



ACCOUNTS 2020



ENGINEERING

Financial Statements

ENGINEERING INGEGNERIA INFORMATICA

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Engineering Ingegneria Informatica S.p.A. ("Company"), which comprise the statement of financial position as of December 31, 2020, the income statement and the comprehensive income statement, the statement of changes in shareholders' equity the cash flow statement 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, 2020, 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

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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, 2020, 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, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of Engineering Ingegneria Informatica S.p.A. as at December 31, 2020 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 13, 2021

*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 2020

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I. Corporate Governance and Corporate Bodies

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

On 23 July 2020, 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 2022. On 2 March 2021, Aurelio Regina was appointed by the Board of Directors as an additional director.

The current composition of Corporate Bodies is as follows:

Paolo Pandozy	Chairman and Chief Executive Officer
Armando Iorio	Director
Aurelio Regina	Director
Christophe Patrick M. Jacobs van Merlen	Director
Fabio Cosmo Domenico Cané	Director
Giovanni Camera	Director
Luca Bassi	Director
Michele Cinaglia	Director
Pietro Galli	Director
Riccardo Bruno	Director
Stefano Bontempelli	Director
Stuart James Ashley Gent	Director
Vito Cozzoli	Director

BOARD OF STATUTORY AUDITORS

Maurizio Salom	Chairman
Domenico Muratori	Standing Auditor
Stefano Roberto Tronconi	Standing Auditor

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Paolo Pandozy

SUPERVISORY BODY

Roberto Fiore	Chairman
Annalisa Quintavalle	Member
Spartaco Pichi	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

■ INTRODUCTION

The financial statements as of 31 December 2020 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 Financial Reporting Standards (IFRS), in addition to the IFRIC (International Financial Reporting Standard - Interpretation Committee) previously named SIC (Standing Interpretation Committee) interpretations issued by the IASB (International Accounting Standards Boards) and endorsed by the European Union.

On 23 July 2020, following the obtainment of the authorisations from the competent Regulatory Authorities, Bain Capital Private Equity (“Bain Capital”) and NB Renaissance Partners (“NBRP”), a company part of Neuberger Berman dedicated to private equity investments in Italy, completed the acquisition of Engineering Ingegneria Informatica S.p.A. In the transaction NBRP and Bain Capital invest with a 50% equal share. As part of the transaction, the former shareholders, i.e. NBRP and the funds managed by Apax Partners, sold all of their equity investments. NBRP re-invested in the Company together with Bain Capital, through new capital from different funds.

The share capital of Engineering Ingegneria Informatica S.p.A. is 100% owned by Centurion Bidco S.p.A. as Sole Shareholder. The Company is subjected to coordination and management by Centurion Holdco S.à.r.l..

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 are 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 principles, assumptions and estimates adopted is provided in the Explanatory Notes to the Engineering’s financial statements as of 31 December 2020, 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, income/(expenses) from equity investments, net financial income (expenses) (including, inter alia, exchange gains and losses), interest expense (including interest on financial leases), amortisation/depreciation, provisions and write-downs (including, but not limited to, the allocation to doubtful debt provision and provisions for risks and charges, comprising provisions made for probable future losses on some orders), costs incurred in relation to the Stock Option Plan, leaving incentives, Audit firm costs. 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 Company might not be consistent with criteria adopted by other companies. Therefore, the balance obtained might not be comparable with the one calculated by the latter.

- **Pro-forma adjusted EBITDA:** alternative performance measures (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 Company might not be consistent with criteria adopted by other groups. Therefore, the balance obtained 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, exchange gains and losses), and (ii) "taxes". The Company deems that this is a useful indicator on its capacity to generate profit before financial management and tax effects.
- **Net Capital Employed:** discloses the net total amount of non-financial assets and liabilities.
- **Net Working Capital:** discloses the net total amount of non-financial, current assets and liabilities. It permits to evaluate the ability of the Company 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.
- **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 statement 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 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

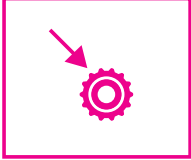
The company Engineering Ingegneria Informatica S.p.A. was established in Padua on 6 June 1980 and leads a Group operating in Software and IT Services. Engineering is the leading Italian player of Digital Transformation.




Established on
6 June 1980



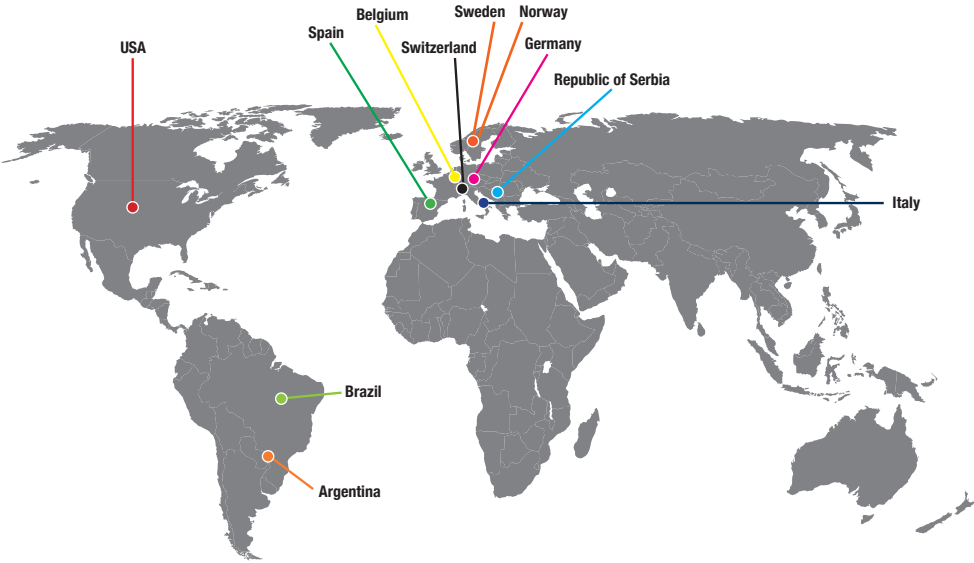
1st Italian IT
operator




ICT services,
products and
consultancy




Present on all
markets




With a network of 11,632 employees, over 40 offices throughout Italy, the EU (Spain, Germany, Belgium, Serbia, Switzerland, Norway, Sweden) and Latin America (Brazil and Argentina) and 2 companies in the United States, it offers services, products and consultancy. At Group level it generates approx. 14% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Transportation, Telecommunications, Utilities, Finance, Public Administration and Health sectors.




11,632
employees



over 40
offices

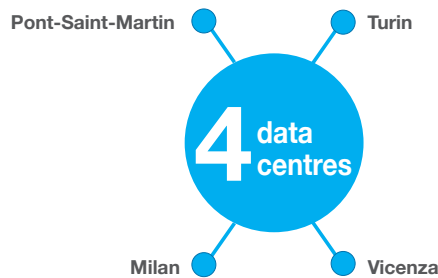


20
countries served



14%
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 mainly of medium-large customers, both in the private (banks, insurance companies, industry, services and telecommunications) and in the public sector (health, local and central public administration and defence).

The Company 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.

The market share in Italy in the Software and IT Services area, where the Group operates, equals about 9.5%.

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 segment (AREAS);
- management system for documents and procedures (AURIGA);
- administration, accounting and personnel systems for Local PA (SICER);
- Mobile Payments platforms (MPAY);
- business intelligence analytics systems (KNOWAGE);
- Digital platforms (Digital Enabler);
- predictive maintenance systems for manufacturing (DIVE).

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.

■ ECONOMIC OVERVIEW

The Covid-19 pandemic triggered one of the worst crises of the last century. The global economy collapsed to its lowest level since the post-war period. Global production fell by -4.4% in 2020 (2008-2009 financial crisis reported a -0.1% drop). Positive signs in Q3 at global level were however slowed down by new peaks in Q4. The arrival of the vaccines, albeit slow and confusing, has increased confidence for 2021 and 2022 with global growth estimated at 5.5% for 2021 and 4.2% for 2022 (source OECD).

The strong demand for remote work and education, which is expanding to services to citizens such as remote healthcare, will drive investments in enabling technologies such as the cloud, Cybersecurity and the world of AI & Advanced Analytics. Digital business will be the main technological trend for 2021.

■ THE ITALIAN ECONOMY

In Italy, after a contraction in GDP in 2020 (-8.9%), a partial recovery is expected in 2021 (+4%) (source ISTAT). Currently, macro-economic forecasts are uncertain and are linked to the different speeds of recovery by sector and by country.

■ THE IT SECTOR

In 2020, due to the pandemic, the digital technology market in Italy fell by 2% compared to 2019, to Euro 70.5 billion.

According to the encouraging data presented by Anitec-Assinform for 2021 and 2022, a good recovery of the market is expected.

Almost all segments experienced a decline in revenues, but much lower than the rest of the economy, confirming the perception of the need for digitalisation and the driving role of the most innovative technologies, Digital Enablers, which include Cloud (+16%), Artificial Intelligence, Mobile Computing, Big data, IoT, Blockchain, Cybersecurity.

In the business area, the greatest increases in ICT spending will be in the Industry (+7.7% in 2021 and +5.8% in 2022), Distribution and Services (+5.4% in 2021 and +4.4% in 2022), Banks (+4.6% in 2021 and +3.5% in 2022), Telecommunications and Media (+4% in 2021 and +3.5% in 2022), followed by Insurance and Finance, Utilities, Transport and Health. Good growth is also expected in the Public Administration, both Central (+4.3% in 2021 and +4.1% in 2022) and Local (+3.7% in 2021 and +4.4% in 2022).

If we consider, with the utmost prudence, the effects that the Recovery Fund will have on our economy, for the Italian digital market an overall growth of 3.4% is expected in 2021, with a value of approximately Euro 73 billion, and of 3.3% in 2022, when it will exceed Euro 75 billion.

In detail, ICT services will grow more in the next year, which will increase by 7.8% in 2021 and 7.2% in 2022, and software and solutions, for which +7.6% is expected in 2021 and +6.4% in 2022.

A positive trend which, according to the report, is due to the resumption of infrastructural modernisation projects, the restart of applications and consumer purchases.

V. Operational overview

The year 2020 was marked by the Covid-19 pandemic that deeply changed the way of living and working all over the world. Certainly, the companies that have reacted best to this epochal change are those that have always believed in innovation and research as distinctive success factors, something that Engineering has been able to sculpt in its DNA since its inception.

