused on supporting our clients, the Italian Government and in particular the Italian healthcare sector, in order to best meet their needs. We believe that potential impacts will manifest in the Transportation, Retail, Tourism and many areas related to manufacturing. In this context, all sectors are increasing demands for digitalisation, from Workplace to remote maintenance, as well as using data management platforms to facilitate decisions. The issue of digital transformation was already on the list of things to do by all organisations. The current crisis has put the issue back at the top of the list. Companies with little or no digitalisation are currently at a standstill. Finally, however, one consideration: in all markets the management processes of large companies cannot come to a complete standstill. This, for Engineering Ingegneria Informatica S.p.A., which developed its core activities with big companies, suggests a continuing solid business.

From Digital Workplace to collaboration tools, all of our customers are asking us to increase digital capabilities or take the first steps of digital transformation quickly. By digitalising the business, they also increase awareness of the importance of Cybersecurity to protect the digitalisation of the business.

Our remote maintenance tools, leading products in the market, are receiving additional boosts of demand as it is impossible for many experienced maintainers to be present onsite.

In these weeks, we have all witnessed the ramp up of digital expenses and the difficulties in managing the increase in demand. Last year we acquired a start up with a cutting-edge e-commerce proposal, whose is experience a growth above expectations.

Focus on contractual obligations

With the adoption of the Containment Measures, while increasing the potential risk that the obligations undertaken may not be carried out within the contractual terms or not completely fulfilled, Engineering Ingegneria Informatica S.p.A. considers it highly unlikely that this risk will actually materialise. This assessment is based both on the instructions contained in the Italian Civil Code on the subject of excessive onerousness and impossibility of performance and on interpretative practices regarding force majeure events. In fact, a party may not be held liable for its failure to perform (i) if the contractually envisaged service becomes excessively

onerous due to the occurrence of "extraordinary or unforeseeable events" and/or (ii) if the failure or delay in performance is due to the impossibility of performance not attributable to it.
In this sense, it seems useful to underline art. 79 of DL 18/20 which, although with reference to the aviation sector, has recognised "(omissis) the Covid-19 epidemic is formally recognised as a natural disaster and exceptional event (omissis)".

Financial position and liquidity
There may be a slowdown in cash collections from certain customers, who may be impacted more significantly by the Covid-19 emergency, compared to what was expected. In any case, the diversification of the sectors in which the Company's customers operate (Public Administration, Finance, Healthcare, Industry, Transportation, Telco & Media, Energy & Utilities) and the good financial condition, the availability of liquidity and credit lines already approved, are elements mitigating the potential financial and liquidity risk.
Moreover, albeit within a context of general uncertainty due to Covid-19, in the next few years, the Company deems it will be able to fulfil the covenants shown in Note 21.
In particular, the level of available liquidity should enable Engineering Ingegneria Informatica S.p.A. to face the coming months, albeit in a context of uncertainty, without recourse to additional sources of funding.
The potential effects on the consolidated financial statements for the year ending 31 December 2020 are not determinable and will be subject to constant monitoring throughout the year. However, at the current stage of the Covid-19 context, the medium/long-term scenarios did not detect clear risks of impairment of the values recorded in the financial statements as of 31 December 2019.

Sensitivity Analysis
The Company, considering the impact of Covid-19, performed a series of quantitative and qualitative analyses to substantiate the risks connected to the current scenario.
In particular, in the various estimation and assessment processes related to the valuation of recoverability of goodwill and intangible assets with indefinite useful life the Company developed sensitivity analyses with the purpose of identifying the value of the key parameters where the recoverable amount matches the book value.

Stress test – goodwill and trademark
With reference to goodwill and to the net capital employed, a stress test was developed over growth rate of revenues for the year 2020, verifying the break-even point for both the main CGUs and the trademark (i.e. zero cover).
In the following table, the column "Break-even – % revenue reduction rate" shows the percentage limit for the reduction of revenues, compared to the estimates of the multi-year plan by the Directors in the respective years, in order that the value in use is equal to the book values and without considering any cost savings compared to what was estimated in the plan; therefore, this decrease represents a break value, below which the impairment test would not be passed. In particular, the sensitivity mentioned above shows that revenues for the year 2020 could be lower than the revenues of 2019, (for the percentage indicated), without this leading to an impairment situation.

(in Euros)

Description	Break-even - % revenue reduction rate 2020
CGU	
Finance	-61.0%
Energy & Utilities	-41.7%
Telco & Media	-100.0%
Pal & Taxes	-24.5%
Health	-28.1%
Intangible assets	
Engineering trademark	-45.2%

The Directors, at the current stage, considering the highlighted margins, in a scenario of reasonable fluctuations of the hypothesis used in determining the recoverable amount, do not deem there are significant uncertainties in the recoverability of goodwill and intangible assets with indefinite useful life. However, considering the extraordinary circumstances we are facing, in 2020 the Company will monitor the future developments.