■ RESEARCH AND INNOVATION ACTIVITY

Projects and ideas that until February 2020 were considered research have become urgent and essential to adequately respond to the needs that emerged as a result of the pandemic crisis. We have launched initiatives at both Italian and European level for the creation of systems, which, starting from research projects, could support the containment of the pandemic. These initiatives have seen the Engineering Group strongly engaged with various proposals and projects ranging from contact tracing, to the vaccination passport, but also to digital solutions to support the necessary transformation of the industrial and manufacturing production aimed at meeting the new requirements related to Covid-19. A concrete example, in this sense, is represented by the Digital Enabler, an ecosystem platform developed within the FIWARE initiative which, in a very short time, enabled the creation of a tool for the analysis and monitoring of the spread of Covid in one of the most affected Italian regions. This tool is now used in several other territories.

Activities continued in relation to the use of Artificial Intelligence and Machine Learning for the analysis of genomic data and the creation of a holistic medical record, which in addition to the normal data could contain data relating to DNA and behavioural data.

The year also witnessed the birth of GAIA-X, the European initiative, of which Engineering is part with the role of "Day1 Member", which aims to develop an economy based on the sharing and interoperability of data and services to the advantage of the competitive capacity of the main productive ecosystems of our continent.

Research is becoming increasingly of key importance and with this in mind, a plan has been launched that envisages the hiring of young talents in the next three years through collaboration with the CNR and the major Italian Universities.

The year saw a total investment of around Euro 30 million, substantially in line with previous years and, for the first time ever, the number of simultaneously active projects considerably exceeded 100.

MARKET PERFORMANCE

■ FINANCE

The Finance market was indirectly affected by the crisis as financial institutions were called upon to play an active role in the application of the measures adopted by governments to support disadvantaged economic groups. In addition, it had to sustain significant efforts to increase the remote usability of its services and radically change both the operational set-up of internal structures and the one aimed at managing relations with external suppliers.

The Finance Department of Engineering, in contrast to contractions, recorded a linearity with the previous year, but not a decrease.

The General Finance Department intends to continue developing its growth strategy, while maintaining the role of partner of the main entities operating in the reference market and paying special attention to the issues concerning personalisation of the offer, growth of the wellness and insurance offer, as well as the role of business partner for customers by taking part in economic and non-economic ecosystems, with respect to which digital technologies, wealth of information and sustainability prevail, including:

- specialisation in enabling technologies: AI & Advanced Analytics, Cloud, Cybersecurity, Digital Twin, IoT, Intelligent Automation.

■ PUBLIC ADMINISTRATION

The Company operates in the PA Market both at central and local level and in the Health segment, offering a wide range of leading solutions in the market.

CENTRAL PUBLIC ADMINISTRATION (PAC)

The ICT market of the Central Public Administration recorded a slowdown in some important projects due to the Covid-19 pandemic.

During the year, important credit lines were awarded both in the social security sector (in particular INAIL) and in the Ministry of Economy and Finance/SOGEI (MEF ICT infrastructure - SGM tender and DWH and BI SOGEI tender) sector.

In 2020, the Defence sector was awarded the Healthcare-Celio Military hospital tender, which strengthens the control of Engineering and health skills and the launch of projects with the Ministry of the Interior (Department of Public Security).

The adoption of new technologies is becoming increasingly important in current projects. All the new contracts (Criminal Proceedings 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 approach, Agile Development and Design Thinking.

LOCAL PUBLIC ADMINISTRATION (PAL)

Despite the pandemic crisis, the results for 2020 were extraordinary, ensuring a slight growth of the Contribution Margin of around 2% compared to the budget and a growth in revenues of around 4% compared to the budget.

The Local Public Administration Department was ready and organised to face an “anomalous” year both from the point of view of the innovations introduced by the emergency regulations (from the Cura Italia decree to those to follow) and from the point of view of the operational effects on the organisation of work and services to citizens and businesses. On the one hand, the pandemic has suspended or postponed IT projects that are no longer a priority for some Regions, and on the other hand has contributed to accelerating the Digital Transformation of the Public Administration.

The PAL Department had to redefine the way it was dealing with its customers: in an initial phase, the emergency phase, it worked alongside local administrations to ensure the operational continuity of the systems and platforms managed and facilitate the use of smart working; in a second phase, by providing an acceleration for the deployment of IT systems and infrastructures, which are necessary to rapidly achieve concrete results for the territory (reference is made to the launching of Covid tenders to support businesses).

The pandemic crisis contributed to boost innovation within the Local Public Administration by making the services more virtualised to the citizen, de-materialising processes and simplifying the methods of managing them, as well as by ensuring help desks and remote assistance to back offices.

All ongoing projects continued in favour of the main regions such as Puglia, Emilia Romagna, Lazio, Sardinia, Lombardy and Campania.

In order to adopt and ensure qualified and professional support to PAs in the Digital Transformation, Engineering has adopted an organisational model that is increasingly closer to customers, both by strengthening technical and technological skills and by reorganising the Innovation Area. In addition, in 2020, to ensure the cross-fertilisation of projects between PAC and PAL and to ensure greater project synergies and knowledge transfer, the Management decided to consolidate the old PAC and PAL departments in a single Public Administration department.

■ HEALTH

The pandemic phenomenon severely challenged the Health sector and IT played a key role in supporting national healthcare structures. Despite the emergency, the production cycle has continued uninterrupted and

the services to customers have been provided without interruptions, albeit with considerable efforts in terms of commitment, explicitly recognised by several customers.

Also with regard to economic results, 2020 was a profitable year for Health, which, in continuity with the last years, was characterised by increasing numbers compared to the budget and the previous year, with an improvement in results both in terms of revenues and margins. The effect of these gratifying results is linked both to an increase in total revenues (despite some implementation projects having suffered a physiological slowdown in the peak months of the pandemic) and to a streamlining of structural costs due to the different methods to supply services due to the largely reduced mobility.

In 2020, the geographical area of Northern Italy further improved the already extraordinary performances of 2019 and the year ended with figures that allowed to exceed the budget, in terms of first and contribution margins, as well as to have a two-digit increase compared to 2019.

The project worthy of particular mention is the implementation of the DE4Bios Biosurveillance platform which, implemented in the Veneto Region first, was then adopted by the Lombardy Region as well. This represented the fundamental support tool for customers in the management of the pandemic.

All activities continued with accelerations for the launch of information systems and innovative projects for the major Italian regions.

■ INDUSTRY & SERVICES

AUTOMOTIVE AND INDUSTRIAL AUTOMATION DEPARTMENT

The year 2020, for the entire industrial sector, and for the automotive sector in particular, was marked by the crisis following the spread of the pandemic; the entire March-June period marked a general suspension of factory activities with recourse to layoffs. It was not until the second half of the year that the recovery gradually became visible, allowing us to resume the development of projects at the customers' plants, albeit with the limitations due to safety regulations and intra-regional restricted movements, especially towards foreign countries.

In this context, our capacity for resilience and organisation in re-planning project operations with respect to the new conditions created by the pandemic, allowed us to achieve the budget targets, albeit revised at the end of March, but still satisfactory for the quality of the goals achieved.

In particular, in the automotive sector, our further consolidation in strategic FCA areas is worth noting, including the thorough supervision of the manufacturing area with the extension to all factories of the MES 4.0 solution and the consolidation of our presence in areas such as that of sales processes and that of quality control of the final product.

Lastly, Engineering continues to grow in the automotive segment well beyond FCA, in particular among all the sales companies operating in Italy at the Volkswagen Group, which is rightfully among the top five in the area. Lastly, we continue to successfully maintain an important presence in the dealer area, thanks to our solution aimed at supporting the transformation of the sales process from product to mobility service, on which the many commercial companies in the sector are betting their future.

As regards the area of industrial automation, the year was characterised by the following main aspects:

- with reference to the Transportation segment, during the year important negotiations were finalised that saw us in collaboration with major vendors and integrators at global level, and that allowed us to be awarded projects such as the metropolitan network of Lima in Peru, Hurontario in Canada, Riyadh in the Middle East, while we started the pre-offer planning phase for similar projects in Ethiopia, Panama and Europe;
- the automation structure has been able to further increase, at international level, the ability to support our large customers in their needs all over the world, especially large foreign groups to whom we provide services not only in Italy;
- lastly, the creation of an integrated structure between the different Engineering entities operating in the automation segment, with the creation of "Industries Excellence Global", an organisation that integrates and enhances the skills and references of the Italian structure, with that present in the USA and with activities carried out in Brazil.

The project at the basis of Industries Excellence Global aims to create an international entity, which in terms of quality and economic values can effectively represent a reference player in the automation market. The foundations have already been laid for an upcoming expansion of the structure, which we would like to see soon in Mexico, Germany and Spain, in addition to a further growth in the areas where it is already present.

TRANSPORTATION AND INFRASTRUCTURES DEPARTMENT

The Transportation market was the one most penalised by the onset of the pandemic. The development plans targeted at the beginning of 2020 suffered a sharp slowdown due to the fall in revenues in the sector, a decrease that in some cases was close to 90%.

Customers in the area not only stopped investments but in some cases also revised the commitments already set for 2020. The pandemic therefore stopped the positive trend reported by the Department and resulting from a strategic actions aimed at enlarging the market (diversification of customer portfolio), as well as verticalising skills in the Infrastructures and Transportation sector.

On the other hand, the good result obtained through the winning of tenders in partnership with important players in the sector, has significantly balanced the Covid effect, allowing to end the year with a positive result.

INDUSTRY DEPARTMENT

In such a difficult year, the choices dictated by our strategic vision of the requirements for the current decade of the industrial world, large-scale distribution and services proved to be decisive.

Together with the offer, the international vocation of the division was further consolidated with more than 50% of the volumes durably generated by foreign activities and with international companies, with a multi-year presence in Europe, USA, Latin America, China, India and Malaysia. The most advanced collaborative technologies available have allowed the Management, as well as all the work teams, to provide uninterrupted services and business development actions.

Additional benefits were obtained through the review of some contracts, with which customers renewed their trust with the extension of collaboration agreements, and more generally with a further strengthened partnership.

In general, all sectors have suffered some repercussions from the situation created as a result of the pandemic, but the situation involves some specificities depending on the markets:

As regards the Retail & Fashion segment, although there was a drop in investments in the physical channel, customers confirmed the boost of investments in E-commerce and Omnichannel, rewarding our solutions (MyClienteling, Distant Sales and Market Suite) and investing in application infrastructures.

In the Industry world, particularly in the manufacturing world, the pandemic has led companies to the conviction of strengthening production and distribution structures, with investments in particular in the cybersecurity and supply chain areas. An area that still leads manufacturing companies to invest is that linked to 4.0 tools and solutions that allow an improvement in customer services, to which interest in the Recovery Fund will be added in 2021. In general, during 2020 companies focused on enabling technologies that are necessary to remodel a new way of organising work, both within the company and with regard to its commercial partners.

In the Pharma and Life Sciences market, the pandemic situation has certainly strengthened our presence in the world of operations and industry 4.0, where important works have been launched on issues related to efficiency improvement and monitoring at production sites, as well as consolidation of customer infrastructures also at international level, laying solid foundations to strengthen existing contracts with a view to multi-year extension.

The Consumer market, in particular the Food & Beverage world, was characterised by a very fragmented and vibrant demand for optimisation activities on the systems and services already present. On the one hand, the market of our customers was the one that benefited most from the Covid effect, on the other, it has slowed down or moved more strategic initiatives. In fact, Engineering was able to respond reactively to all requests in terms of managed operations, system integration and digital solutions, benefiting from significant growth in terms of both volumes and positioning. One case above all is Ferrero, which confirmed and in fact exceeded the revenue volume for 2019.

■ TELCO & MEDIA

The Telco sector, despite having recorded a decrease in revenues in 2020 compared to 2019, was one of the most resilient sectors to the pandemic also thanks to a greater demand for fixed broadband connections. In the Media sector, Covid-19 has changed the way media content is used by accelerating the online consumption of videos (films, TV series, sporting events), games, music, news and more generally the consumption of services offered by the over-the-top. Companies in the Digital Media sector have expanded their customer base, increased their revenues from online advertising and, thanks to growing demand, are continuing to expand.

Engineering operated seamlessly on the Telco & Media market and the results achieved stem from two contrasting phenomena:

- growth of more than 10% in “Application Management & Transformation” and “Managed Operations” services;
- a very strong drop in “Revenue Share” 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. The decline in revenues from these services had already started in 2019, but in 2020 it reached an all-time low with a reduction of around 80% compared to the previous year.

■ ENERGY & UTILITIES

For the Energy & Utilities Department, 2020 was a year of substantial stability in terms of volumes, with positive signs in some areas and a slight recovery in the final part of the year. The energy and utilities market, characterised in the previous year by strong dynamism, was affected by a slowdown due to national health and economic events.

In the oil market, there was a collapse in demand and oil price, which forced operators to take important measures to contain costs and delay investments. The presence with these customers, consolidated over time, and the diversification through different contracts operating in different divisions/companies allowed Engineering to contain the impacts.

The evolution of the Net@Suite and its distribution to the major customers continued in 2020. The sales campaigns for the new water product Net@2A led to an excellent result in terms of licenses (the sale of licenses is one of the distinctive elements of the Net@Suite market area). 2020 was the year of Net@2A projects and consolidation of the water market with the go-live of five customers on the cloud platform.

In the System Integration area, Engineering confirmed itself as major player and partner of the leading Energy & Utilities companies operating in Italy and expanding its business abroad. Engineering's offering continues to evolve towards all market sectors (Oil, Power, Gas, Extra Commodity, Water and Waste), with 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:

- the acquisition of new contracts in Enel in new areas: Global Data Platform, EPM Planning & Consolidation;
- acquisition/renewal of the System Integration, Post-Startup and Application Management contract in the Operations area in SNAM;
- the acquisition of important contracts in the CRM Salesforce area in TEA Mantova and ACEA.

As of 31 December 2020, the Company workforce (with long-term contracts) numbered 7,195 units, of which only 14 temporary workers (as of 31 December 2019 there were 7,193 of which 66 temporary).

During 2020, the pandemic health emergency had a direct and negative impact on the various activities carried out by the Company: this impact made it necessary to apply for the intervention of the redundancy fund (CIG) for the Covid-19 emergency. In the spring period of pandemic peak, more than 400 people (FTE 250) were placed in payoff (under CIG) with both total and partial suspension of work. Starting from the summer, this situation has slowly recovered, with around 140 people (FTE 95) under the CIG scheme at the end of the year.

Moreover, due to the aforementioned health emergency, since the beginning of March, the Company's offices have been closed and work activities of employees have continued in agile remote working mode (so-called smart working).

Some detailed figures are provided below, related to 2020, with reference to the Company workforce:

- graduated people total 60%;
- women totalling 33%;
- the average age is 44.4;
- the number of executives was equal to 4.3%;
- employees with Super Management/Management qualifications total 22%.

■ TRAINING

With regard to the training activities provided by the School of IT & Management Engineering "Enrico Della Valle", the health emergency has determined the need to completely and quickly review the teaching methodology and the contents of all courses, as well as the organisational processes of the School (for example, enrolment methods, course planning, management of funding, reporting of attendance, analysis of results, etc.).

Nonetheless, the School managed to guarantee the continuity of the training processes, making available, already in April, to all Group colleagues a first remote e-learning training Catalogue, consisting of 75 training and professional certification courses and a usage platform based on Microsoft Teams to allow attendance at courses.

Moreover, starting from September, FORENG has been fully aligned with distance learning courses, allowing the management of the entire registration process on a Catalogue of over 200 titles.

Classroom teaching activities (for the months of January and February 2020) and in the virtual classrooms (from March to December 2020) recorded a total of 6,296 participants, with an increase of 16.4% compared to 2019.

The training initiatives undertaken in 2020 include:

- a series of training initiatives to support Group colleagues to deal with the transition to remote working;
- the delivery of the MeM - Master Engineering in Management continued in web classroom mode;
- the Safety Project, entirely funded by Fondimpresa, regarding the (mandatory) Employee Refresher Course valid for 5 years;
- the international training platform Go Fluent was renewed until June 2021, at the same time extending it to all the Group's foreign companies, which provides all employees and their families with unlimited access for multimedia training activities on different languages including English, French, German, Spanish. The project was entirely funded by Fondimpresa.

VII. Outlook

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2020 was an extraordinary test bed for the Company, which enhanced the flexibility and resilience of our organisation.

This allowed us to overcome the year with results that, given the circumstances, we consider more than satisfactory.

In particular, the numerous commercial successes, particularly between the end of 2020 and the beginning of the current year, which strengthened our positioning on the market, should be emphasised.

2021 will be characterised by the gradual return to normality starting from the third quarter of the year, while the first measures for the recovery of our economy should begin to materialise in the last quarter.

Engineering expects to play a leading role in the necessary digital evolution of industry, health and Public Administration.

VIII. Financial highlights

■ MAIN FINANCIAL DATA

The main financial data related to the year 2020 are show hereunder compared with the restated previous year, as described hereunder.

Description	2020	2019	(in millions of Euros)
			% change YoY
Total revenues	912.0	933.0	-2.3
Net revenues	877.0	902.9	-2.9
Pro-forma adjusted EBITDA	96.0	100.3	-4.3
% of revenues	+10.9	+11.1	
Adjusted EBITDA	109.1	114.0	-4.2
% of revenues	+12.4	+12.6	
EBIT	61.1	33.6	+81.6
% of revenues	+7.0	+3.7	
Net Profit	165.9	14.7	+1,025.8
% of revenues	+18.9	+1.6	
Shareholders' equity	808.2	599.1	+34.9
Pro-forma net financial debt	(70.9)	(121.9)	-41.8
ROE % (N.P./N.E.)	+20.5	+2.5	+734.6
ROI % (EBIT/N.C.E.)	+6.0	+3.9	+54.9
No. of employees	7,195	7,193	+0.0

Total revenues came to Euro 912 million, a 2.3% decrease compared to the previous year.

Net revenues, equal to Euro 877 million, reported a 2.9% decrease compared to the previous year.

Pro-forma adjusted EBITDA stood at Euro 96 million, down by Euro 4.3% compared to the previous year.

EBITDA adjusted, equal to Euro 109 million, reported a 4.2% decrease compared to the previous year.

EBIT stood at Euro 61.1 million, up compared to 2019, and included amortisation/depreciation amounting to Euro 37.2 million and provisions totalling Euro 1.9 million, both lower than the previous year. For further information, please refer to the Explanatory Notes.

The net profit of Euro 165.9 million includes Euro 121 million due to the effects of the realignment between higher book values as of 31 December 2019 and lower tax values. The realignment was carried out pursuant to Law Decree no. 104 of 14 August 2020 ("August Decree"), converted into Law no. 126 of 13 October 2020 (Article 110, paragraph 8), and 2021 Budget Law - Law no. 178 of 30 December 2020 (Article 1, paragraph 83), that made possible also for entities that draw up their financial statements in accordance with International Accounting Standards to realign the higher value relating to business assets and equity investments resulting from the financial statements for the year ending 31 December 2019.

The exemption envisages the payment of a substitute tax of Euro 14 million. The realignment entailed the release to the income statement of the deferred tax liabilities associated with these intangible assets not yet relevant for tax purposes and the allocation of prepaid taxes with reference to the value of goodwill of approximately Euro 135 million.

The Company is also obliged to allocate a reserve in suspension of taxation for tax purposes for the amount corresponding to the higher values subject to realignment net of the substitute tax. This reserve can also be exempted in order to make the reserve available for future uses, for the amount corresponding to the higher values subject to realignment net of the substitute tax.

With this transaction, the Company will benefit from net tax savings of Euro 128 million over 18 years.

The net profit without participation in the tax realignment would have been Euro 44.9 million.

Pro-forma net financial indebtedness of Euro -70.9 million does not include financial payables for "rights of use of leased assets", required by IFRS 16, of Euro 134.7 million (Euro 144 million in 2019), recorded an improvement of Euro 51 million (-41.8%). More details are provided in paragraph IX of this document.

■ ALTERNATIVE PERFORMANCE MEASURES

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

(in millions of Euros)

Description	Note	2019	2020
Profit for the year		14.7	165.9
Income taxes		8.2	(106.2)
Income from investments		7.1	(6.5)
Financial income		(3.7)	(7.8)
Interest expense (excluding interest on leases)	(1)	6.0	8.3
Interest on leases		1.3	1.3
Depreciation of property, plant and equipment		3.9	3.9
Depreciation of right-of-use assets	(1)	13.6	13.1
Amortisation of intangible assets		21.8	20.2
Provisions and write-downs		22.7	1.9
Stock Option costs	(2)	9.6	9.6
Leaving incentives	(3)	3.2	1.8
Audit firm	(4)	0	3.6
Costs for transfer of registered office		1.6	0
Charges related to the corporate strategic valuation process	(5)	1.0	0
Tax charges related to tax assessment of Tax Authorities		2.9	0
Adjusted EBITDA		114.0	109.1
IFRS 16 standardisation		(13.6)	(13.1)
Pro-forma adjusted EBITDA		100.3	96.0

(1) As from 1 January 2019, following the first-time application of IFRS 16, for all lease contracts, except for short-term leases, the Company recognises right-of-use assets at the effective date of the lease contract, 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.