Acquisitions

On 7 February 2020 Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 95% of the company F.D.L. Servizi S.r.l., which operates in the IT sector in the software market for the integrated management of Energy Services, Heat Management and District Heating Networks, with registered office in Breno (BS), share capital of Euro 20,800.00 fully paid-up.

49 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.

The Board of Directors was appointed with the Ordinary Shareholders' Meeting of 11 April 2019 and have accrued a total amount of Euro 65 thousand during the year.
The President and the CEO, who operate in continuity with the previous mandate, continue to receive compensation for their work. The total amount accrued during the year was Euro 1,579 thousand.

The Board of Statutory Auditors was appointed with the Ordinary Shareholders' Meeting of 11 April 2019, following the resolution of the Board of Directors held on the same day. The total amount accrued during the year was Euro 44 thousand.
The Supervisory Body has accrued a total amount of Euro 30 thousand during the year.

As regards the Independent Auditors Deloitte & Touche S.p.A., reference is made to paragraph 37 hereof.

50 Information on share-based remuneration plan

On 28 June 2017, the Board of Directors of the Company approved a Stock Option Plan for the employees, consultants, collaborators and directors of the Company and certain companies of the Group controlled by the same to encourage the Group's commitment to growth and the loyalty of the beneficiaries. This plan concerns options for the subscription of shares of Engineering Ingegneria Informatica S.p.A..

As part of the plan, participants are assigned 896,441 options, granted free of charge to beneficiaries. The options, when exercisable, entitle each to subscribe one share (of special class B), corresponding to 7.5% of the share capital before the dedicated increase. The options are divided into three pools: a first pool of 867,538 options and a second and third pool of equal number of options for the remainder.

The exercise price of each option belonging to the first pool is equal to Euro 42.15 per share, while the exercise price of each option belonging to the second and third pools will instead be determined by the Board of Directors annually on the basis of "Fair Market Value" of the Company on the date of such determination.

The vested options are made available to the beneficiary if specific time and performance targets are achieved. In particular, the time target is achieved – according to the regulation scheme – pro-rata temporis over the period December 2017 - December 2020.

The vested options can be exercised (i) starting from the plan expiration notice and no later than the working day prior to the plan expiry date and (ii) upon the occurrence of a divestment at any time without any expiry condition.
The exercise of vested shares is permitted, without losing any vested rights, even to the so-called "good leaver" beneficiary who has terminated his employment relationship. If the so-called "good leaver" beneficiary

ceases during the period December 2017 - December 2020, the same will be entitled to a pro-rata temporis of options to be exercised.

In the event that the divestment took place before December 2020, the options would all be considered 100% vested.

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

On the expiry date of the plan, the Board of Directors has the right to pay the beneficiary in cash the difference between i) the Fair Market Value of the shares due to the beneficiary and ii) the exercise price. In this case, the beneficiary will not have the right to demand the issue of shares and the options attributed to it will lose their effectiveness. Despite the faculty attributed to the Board of Directors to choose between cash payment and issue of equity instruments, the Directors believe that the Company does not present any current obligation to pay cash at the statement of financial position date. Therefore, the plan was accounted for as a share-based payment transaction.
The shares subscribed by the beneficiary following the exercise of the options are available from the day following the expiry date of the plan.

The Company has the right to request the beneficiary to remit to the same the minimum amount sufficient to meet the tax charges imposed by law.

The net profit for the year amounted to Euro 14,734,490.
The Board of Directors proposes to deliberate in favour of the entire net profit for the year being carried forward. If this proposal is accepted by the Shareholders' Meeting, the net profit will be fully allocated to the reserve of non-distributed profit.

Report of the Board of Statutory Auditors on the Financial Statements as at 31 December 2019

Shareholders,

the financial statements for the year ended 31 December 2019 submitted for your approval were approved by the Board of Directors at the meeting on 25 March 2020.
With this report, we wish to inform you of the most significant aspects of the activity we carried out during the year 2019 and of the related results, as well as the result of the year ended on 31 December.
As you are aware, pursuant to Article 2409-bis, section 1, Italian Civil Code, the legal audit of the accounts of your Company falls under the responsibility of Deloitte & Touche S.p.A., therefore our control activity of the financial statements was limited to the correctness of the general approach and to the general compliance with the law.

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

During the year, our activity was in line with the legislative and regulatory decrees and was inspired by the rules of conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts.

In particular, we have:
- supervised compliance with the law and the articles of association and compliance with the principles of correct administration;
- regularly held and taken the minutes of the meetings referred to in Article 2404 of the Italian Civil Code;
- attended the Shareholders' Meetings and the Meetings of the Board of Directors, held in compliance with the statutory, legislative and regulatory provisions governing their operation;
- obtained from the Directors, during the meetings, information on the general operating performance and on its foreseeable evolution, as well as on the most significant operations, by size or characteristics, carried out by the Company. We can therefore reasonably assure that the decisions taken comply with the law and the articles of association and are not manifestly imprudent, risky, in potential conflict of interest or contrary to the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the corporate assets;
- supervised, within our area of responsibility, the adequacy of the Company's organisational structure, including by collecting information from department heads and, on that point, have no particular comments to make;
- supervised the adequacy of the Company's administrative and accounting system and its suitability to correctly represent management events, requesting and obtaining all necessary information from the managers of the competent corporate functions and performing all verifications deemed necessary, without encountering noteworthy exceptions;
- proceeded, in accordance with Article 2409-septies of the Italian Civil Code, to a periodic exchange of information with Deloitte & Touche, the subject in charge of the legal audit, without any information coming to light which should be highlighted in this report;
- also read the financial statements of the subsidiaries, within the limits deemed necessary for preparing this report and for the purpose of expressing our opinion on the Company's financial statements as at 31 December 2019, but not also on the individual financial statements of the subsidiaries;
- taken note of the annual report relating to the 2019 financial year by the Supervisory Body set up pursuant to Legislative Decree 231/2001, which does not report any particularly significant critical issues.

We have not received complaints pursuant to Article 2408 of the Italian Civil Code.
Furthermore, during our supervisory activities as described above, no significant facts emerged that require being mentioned in this report.

During the year, we issued our opinion on the assignment of the audit engagement for the three-year period 2019-2021, as required by Article 13 of Legislative Decree no. 39/2010.

Comments and proposals in relation to the financial statements and to their approval

We have read the draft financial statements for the year ended 31 December 2019, on which we report the following:

- within our area of responsibility, we supervised the general approach of the financial statements, their general compliance with the law and with the international IAS/IFRS accounting standards in terms of formulation and structure, as well as their compliance with the facts and information of which we are aware;
- we also verified compliance with the legal provisions relating to the preparation of the management report;
- the accounting principles used correspond to those of the 2018 financial statements and have been applied uniformly, with the exception of IFRS 16 - Leases (which replaced IAS 17) and of the related IFRIC 4 interpretations ("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"). As regards IFRS 16, applicable from 1 January 2019, the Company made use of the option to record the effect associated with the retroactive restatement of the values in the shareholders' equity as at 1 January 2019, which was highlighted in the Explanatory Note, without carrying out any restatement of the previous years' balances under comparison. A series of amendments to other International Accounting Standards has also been in force since 1 January 2019, whose adoption, however, has not led to any effects on the Company's financial statements;
- we supervised the accounting approach of the extraordinary operations carried out during the 2019 financial year (in particular, the merger by reverse incorporation of the two parent companies Mic Holdco S.r.l. and Mic Newco S.p.A., with accounting and tax effects from 1 January 2019);
- in accordance with the International Accounting Standards, and in particular with the criteria and methods provided by IAS 36 - Impairment of assets, the Company has carried out the impairment test on intangible assets with an indefinite life, recorded for Euro 453 million under the item "Trademarks" and for Euro 44.6 million under the item "Goodwill", highlighting this in the report approved by the Board of Directors on 25 March. The analysis carried out confirmed the sustainability of the values entered under assets, as there was no evidence of lasting losses in value. As required by International Accounting Standards, the basic assumptions, the key data and the results relating to the conduct of the impairment test are fully described in the Explanatory Notes. During our supervisory activity, we read the Directors' report on the impairment test and what is reported in the Explanatory Notes on the point and we have no comment to make on this matter;
- pursuant to Article 2426, section 5 of the Italian Civil Code, we have expressed our consent to the entry in the balance sheet assets of the item "Development costs" of the intangible assets, equal to Euro 5,394,290, net of amortisation. As reported in the Explanatory Notes, development costs are amortised on the basis of their useful life or, when this cannot be determined precisely, over a period not exceeding 5 years. In addition, further development costs of Euro 4,007,049 were recorded among the assets under construction relating to intangible assets, since they were incurred as part of projects for the implementation of as yet uncompleted new IT solutions. As reported by the Directors, the ongoing projects will be completed during the 2020 financial year;
- the item "Receivables from subsidiaries" includes the exposure at 31 December 2019 towards Sicilia e-Servizi Venture S.c.r.l. in liquidation ("SISEV"), equal to Euro 49,793,454 (gross of the related bad debt provision for Euro 17,184,508), which originates from the IT activities related to the creation of the integrated telematic platform of the Sicily Region, within what is detailed and governed by the agreement between the Sicily Region, Sicilia Digitale S.p.A (formerly "Sicilia e Servizi S.p.A.") and SISEV, stipulated on 21 May 2007 and expired on 22 December 2013. In this regard, we acknowledge the certification by Deloitte, detailed in the Explanatory Notes, regarding the adequacy of the bad debt provision of Euro 17,184,508 to cover the credit risk of this exposure, which reflects the risk that SISEV will be unable to collect its entitlements from Sicilia Digitale;
- the item "Trade receivables" includes a credit of Euro 8,350,000, claimed by the Company directly from Sicilia Digitale, which arises from a transaction between the parties signed on 22 June 2019, as indicated in the Explanatory Notes.