(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) Audit firm cost.

(5) In order to disclose the effect of IFRS 16 on adjusted EBITDA, a pro-forma adjusted EBITDA is shown to indicate 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. 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 different markets, are allocated in relation to their contribution margins.

Description	(in Euros)					
	31.12.2020		31.12.2019		Change	
		%		%		%
Total revenues						
Finance	233,020,929	+26.6%	238,975,418	+26.5%	-2.5	
Public Administration	166,406,002	+19.0%	151,259,473	+16.8%	+10.0	
Health	68,038,137	+7.8%	66,786,686	+7.4%	+1.9	
Industry & Services	158,331,389	+18.1%	169,292,755	+18.8%	-6.5	
Telco & Media	98,295,064	+11.2%	119,320,387	+13.2%	-17.6	
Energy & Utilities	152,874,017	+17.4%	157,245,058	+17.4%	-2.8	
Net Revenues	876,965,537	+100.0%	902,879,777	+100.0%	-2.9	
Other revenues	34,998,155		30,135,678		+16.1	
Total revenues	911,963,692		933,015,455		-2.3	

■ OPERATING EXPENSES

Description	(in Euros)			
	2020	2019	Change	
			Absolute	%
Personnel costs	418,989,092	421,881,779	(2,892,687)	-0.7
Service costs	367,888,374	387,008,809	(19,120,435)	-4.9
Raw materials and consumables	21,734,820	22,603,786	(868,967)	-3.8
Amortisation and depreciation, provision	39,097,927	62,041,662	(22,943,735)	-37.0
Other costs	3,195,653	5,849,374	(2,653,721)	-45.4
Total operating expenses	850,905,866	899,385,409	(48,479,543)	-5.4

Overall operating expenses decreased overall by approx. Euro 48 million, compared to 2019, to be attributed mainly to:

- the decrease in “Amortisation/depreciation and provisions”, amounting to Euro 23 million (-37%);
- the decrease in “Service costs” of Euro 19 million (-4.9%).

The item “Amortisation/depreciation and provisions” recorded a decrease of around Euro 23.0 million, mainly due to lower allocations made to the doubtful debt provision and to the provisions for risks that are better specified in the following paragraphs hereof.

Service expenses are mainly due to professional resources used in our production cycle as flexibility element and they decrease proportionally to the decrease in revenue. The decrease is essentially due to the reduction in Mobile Payment services.

■ OPERATING PROFIT AND NET PROFIT

Description	(in Euros)		
	31.12.2020	31.12.2019	Change %
EBIT	61,057,826	33,630,046	+81.6
Financial income (expenses)	(7,796,823)	(3,664,512)	+112.8
Income (expenses) from equity investments	6,452,451	(7,079,239)	-191.1
Profit before taxes	59,713,453	22,886,294	+160.9
% on revenues	+6.8%	+2.5%	
Income taxes	(106,173,746)	8,151,804	-1,402.5
Tax rate	-177.8%	+35.6%	
Net profit	165,887,199	14,734,490	+1,025.8
% on revenues	+18.9%	+1.6%	

The profit before taxes, amounting to Euro 59.7 million, includes the item “Financial income/(expenses)” and “Income/(expenses) from equity investments”. For details, reference is made to paragraphs 43 and 44 of the Explanatory Notes.

The net profit, following the allocation of taxes, was equal to Euro 165.9 million.

The net profit includes Euro 121 million due to the effects of the realignment carried out on the basis of Law Decree no. 104 of 14 August 2020 ("August Decree"), converted with Law no. 126 of 13 October 2020 (Article 110, paragraph 8), and the 2021 Budget Law – Law no. 178 of 30 December 2020 (Article 1, paragraph 83). Excluding these effects, the net profit would have been Euro 44.9 million. For further details, please refer to Section VII Financial Highlights hereof.

The tax rate net of the effects described above for "tax realignment" stood at 24.8%.

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 effects of assets and 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	31.12.2020	31.12.2019
Cash flow from operating activities		
Cash collected from the sales of products/services - third parties	954,164,396	975,529,937
Cash collected from the sales of products/services - Group	9,161,863	19,382,563
Payments for goods and/services - third parties	(398,101,182)	(369,032,818)
Payments for goods and/services - Group	(137,778,262)	(127,227,968)
Personnel costs	(413,734,144)	(430,556,742)
Interest received	23,649	27,749
Interest paid for operating activities	(537,945)	(73,826)
Exchange differences	(422,495)	(69,088)
Loans disbursed/received to/from Group companies	(125,000)	(1,450,000)
Loans repaid/collected by Group companies	3,000,000	3,599,940
Income tax payments and reimbursements	(15,750,835)	(24,416,377)
Cash pooling	52,744,219	13,037,593
A) Total cash flow from operating activities	52,644,263	58,750,963
Cash flow from investing activities		
Sale of property, plant and equipment	0	57,707
Purchase of property, plant and equipment	(4,529,645)	(3,527,144)
Purchase of intangible assets	(7,473,798)	(2,482,998)
Payments for business combinations under control	(19,156,628)	(27,666,753)
Cash collected from business combinations under control	550,000	0
Purchase of business units	0	(535,465)
Purchase of other investments and securities	0	(292,056)
Sale of other investments and securities	27,402	309,419
B) Total cash flow from investing activities	(30,582,669)	(34,137,291)
Cash flow from financing activities		
New loans	322,848,700	80,110,958
Repayment of loans	(414,656,725)	(42,749,923)
Acquisition of non-controlling interest and reserves	32,870,799	0
Interest paid for financing activities	(3,200,381)	(2,263,514)
Repurchase of treasury shares	0	(39,650,442)
Repayment of lease liabilities	(11,325,386)	(11,623,627)
C) Total cash flow from financing activities	(73,462,992)	(16,176,547)
D) = (A + B + C) Change in cash and cash equivalents	(51,401,398)	8,437,125
E) Cash and cash equivalents at beginning of year	161,484,408	152,757,670
F) Cash and cash equivalents held for shareholders' distribution/from merger		289,613
G) = (D + E + F) Cash and cash equivalents at end of year	110,083,010	161,484,408

Cash and cash equivalents totalled Euro 110 million at the end of the period, down by approx. Euro 51 million compared to last year. The cash flow from operating activities (Euro +52.6 million) entirely covered investment requirements for the period (Euro -30.5 million) and only partially the negative cash flows from financing activities (Euro -73.4 million), mainly due to changes in capital and the balance between the disbursement of loans and the repayments of the credit lines used. These transactions are both linked to the closing activities of the corporate handover to the new shareholders.

■ NET FINANCIAL POSITION

(in Euros)		
Description	31.12.2020	31.12.2019
Cash and cash equivalents	12,477	17,328
Bank and postal deposits	110,070,533	161,467,080
A) Cash and cash equivalents	110,083,010	161,484,408
B) Current financial receivables	0	0
Bank overdrafts (Bank overdrafts of bank accounts)	0	0
Short-term bank loans	(43,872,700)	(76,303,990)
Current lease liabilities	(12,924,512)	(13,440,996)
Other current financial liabilities	(7,968,813)	(15,679,028)
C) Current borrowing	(64,766,026)	(105,424,015)
D) Net current financial position	45,316,984	56,060,393
Non-current financial liabilities	(124,512,407)	(183,444,398)
Non-current lease liabilities	(121,802,068)	(130,512,656)
Other non-current financial liabilities	(4,628,294)	(7,909,648)
E) Non-current borrowing	(250,942,769)	(321,866,702)
F) Net financial position	(205,625,785)	(265,806,309)

The net financial position stood at Euro -205.6 million, up compared to the previous year by Euro 60.2 million.

Without the recognition of the payable for "rights of use of leased assets", required by IFRS 16, equal to Euro -134.7 million in 2020 (Euro -144 million in 2019), the net financial position would have been recorded a balance of Euro -70.9 million (Euro -121.8 million in 2019) as better disclosed in the table below "pro-forma net financial position".

■ PRO-FORMA NET FINANCIAL POSITION

(in Euros)		
Description	31.12.2020	31.12.2019
Cash and cash equivalents	12,477	17,328
Bank and postal deposits	110,070,533	161,467,080
A) Cash and cash equivalents	110,083,010	161,484,408
B) Current financial receivables	0	0
Bank overdrafts (Bank overdrafts of bank accounts)	0	0
Short-term bank loans	(43,872,700)	(76,303,990)
Other current financial liabilities	(7,968,813)	(15,679,028)
C) Current borrowing	(51,841,514)	(91,983,019)
D) Net current financial position	58,241,496	69,501,389
Non-current financial liabilities	(124,512,407)	(183,444,398)
Other non-current financial liabilities	(4,628,294)	(7,909,648)
E) Non-current borrowing	(129,140,701)	(191,354,046)
F) Pro-forma net financial position	(70,899,205)	(121,852,657)

The particular situation that occurred following the Covid-19 emergency and the difficulties related to the different phases and methods of lockdown affected the management of current operations as well as the other important event represented by the acquisition transaction of the Group by Bain Capital and NB Renaissance Funds, which was completed on 23 July 2020. In any case, the presence of important credit lines, the now consolidated adoption of cash pooling and the appropriate management of liquid funds have ensured adequate coverage of financial needs.

The companies adhering to cash pooling managed by the Parent Company have, from time to time, used this instrument 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 the Parent Company or their holding company. In all cases they had easy access to the financial resources managed by the Parent Company, both in-house and from external sources, at rates they would not have been able to obtain independently on the market, also given the particular circumstances. The Group's rating and ongoing dialogue and discussion with the various banks 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 Group and maximised efficiency in managing the working capital, thereby limiting financial charges.

The cyclical trends in cash inflows, which historically characterises the current management and periodical non-recourse factoring transactions, have permitted to limit short-term procurement transactions. During the year, hot money transactions were finalised, for which a weighted average annual interest rate of 0.818% was paid to the banks against an average monthly exposure of around Euro 27.7 million. Receivables factored through non-recourse factoring transactions, envisaged every quarter, amounted to a total of around Euro 82.6 million compared to Euro 155.3 million in 2019. Factoring companies were granted an average rate of 0.63% for commissions and interest related to these transactions (0.35% in 2019).