For the purposes of the financial statements as at 31 December 2019, the effects of Covid-19 constitute a "non-adjusting event" which, in accordance with IAS 10, however requires a specific information note. In this regard, we have examined what the Directors have dutifully detailed in the management report and noted the following.

As regards the business performance, the Company hypothesises that the Covid-19 emergency may have positive consequences; despite the foreseeable difficulties of some production sectors (in particular: transport, retail, tourism and manufacturing); in fact, all the markets show an increase in demand for digitisation, Cybersecurity and remote maintenance, as well as for services related to e-commerce.
While abstractly acknowledging a greater risk of default on obligations, the Company considers it highly unlikely that this risk will materialise, given the provisions of the Civil Code regarding supervening excessive onerous charges and supervening impossibility of performance, as well as the interpretative practices regarding events of force majeure.
On a financial level, the Company believes that the sectoral diversification of its customers, combined with a solid financial structure and the availability of liquidity and of already approved credit lines, constitute elements which mitigate the potential liquidity risk which would derive from the slowdown in collections and from the increase in bad debts relating to those customers most affected by the crisis. In particular, even in a volatile context, the level of available liquidity would allow the Company to face the next few months without resorting to further funding sources.
Furthermore, although the effects that the Covid-19 emergency may have on the Company's equity and financial position are uncertain, at present the Directors have not identified any critical issues for the next financial years that may compromise compliance with the covenants illustrated in the Explanatory Note, on the contrary, they consider the medium and long term scenarios of the Group placed at the basis of the business plans as confirmed.
In any case, on the basis of sensitivity analyses which considered possible negative trends in revenues, the Directors consider that the risk of devaluation of the values recorded in the financial statements as at 31 December 2019 as goodwill and as other intangible assets with an indefinite useful life is remote.
Finally, we certify that, to the best of our knowledge, the Directors did not make any exceptions to laws in force pursuant to Article 2423, section five, Italian Civil Code. The information note reported in the Explanatory Notes confirms that the intra-group transactions have been concluded in the interest of the Company and are not atypical and/or unusual in relation to normal management.
On 10 April 2020, the Statutory Auditor Deloitte & Touche issued its report pursuant to Article 14 of Legislative Decree 39/2010, in which it expresses an unqualified opinion and certifies that the financial statements for the year ended 31 December 2019 represent a true and fair view of the Company's assets and financial position, economic result and cash flows. The audit firm also certifies the consistency of the management report with the financial statements for the year ended 31 December 2019.

Conclusions

On the basis of the checks carried out and in consideration of what has been previously highlighted, taking into account that no findings and/or reservations emerge from the report issued by the subject in charge of the statutory audit, we propose that you should approve the draft financial statements for the year ended 31 December 2019 drawn up by the Directors and the proposed allocation of the profit for the year of Euro 14,734,490 they have formulated.

Rome, 10 April 2020

The Statutory Auditors
Domenico Muratori
Patrizia Paleologo Oriundi
Massimo Porfiri

Resolutions of the Shareholders' Meeting

The Ordinary Shareholders' Meeting, held on 28 April 2020, resolved:

1. to approve the financial statements of Engineering Ingegneria informatica S.p.A. as at 31 December 2019, as prepared, including the annexes;
2. to carry forward the entire net profit of Euro 14,734,490, allocating it entirely to the reserve for undistributed profits;
3. to mandate the President or the Chief Executive Officer so that they may perform the necessary formalities required by law, acting severally.

Graphic Design: Ergon Com S.r.l.

Print: TheFactory S.r.l.

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