As part of the above-mentioned acquisition by the Bain Capital and NB Renaissance Funds, which involved the Group on 23 July 2020 and the related extraordinary transactions carried out, the loans granted by EIB, Banco BPM and by Banca IMI/Pool Banks to Engineering Ingegneria Informatica S.p.A. were repaid in advance for a total of Euro 203,041,919.16. The early repayment took place using part of the Company's cash and cash equivalents and part of a share capital increase of Euro 32.9 million and a loan of Euro 114.4 million disbursed by Centurion Bidco SpA, direct parent company of the Parent Company. Subsequently, on 13 October 2020, again as part of the extraordinary transactions relating to the acquisition, a new loan of Euro 15 million was disbursed by Banco BPM in favour of Engineering Ingegneria Informatica S.p.A. to support current operations. Therefore, as of 31 December 2020, the residual debt of the medium/long-term loans amounted to approximately Euro 14 million, including the new one already amortised, with approximately Euro 3.9 million in principal repayments to be carried out in 2021.

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

■ WORKING CAPITAL

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The net working capital increased by Euro 22 million compared to 2019 (+12.2%), amounting to Euro 199 million.

Overall, current assets increased by 3.7% while current liabilities were in line with the previous year (0.7%).

(in Euros)

Description	31.12.2020	31.12.2019	Change	
			Absolute	%
Current assets				
Customer contract assets	151,656,430	157,000,914	(5,344,484)	-3.4
Deferred contract costs	7,040,137	7,357,880	(317,743)	-4.3
Trade receivables	524,056,744	486,083,407	37,973,337	+7.8
Other current assets	31,314,710	38,411,149	(7,096,440)	-18.5
Total	714,068,021	688,853,351	25,214,670	+3.7
Current liabilities				
Trade payables	(385,525,494)	(381,972,361)	(3,553,133)	+0.9
Other current liabilities	(129,916,945)	(129,864,058)	(52,887)	+0.0
Total	(515,442,439)	(511,836,419)	(3,606,020)	+0.7
Net working capital	198,625,582	177,016,932	21,608,650	+12.2

■ RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The Company's statement of financial position shows a very stable structure and is well represented thanks to a ratio of 0.9x shareholders' equity/fixed assets, up compared to the previous year.

(in Euros)

Description	31.12.2020	31.12.2019	Change	
			Absolute	%
Real estate property	17,026,995	18,126,384	(1,099,388)	-6.1
Rights of use	129,009,243	142,238,320	(13,229,077)	-9.3
Intangible assets	491,430,638	501,264,480	(9,833,843)	-2.0
Goodwill	44,648,340	44,648,340	0	+0.0
Equity investments	179,245,885	170,664,577	8,581,309	+5.0
Fixed assets	861,361,101	876,942,101	(15,581,000)	-1.8
Short-term assets	714,068,021	688,853,351	25,214,670	+3.7
Short-term liabilities	(515,442,439)	(511,836,419)	(3,606,020)	+0.7
Net working capital	198,625,582	177,016,932	21,608,650	+12.2
Other non-current assets	36,324,521	22,830,708	13,493,813	+59.1
Post-employment benefits	(49,995,647)	(53,133,499)	3,137,853	-5.9
Other non-current liabilities	(32,499,195)	(158,731,807)	126,232,612	-79.5
Net capital employed	1,013,816,362	864,924,434	148,891,928	+17.2
Group shareholders' equity	808,190,577	599,118,125	209,072,453	+34.9
Non-controlling interest shareholders' equity	0	0	0	+100.0
D - Shareholders' equity	808,190,577	599,118,125	209,072,453	+34.9
(Availab.)/Fin. indebtedness ST	(45,316,984)	(56,060,393)	10,743,408	-19.2
(Availab.)/Fin. indebtedness	205,625,785	265,806,309	(60,180,525)	-22.6
Total sources	1,013,816,362	864,924,434	148,891,928	+17.2

The significant events are detailed below:

- on 7 February 2020, Engineering Ingegneria Informatica S.p.A. purchased 95% of interests in FDL 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;
- on 28 April 2020, Engineering Ingegneria Informatica S.p.A., formerly a shareholder of Engineering USA Inc., a company established and existing under US law, acquired additional shares of the same, reaching 93.36% of the share capital;
- on 23 July 2020, the purchase and sale of 100% of the share capital of the company Engineering Ingegneria Informatica S.p.A. by Centurion Bidco S.p.A., a Sole Shareholder company, with registered office in Milan, at Viale Bianca Maria no. 25, Tax Code and enrolment in the Register of Companies no. 11230560960 and VAT no. 11230560960, was finalised. By virtue of the aforementioned transaction, the share capital of Engineering Ingegneria Informatica S.p.A. of Euro 34,095,537.11 fully paid-up, divided into no. 13,003,677 ordinary shares with no nominal value is fully held by the Sole Shareholder Centurion Bidco S.p.A.;
- as from 28 July 2020, Engineering was configured as a Company subject to management and coordination by Centurion Holdco S.à r.l. (which indirectly controls Centurion Bidco S.p.A.) pursuant to Article 2497-bis of the Italian Civil Code;
- on 13 October 2020, Engineering Ingegneria Informatica S.p.A., formerly a shareholder of Engineering USA Inc., a company established and existing under US law, acquired additional shares of the same, reaching 97.36% of the share capital;
- on 16 November 2020, the Shareholders' Meeting of the investee Terram S.r.l., in which Engineering held 40% of the shares, was held. During the meeting, the final liquidation financial statements were approved. The company was cancelled from the Register of Companies;
- on 18 November 2020, Engineering Ingegneria Informatica S.p.A. completed the acquisition of an additional 49% of the share capital of Engineering ITS AG, with registered office in Germany, in which it already held a majority stake of 51%, becoming its Sole Shareholder;
- on 9 December 2020, the entire shareholding in the share capital of Sofiter Tech S.r.l., of which Engineering had acquired the majority control through subscription in 2017 of the paid share capital increase resolved by the Company, was sold;
- on 30 December 2020, the Extraordinary Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved to approve the demerger plan for the assignment of part of its share capital to the company Centurion Bidco 1 S.r.l. (with Sole Shareholder and registered office in Milan, Viale Bianca Maria 25) through the assignment of no. 285,000 ordinary shares with a nominal value of Euro 1.00 each, representing 95% of the share capital of the company OverIT S.p.A. (with registered office in Fiume Veneto).

XI. Shareholders and treasury shares

■ SHAREHOLDERS

The whole share capital of Engineering Ingegneria Informatica is held by Centurion Bidco S.p.A., as Sole Shareholder.

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 business relations with Centurion Bidco S.p.A..

■ 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 4 March 2021, the company ENG Mexico Informatica S. de R.L. de C.V was established, with registered office in Mexico, whose share capital, consisting of 10,000 Mexican pesos, is 90% owned by the subsidiary Engineering USA Inc. and the remaining 10% directly by Engineering Ingegneria Informatica S.p.A..

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 48 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 Company 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 industry 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.

The risk factors described below should be read together with other information present in the financial statements.

A. Risks connected with the general economic conditions

Europe is still in the grip of the Coronavirus pandemic. The new increase in the number of infection cases and the appearance of new, more contagious strains of the Coronavirus have forced many Member States to reintroduce or tighten containment measures. At the same time, the launch of immunisation programs across the EU gives rise to cautious optimism.

As we have already said, the demand for IT services should grow in the course of 2021, avoiding potential negative economic and financial impacts.

Thanks to diversification carried out over the years, as regards changes made to the business model the Company is present in every market, by distributing its business volume and minimising risks connected with the crisis of one single market.

B. Risks related to the development of IT services

The crisis resulting from the spread of the Covid-19 pandemic is not just a health crisis. The response of the production sector has been towards an acceleration in the use of information technology. In this context, technological risks are mainly represented by the widening of the digital inclusion barriers, the so-called “digital divide”, but also by the exponential rise in cyber attacks that increase the cybersecurity risk.

The Company has always known how to interpret changing customer needs due to considerable investments that allow intense research activity and the development and update of vertical applications that anticipate market demand.

Thanks to continuous investments in R&D, the Company is able to mitigate risks related to the evolution in demand, which is treated as a business opportunity.

C. Risks related to cybersecurity

According to the 10th Allianz Risk Barometer 2021, the pandemic breaks the mould and places the interruption of activities in the first place among the greatest risks perceived by companies for 2021. In particular, in the Italian scenario, for the first time ever, IT incidents are classified as the most important risk for companies at local level. The interruption of activities is in second place and remains a fundamental challenge, while the pandemic enters directly in third place this year.

Our Company relies on computer networks and systems to securely process, transmit and store electronic information and to communicate internally and with customers, partners and suppliers. As the size and complexity of this infrastructure continue to grow, even with the use of mobile technologies, social media and cloud-based services, the potential risk of security breaches and cyber attacks increases. Such breaches could result in the shutdown or interruption of systems and potential unauthorised disclosure of sensitive or confidential information, including personal data.

In the above cases, the Company could be exposed to potential liabilities, litigations and legal or other actions, as well as to loss of existing or potential customers, damage to brand and reputation, and other financial losses. Moreover, costs and operating consequences to tackle these breaches, and the implementation of correction measures, might be significant.

To date, no IT security attacks have had a material effect, albeit there is no guarantee that no material impact will occur in the future. As the information security business and landscape evolves, the Company may also deem it necessary to make further significant investments to protect data and infrastructure.

D. Risks related to competition

The information technology market is very competitive; this is encouraged, among other, by a fragmented context that is affected by deeply rooted local operators that can present offers at more competitive prices. Therefore, some competitors could acquire small market shares and expand their presence in the reference markets. Increased competition may also lead to lower prices and volumes, higher costs for resources, in particular personnel and, consequently, lower profitability. The Company may not be able to provide customers with quality services at competitive prices. Any inability to effectively compete would adversely affect activity, operating results, financial conditions and forecasts. Special attention was given by the Company on this issue and it developed a structure made up of specialised resources concerned with “the offer engineering”, which allows the Company to develop valid economic proposals that take account of the deep and rapid technological changes, the evolution in professionalism, the expertise to be shared in rendering services and cost analysis.

E. Risks related to regulatory developments

The activity performed by Engineering is not subject to particular sector regulations to date.

INTERNAL RISKS**A1. Risks related to the employment of key personnel**

The Company depends on some key figures who have contributed considerably to its success, including the Chairman, Chief Executive Officer and some Executive Managers with many years of experience in the sector and who have been with the Group for more than 25 years. Engineering is also endowed with Executive Managers, who play a key role in the management of the Company's activities, as well as a management structure able to ensure continuity in the management of corporate activities even in the event that key persons to be adequately replaced leave immediately.

B1. Risks related to dependence on customers

The Company offers services to around 2,000 medium and large companies operating on all markets (Public Administration, Health, Finance, Insurance, Telco & Media, Industry and Utilities). The breakdown of business is fairly balanced and there are no significant positions relating to turnover concentration on individual customers.

C1. Risks related to contractual responsibilities towards customers

The Company develops solutions with a high technological content and high value and the relative underlying contracts may include the application of penalties for non-compliance with agreed timeframes and quality standards.

The Company has therefore signed insurance policies deemed as an adequate hedging against risks from third-party and contractual liability, for an annual ceiling of Euro 15 million and Euro 10 million per claim. In addition to the above coverage, additional policies are taken out for significant economic/financial projects to avoid negative impacts on the Company's economic/equity and financial position. Special attention was given to the issues related to cyber risks, in relation to which adequate measures were adopted in terms of hedging security, equal to Euro 25 million/year. If the insurance coverage is not adequate and the Company is deemed liable with respect to uncovered issues, the economic and equity situation of the Company might be negatively affected.

D1. Risks associated with significant dependence on third parties

The Company's ability to serve its customers and provide and implement solutions largely depends on third party suppliers such as subcontractors, equipment component manufacturers, service providers and network providers who meet the Company's expectations in a timely and quality manner. Results may be materially and adversely affected and we may undertake significant additional liabilities if one of the suppliers fails to meet its obligations or customer expectations, or if it terminates its relationship with the Company.

In particular, large and complex projects often require that we use subcontractors or that services and solutions integrate or fulfill the software, systems or infrastructure requirements of other suppliers and service providers, including companies with whom we collaborate.

FINANCIAL RISKS

By operating mainly in the Euro area the Company has limited exposure to exchange rate risk from transactions in foreign currency. Specific initiatives were taken and processes followed for commercial purposes in order to ensure the solvency of our clients; therefore, no significant credit risks exist since the financial counterparties are represented by leading customers considered solvent by the market.

A2. Credit risk

Credit risk is defined as the probable financial loss generated by the non-fulfilment by third parties of a payment obligation to the Company. Delays in payments by larger customers, requests for changes to their contractual payment agreements or breaches of payment obligations could adversely affect the Company's business, financial conditions and results of operations. The Company manages this risk also through implementing policies aimed at ensuring the solvency of clients and limiting the exposure to credit risk of an individual client through evaluation and monitoring of the customer. Specifically, the Company does not have significant concentration of credit risks except in relation to those activities carried out in the Public Administration sector for which extended payment times are granted based on the payment policy adopted by the public bodies, which often do not fulfil the conditions established by contracts but however do not

result in irrecoverable receivables. With regard to the receivables from the Sicilian Region in particular, also through Sicilia e-Servizi S.p.A., reference is made to the contents of paragraph 15 “Trade receivables” of the Explanatory Notes.

B2. Liquidity risk

Liquidity risk is defined as the risk that the Company encounters difficulty to source the funds necessary to satisfy obligations related to financial liabilities. A prudent management of liquidity risk is carried out through monitoring cash flows, the need for financing and any liquidity excesses. A centralised treasury structure within the Company has been present for years, ensuring efficient management of financial resources and coverage of financial needs through the availability of funds obtainable through committed credit lines. The strategic objective pursued is to balance medium/long-term indebtedness with short-term operations, thus making it possible to manage peaks in the period. The difficult economic and financial environment requires particular attention to liquidity management and funding. In this regard, special care is taken by the Company with regard to cash flows from operations and the maintenance of an adequate level of available liquidity. This makes it possible to meet both the needs arising from financial payables falling due, and the expected investments.

C2. Exchange rate risk

Exchange rate risk is defined as the risk of the value of a financial instrument changes following exchange rate movements. 90% of transactions are carried out in the Euro area; therefore, exposure to exchange rate risks deriving from operations in currencies other than the function currency (Euro) is limited.

IFRS 7 requires the Company to introduce simulation and sensitivity analysis processes to value potential losses deriving from unfavourable changes in the sector environment concerning:

- I. financial assets and liabilities at fair value through profit or loss or at amortised cost;
- II. investments;
- III. loans and receivables;
- IV. revenues and margins in foreign currencies.

In particular, it is believed that the exchange rate risk does not represent an important issue in reference to the volumes existing in the Company.

D2. Interest rate risk

Exposure to interest rate risk arises from the need to finance the Company's operating activities. Changes in interest rates can have a negative or positive impact on the Company's economic result, indirectly influencing costs and returns of the operations carried out.

E2. Market risk

Market risk is defined as the risk that the value of a financial instrument may change due to fluctuations in market prices. The Company does not have operations related to this risk, therefore the exposure is non-existent.

■ TAX CONSOLIDATION

The Company does not adhere to the “National tax consolidation”.

■ TAX AUTHORITY RELATIONS

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 S.p.A. filed an appeal at the Tax Commission: with reference to 2011-2012, both the first and second instance judgements have acknowledged the grounds put forward by the Company and the reasons given in the appeal and the judgement has become final due to the failure of the Valle d'Aosta Regional Authority to appeal it to the Court of Cassation. With reference to the year 2013, the competence of which

passed to the Lazio Regional Authority as a result of the merger, the first instance ruling issued in November 2020 acknowledged the reasons put forward by the Company to be justified and we are waiting to know whether the Inland Revenue Office intends to appeal to the Central Tax Commission.

XIV. Conclusions and Shareholders' Meeting proposals

The net profit for the year amounted to Euro 165,887,199.

The option to adhere to the tax realignment, resolved by the Board of Directors on 2 March 2021 and concerning all existing misalignments in the financial statements as of 31 December 2019 and resulting from corporate tax return (Schedule RV of the Form UNICO SC) with reference to trademarks, goodwill and other intangible assets, will entail the constraint of Euro 471,414,528. This amount corresponds to the realignment, net of substitute tax, to an unavailable reserve by using the available reserves.

The Board of Directors therefore proposes that the Shareholders' Meeting, called to approve the financial statements, acknowledges the allocation of Euro 471,414,528 to an unavailable reserve.

It is also proposed to grant Shareholders a dividend distribution of Euro 46,000,000 with the following payment schedule:

- Euro 6,000,000 by 14 May 2021
- Euro 11,000,000 by 15 June 2021
- Euro 14,000,000 by 30 June 2021
- Euro 15,000,000 by 15 September 2021

If the proposals are entirely endorsed by the Shareholders' Meeting, the net profit will be fully allocated as follows:

Dividend distribution to Shareholders:	Euro 46,000,000
To reserve of non-distributed profit:	Euro 119,887,199

On behalf of the Board of Directors, the Chairman Paolo Pandozy, communicates that the financial statements are audited by the Independent Auditors Deloitte & Touche S.p.A..

(in Euros)

Statement of Financial Position - Assets	Note	31.12.2020	31.12.2019
A) Non-current assets			
Property, plant and equipment	4	17,026,995	18,126,384
Intangible assets	5	491,430,638	501,264,480
Rights of use	6	129,009,243	142,238,320
Goodwill	7	44,648,340	44,648,340
Equity investments	8	179,245,885	170,664,577
Deferred tax assets	9	18,520,916	16,432,971
Other non-current assets	10	6,413,932	6,397,737
Total non-current assets		886,295,948	899,772,809
B) Assets held for sale and assets held for shareholders' distribution	11	11,389,673	
C) Current assets			
Inventory	12	0	42,035
Customer contract assets	13	151,656,430	156,958,879
of which related parties		12,357,610	11,225,358
Deferred contract costs	14	7,040,137	7,357,880
Trade receivables	15	524,056,744	486,083,407
of which related parties		110,519,170	114,373,688
Other current assets	16	31,314,710	38,411,149
Cash and cash equivalents	17	110,083,010	161,484,408
Total current assets		824,151,031	850,337,758
Total assets (A + B + C)		1,721,836,652	1,750,110,567

(in Euros)

Statement of Financial Position - Liabilities	Note	31.12.2020	31.12.2019
D) Shareholders' equity			
Share capital	19	34,095,537	31,875,000
Reserves	20	542,783,148	541,482,307
Retained earnings	21	65,424,693	11,026,328
Profit/(loss) for the year		165,887,199	14,734,490
Total shareholders' equity	18	808,190,577	599,118,125
E) Non-current liabilities			
Non-current financial liabilities	22	129,140,701	191,354,046
of which related parties		114,422,255	
Non-current lease liabilities	23	121,802,068	130,512,656
Deferred tax liabilities	24	20,143,241	156,700,459
Other non-current liabilities	25	12,355,954	2,031,348
Post-employment benefits	26	49,995,647	53,133,499
Total non-current liabilities		333,437,610	533,732,008
F) Current liabilities			
Current financial liabilities	27	51,841,514	91,983,019
Current lease liabilities	28	12,924,512	13,440,996
Current tax payables	29	10,090,735	721,127
Current provisions for risks and charges	30	2,729,032	9,228,919
Other current liabilities	31	117,097,178	119,914,012
of which related parties		1,040,963	883,880
Trade payables	32	385,525,494	381,972,361
of which related parties		161,386,973	139,024,125
Total current liabilities		580,208,465	617,260,434
G) Total liabilities (E + F)		913,646,075	1,150,992,442
Total liabilities and shareholders' equity (D + G)		1,721,836,652	1,750,110,567

INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

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(in Euros)

Income Statement	Note	31.12.2020	31.12.2019
A) Total revenues			
Revenues		876,965,537	902,879,777
Other revenues	34	34,998,155	30,135,678
Total revenues	33	911,963,692	933,015,455
of which related parties		36,917,375	28,879,166
B) Operating expenses			
Raw materials and consumables	37	21,734,820	22,603,786
Service costs	38	367,888,374	387,008,809
Personnel costs	39	418,989,092	421,881,779
Amortisation and depreciation	40	37,245,745	39,318,004
Provisions	41	1,852,182	22,723,657
Other costs	42	3,195,653	5,849,374
Total operating expenses	36	850,905,866	899,385,409
of which related parties		115,049,622	110,492,259
C) Operating profit (A - B)		61,057,826	33,630,046
Financial income		3,177,247	3,703,812
Financial expenses		10,974,071	7,368,325
D) Net financial income (expenses)	43	(7,796,823)	(3,664,512)
of which related parties		418,247	754,755
E) Income (expenses) from equity investments	44		
Total income/(expenses) from equity investments		6,452,451	(7,079,239)
F) Profit before taxes (C + D + E)		59,713,453	22,886,294
G) Income taxes	45	(106,173,746)	8,151,804
H) Profit/(loss) from continuing operations		165,887,199	14,734,490
I) Profit/(loss) from discontinued operations, net of tax effect			
L) Profit/(loss) for the year		165,887,199	14,734,490

(in Euros)

Comprehensive Income Statement	Note	31.12.2020	31.12.2019
L) Income for the year		165,887,199	14,734,490
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		386,041	(2,835,769)
Tax effect related to other income/(loss) which will not be reclassified in income/(loss) for the year		(92,650)	680,585
Total other comprehensive income/(loss) which will not be reclassified in income/(loss) for the year, net of tax effect		293,391	(2,155,185)
Total other comprehensive income/(loss), net of tax effect		293,391	(2,155,185)
O) Total comprehensive income for the year (L + M + N)		166,180,590	12,579,305

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euros)

Description	Share capital	Reserves	Retained earnings	Profit for the year	Shareholders' equity
Note	19	20	21		18
Balance as of 01.01.2019	31,875,000	531,461,244	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	541,482,307	11,026,328	14,734,490	599,118,125
Net profit for the year				165,887,199	165,887,199
Other net comprehensive items			293,391		293,391
Comprehensive income for the year	-	-	293,391	165,887,199	166,180,590
Allocation of the residual result of the previous year to retained earnings	-		14,734,490	(14,734,490)	0
Share-based compensation plans	-	(29,349,420)	39,370,483		10,021,063
Share premium reserve	2,220,537	30,650,262			32,870,799
Other changes	-				0
Transactions with shareholders and other movements	2,220,537	1,300,842	54,104,973	(14,734,490)	42,891,862
Balance as of 31.12.2020	34,095,537	542,783,148	65,424,693	165,887,199	808,190,578

CASH FLOW STATEMENT

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

(in Euros)		
Description	31.12.2020	31.12.2019
Cash flow from operating activities		
Cash collected from the sales of products/services - third parties	954,164,396	975,529,937
Cash collected from the sales of products/services - Group	9,161,863	19,382,563
Cash paid for goods and/services - third parties	(398,101,182)	(369,032,818)
Cash paid for goods and/services - Group	(137,778,262)	(127,227,968)
Personnel costs	(413,734,144)	(430,556,742)
Interest received	23,649	27,749
Interest paid for operating activities	(537,945)	(73,826)
Exchange differences	(422,495)	(69,088)
Loans disbursed/received to/from Group companies	(125,000)	(1,450,000)
Loans repaid/collected by Group companies	3,000,000	3,599,940
Income tax payments and reimbursements	(15,750,835)	(24,416,377)
Cash pooling	52,744,219	13,037,593
A) Total cash flow from operating activities	52,644,263	58,750,963
Cash flow from investing activities		
Sale of property, plant and equipment	0	57,707
Purchase of property, plant and equipment	(4,529,645)	(3,527,144)
Purchase of intangible assets	(7,473,798)	(2,482,998)
Consideration paid for acquisition of businesses	(19,156,628)	(27,666,753)
Disposal of subsidiaries	550,000	0
Purchase of business units	0	(535,465)
Purchase of other investments and securities	0	(292,056)
Sale of other investments and securities	27,402	309,419
B) Total cash flow from investing activities	(30,582,669)	(34,137,291)
Cash flow from financing activities		
New loans	322,848,700	80,110,958
Repayment of loans	(414,656,725)	(42,749,923)
Acquisition of non-controlling interest and reserves	32,870,799	0
Interest paid for financing activities	(3,200,381)	(2,263,514)
Repurchase of treasury shares	0	(39,650,442)
Repayment of lease liabilities	(11,325,386)	(11,623,627)
C) Total cash flow from financing activities	(73,462,992)	(16,176,547)
D) = (A + B + C) Change in cash and cash equivalents	(51,401,398)	8,437,125
E) Cash and cash equivalents at beginning of year	161,484,408	152,757,670
F) Cash and cash equivalents held for shareholders' distribution/from merger		289,613
G) = (D + E + F) Cash and cash equivalents at end of year	110,083,010	161,484,408

1 General information

Engineering Ingegneria Informatica S.p.A., with registered office in Rome, Piazzale dell'Agricoltura 24, is one of the largest Italian companies in Information Technology services.

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

With the swift development of the Coronavirus epidemic, many countries have imposed limitation or suspension of certain commercial activities and adopted travel restrictions and quarantine measures ("Containment measures").

The Coronavirus epidemic occurred in China at end 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 sectors 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 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 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.

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 the major impacts are occurring in the Transportation, Retail, Tourism sectors and some areas related to manufacturing. In this context, all sectors are increasing demands for digitisation, from Digital Workplace to remote maintenance, as well as using data management platforms to facilitate decisions.

The diversification of the sectors in which the Company's customers operate (Public Administration, Finance, Health, Industry, Transportation, Telco & Media, Energy & Utilities) and the good financial position, the availability also of credit lines already approved, are elements mitigating the potential financial and liquidity risk.

Moreover, although in a context of general uncertainty related to the effects that Covid-19 may have on the country's financial and economic situation, we believe that the medium and long-term scenarios are expected to be confirmed and there is no obvious risk of impairment of the values recorded in the financial statements as of 31 December 2020.

Major national and global economic disturbances were caused by the Covid-19 pandemic. Based on our current assessment of the pandemic, we do not foresee any material impact on the expected development timing or on liquidity due to the worldwide spread of the Covid-19 virus, and similarly we do not recognise any asset impairment due to Covid-19. However, the Company is closely monitoring both this situation and the possible effects on its business, results of operations and financial position, including expenses and amounts related to employees through temporary governmental subsidy programs (the so-called "Layoff Benefits"). In particular, we have introduced remote working essentially for all of our approximately 7,200 employees. Moreover, in order to manage our cost structure and avoid impacts on our liquidity in connection with the Covid-19 pandemic, we reduced our travel costs and laid off a limited number of employees related to specific projects or functions (e.g. our internal travel management structure). The impact of the Covid-19 pandemic on our supply chain is modest as our suppliers and partners are able to operate on a remote basis and our dependence on physical product deliveries is minimal.

Also in a context of general uncertainty related to the effects of Covid-19, foreshadowing a rapid cyclical recovery from the spring of 2021, thanks also to the improved economic sentiment following the start of the vaccination roll-out, we are confident in the recovery of the Company's current operational business plan. Directors have therefore determined that there are no significant uncertainties regarding the Company's ability to operate as a going concern.

The whole share capital of Engineering Ingegneria Informatica S.p.A. is held by Centurion Bidco S.p.A., as Sole Shareholder. The Company is subjected to coordination and management by Centurion Holdco S.à.r.l..

These financial statements as of 31 December 2020 were approved by the Board of Directors during the meeting held on 23 March 2021.

■ 1.1 SIGNIFICANT OPERATIONS

Realignment between higher book values as of 31 December 2020 and lower tax values

Pursuant to Law Decree no. 104 of 14 August 2020 ("August Decree"), converted into Law no. 126 of 13 October 2020 (Article 110, paragraph 8), and 2021 Budget Law - Law no. 178 of 30 December 2020 (Article 1, paragraph 83), it is possible to realign the higher value of assets and equity investments resulting from the financial statements for the year ending 31 December 2019, for entities adopting International Accounting Standards too.

These assets can be recognised, for the purposes of income taxes and of the regional income tax on production activity (IRAP), as from the year following that in which the assets was written up, i.e. the 2021 tax period, through the payment of a 3% substitute tax for both depreciable and non-depreciable assets, with the obligation to allocate a reserve in suspension of taxation for tax purposes, which may also be released in order to make the reserve available for future uses, for the amount corresponding to the higher values subject to realignment, net of the substitute tax.

On 2 March 2021, the Board of Directors of Engineering Ingegneria Informatica S.p.A., approved the realignment of all existing misalignments in the financial statements as of 31 December 2019, resulting from corporate tax return (Schedule RV of the Form UNICO SC) and in particular with reference to trademarks, goodwill and other intangible assets. The realignment will determine the allocation of the amount of the realignment net of the substitute tax (Euro 471 million) to an unavailable reserve. The Shareholders' Meeting called to approve the financial statements will approve the aforementioned reserve.

The realignment requires the payment of a substitute tax of Euro 14.6 million in order to obtain a net overall tax saving of Euro 128 million over the next 18 years. The realignment involves the release to the income statement of the deferred tax liabilities associated with the aforementioned intangible assets and the allocation of deferred tax assets with reference to goodwill as well as the recognition in the income statement of the substitute tax.

2 Form, contents and accounting standards

These financial statements as of 31 December 2020, 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.

In the statement of financial position, assets and liabilities are classified according to the “current/non-current” criterion with specific 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 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 2021 and, for subsequent years, the forecasts included in the 2021 - 2023 multi-year plan. The impairment test carried out on the basis of these forecasts confirmed the values recorded in the financial statements.

Trade receivables

Management carefully examines existing trade receivables, also considering their ageing, collection timing and credit risk coverage. The specific and general allowances for impairment recognised are based on Management’s best estimates at the reporting date.

In 2020, the Company did not encounter any problems with the collection of trade receivables. The Finance, Telco & Utilities sectors do not report any problems in relation to the Covid-19 pandemic since the customers are large companies with primary creditworthiness. The industry in the automotive and travel sector could

present certain critical issues. The customers in this sector are however represented by large companies and the Company has assessed, at the moment, that the effect of the pandemic does not represent a risk as regards the collection of receivables.

After evaluating the historical and forward-looking information, the Company believes that there is no significant impact on the expected credit losses.

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. This evaluation considered the specific facts and circumstances of each activity.

Deferred tax assets

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 to the competition of 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.

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 expenses 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 impairment. 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 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 and re-defined at least at the end of each financial year in order to take any changes into account.

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. Until that date they are classified under assets in progress.

Financial expenses 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 financial 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.

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 test 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 leasing:

- 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 collections 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 collections 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 each period-end, goodwill is subject to an impairment test and is adjusted for any loss in value. Any impairment is 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 flows, and are then measured using impairment tests.

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.

The changes in non-controlling interest of the Parent Company in a subsidiary, which does not lead to loss of control, are recognised as equity transactions. In this event, the book values of equity investments must be adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the adjusted value of non-controlling interests 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 of equity investment 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 impairment.

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

Investments in other companies refer to equity investments in 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 sale price estimated for normal activity, net of completion costs and sale 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 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 any 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 recorded (deducting any 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 and/or 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 equalises, 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 credit losses. The Company applies the simplified approach to estimate expected losses along the receivable useful life and takes into account its historical experience of credit losses, adjusted to reflect current conditions and estimates of future economic conditions. The model of expected credit losses 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 gains/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.

Provisions 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:

- f) over time;
- g) 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 contract	Resource-based contract	Service-based contract	Assistance and maintenance based contract
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 constantly 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.: design and development of customised IT systems and related processes, the engineering and automation of industrial production processes and the distribution and storage of energy, as well as the creation of new digital platforms integrated in customers' processes and applications.

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 by a customer 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.

As regards these contracts, each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services performed by the Company.

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, 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 by a customer 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 by a customer 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 translation 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 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 15 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 22 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 SEASONALITY

The Company's activities are not subject to seasonality directly related to the type of business.

■ 3.30 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 2020 were applied.

Accounting standards, amendments and IFRS interpretations applied as of 1 January 2020

The following accounting principles, amendments and IFRS interpretations were applied for the first time by the Group as of 1 January 2020.

- On 31 October 2018, the IASB published the document "**Definition of Material (Amendments to IAS 1 and IAS 8)**". This document introduced an amendment in the definition of "material" included in the IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims at specifying the definition of "material" and introduces the concept of "obscured information" together with the concepts of omitted or misstated information, already included in the two amended standards. The amendment clarifies that an information is "obscured" when it is described

in a manner that the effect for the readers of a financial statement would be similar to the effect created by an omitted or misstated information.

The adoption of this amendment had no impact on the financial statements.

- On 29 March 2018, the IASB published an amendment to **“References to the Conceptual Framework in IFRS Standards”**. The amendment is effective for annual periods beginning on or after 1 January 2020, with early application permitted. The Conceptual Framework sets out the fundamental concepts for financial reporting and guides the Board in developing IFRS standards. This document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework assists companies in developing account policies when no IFRS standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.
- On 26 September 2019, the IASB published the amendment **“Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”**. The above amends the IFRS 9 - Financial Instruments and the IAS 39 - Financial Instruments: Recognition and Measurement as well as the IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the specific hedge accounting requirements by providing for some temporary derogations to the same in order to mitigate the impact resulting from the uncertainties of the IBOR reform on future cash flows during the period preceding its completion. The amendment also sets out that entities should disclose further information in their financial statements concerning their hedging relationships, which are directly affected by the uncertainties generated by the reform and to which the above derogations apply.
The adoption of this amendment had no impact on the financial statements.
- On 22 October 2018, the IASB published the document **“Definition of a Business (Amendments to IFRS 3)”**. The document supplies some clarifications on the definition of the business for the purposes of a correct application of the IFRS 3 standard. In particular, the amendment clarifies that, while a business usually produces an output, the presence of an output is not strictly necessary to determine a business in the presence of an integrated set of activities/processes and assets. However, in order to be considered a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process that significantly contribute to the ability to create an output. To this purpose, the IASB replaced the wording “ability to create output” with “ability to contribute to create outputs” to clarify that a business can exist also without the presence of all inputs and processes necessary to create an output.
The amendment also introduced a concentration test, which is optional and permits to exclude the presence of a business if the price paid is substantially referable to one single asset or group of assets. The amendments apply to all business combinations and the adoption of this amendment had no impact on the financial statements.
- On 28 May 2020, the IASB published the amendment **“Covid-19 Related Rent Concessions (Amendment to IFRS 16)”**. According to the document, lessees can record the reductions in rentals granted due to Covid-19 without evaluating, through the analysis of the contracts, whether the definition of lease modification, as per IFRS 16, is complied with. Therefore, lessees applying this option may recognise the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to the financial statements starting on 1 June 2020, but the Company has availed itself of the possibility of applying this amendment in advance as of 1 January 2020. The Company has exercised the option to recognise any reduction in lease payments in the income statement.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance as of 31 December 2020

- On 28 May 2020, the IASB published the amendment **“Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)”**. The amendments allow for the temporary exemption from the application of IFRS 9 to be extended until 1 January 2023 for insurance companies. These amendments will become effective on 1 January 2021.

- In light of the reform of interbank interest rates such as IBOR, on 27 August 2020, the IASB published the “**Interest Rate Benchmark Reform - Phase 2**” which contains amendments to the following standards:
 - IFRS 9 Financial Instruments;
 - IAS 39 Financial Instruments: Recognition and Measurement;
 - IFRS 7 Financial Instruments: Disclosures;
 - IFRS 4 Insurance Contracts;
 - IFRS 16 Leases.

All amendments will become effective on 1 January 2021. Directors are currently assessing their possible impact.

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

At the reporting date, the competent Bodies of the European Union had not yet completed the approval process required for the adoption of amendments and the principles below.

- On 18 May 2017, the IASB published **IFRS 17 - Insurance Contracts**, which is intended to replace IFRS 4 - Insurance Contracts.

The target of the new standard is to guarantee that an entity supplies information representing both rights and obligations related to insurance contracts. The IASB has developed this standard to cancel all inconsistencies and weaknesses of the existing accounting policies, by supplying a consolidated principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer.

The new standard also envisages presentation and information requirements to improve comparability between entities belonging to the same sector.

According to the new standard, an insurance contract is measured based on a General Model or a simplified version named Premium Allocation Approach (“PAA”).

The main characteristics of the General Model are:

- estimates and assumptions of future cash flows are always the current ones;
- measurement reflects the time value of the money;
- estimates envisage an extensive use of observable market information;
- there is a current and explicit measurement of risk;
- the expected revenue is deferred and aggregated in clusters of insurance contracts upon initial recognition;
- the expected revenue is recognised over the coverage period for the contracts, taking account of adjustments resulting from changes in assumptions related to cash flows of each single cluster of contracts.

The PAA approach measures the liability for the remaining coverage of a cluster of insurance contracts provided that, upon initial recognition, the entity provides that this liability reasonably represents a reasonable approximation to the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. Simplifications resulting from the application of the PAA method are not applicable to the measurement of liabilities for claims in place, that are measured based on the General Model. However, discounting of cash flows is not required if the balance is likely to be paid or received within one year from the claim date.

The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features (DPF).

The standard is applicable as from 1 January 2023 but early application is allowed solely for entities which apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

- On 23 January 2020, the IASB published the amendment “**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**”. The document aims at clarifying how payables and other short or long-term liabilities should be classified. The amendments are applicable as from 1 January 2023 but earlier application is permitted.

- On 14 May 2020, the IASB published the following amendments:

- **Amendments to IFRS 3 Business Combinations:** the amendments aim at updating the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing amendments to provisions of the IFRS 3 principle;
- **Amendments to IAS 16 Property, Plant and Equipment:** the amendments aim at preventing deduction from costs related to property, plant and equipment of the amount received from the sale of assets manufactured during the testing phase of the asset itself. These revenues from sales and related costs will therefore be recognised in the income statement;
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that in assessing a possible onerous contract, all costs that relate directly to the contract should be comprised. Therefore, in assessing a possible onerous contract, not only incremental costs should be included (such as the cost of material that relate directly to fulfilling contracts), but also all costs that the company cannot avoid while fulfilling the contract (an example would be the personnel cost and the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract);
- **Annual Improvements 2018-2020:** amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All amendments will become effective on 1 January 2022.

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

Statement of financial position

A) Non-current assets

4 Property, plant and equipment

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Property, plant and equipment	17,026,995	18,126,384	(1,099,388)

(in Euros)						
Description	Land and buildings	Plant and machinery	Ind. and comm. equipment	Other assets	Leasehold improv.	Total
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
Historical cost as of 31.12.2020	12,711,919	14,076,809	42,040,743	16,079,143	10,154,549	95,063,164
Acc. depreciation as of 31.12.2020	(5,337,911)	(11,852,505)	(38,130,543)	(12,572,170)	(10,143,040)	(78,036,169)
Balance as of 31.12.2020	7,374,008	2,224,304	3,910,200	3,506,974	11,509	17,026,995

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

(in Euros)						
Description	Land and buildings	Plant and machinery	Ind. and comm. equipment	Other assets	Leasehold improv.	Total
Balance as of 01.01.2019	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
Disposal	(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
Increase	8,300	497,083	1,370,821	929,549	0	2,805,752
Disposal	0	(17,380)	(196,667)	(7,393)	0	(221,440)
Decr. in accumulated depreciation	0	17,380	168,280	7,393	0	193,053
Depreciation	(336,990)	(748,463)	(2,030,416)	(691,052)	(69,832)	(3,876,753)
Balance as of 31.12.2020	7,374,008	2,224,304	3,910,200	3,506,974	11,509	17,026,995

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.

“Plant and machinery” increased by Euro 497 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 1,371 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 930 thousand, refers to the purchase of furniture and fittings.

5 Intangible assets

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(in Euros)			
Description	31.12.2020	31.12.2019	Change
Intangible assets	491,430,638	501,264,480	(9,833,843)

(in Euros)						
Description	Development costs	Industrial patents and intellectual property	Concessions, licences and trademarks	Assets in progress	Other assets	Total
Historical cost as of 31.12.2019	27,787,851	109,212,770	453,059,490	4,007,049	96,922,842	690,990,001
Acc. depreciation as of 31.12.2019	(22,393,560)	(105,672,569)	(30,128)	0	(61,629,264)	(189,725,521)
Balance as of 31.12.2019	5,394,290	3,540,201	453,029,362	4,007,049	35,293,578	501,264,480
Historical cost as of 31.12.2020	35,250,385	110,159,351	453,059,490	5,986,377	96,922,842	701,378,445
Acc. depreciation as of 31.12.2020	(25,285,764)	(107,483,707)	(30,128)	0	(77,148,207)	(209,947,807)
Balance as of 31.12.2020	9,964,620	2,675,644	453,029,362	5,986,377	19,774,634	491,430,638

The changes in intangible assets are detailed as follows:

(in Euros)						
Description	Development costs	Industrial patents and intellectual property	Concessions, licences and trademarks	Assets in progress	Other assets	Total
Balance as of 01.01.2019	5,318,608	5,522,289	453,029,362	2,647,836	51,816,939	518,335,033
Increase	2,159,835	1,243,025	0	3,519,048	0	6,921,907
Disposal	0	(332,857)	0	(2,159,835)	0	(2,492,692)
Decr. in accumulated amortisation	0	332,857	0	0	0	332,857
Amortisation	(2,084,152)	(3,225,113)	0	0	(16,523,361)	(21,832,626)
Balance as of 31.12.2019	5,394,290	3,540,201	453,029,362	4,007,049	35,293,578	501,264,480
Increase	7,462,534	946,581	0	5,890,246	0	14,299,361
Disposal	0	0	0	(3,910,918)	0	(3,910,918)
Depreciation	(2,892,204)	(1,811,138)	0	0	(15,518,944)	(20,222,286)
Balance as of 31.12.2020	9,964,620	2,675,644	453,029,362	5,986,377	19,774,634	491,430,638

Intangible assets increased by Euro 14,299 thousand, broken down as follows.

The item "Development costs", up by Euro 7,463 thousand, relates to internally created products, which are detailed as follows:

- in the Health area:
 - the products called "Cartella clinica elettronica" (Electronic Medical Record) and "Percorso Diagnostico Terapeutico Assistenziale" (Diagnostic Therapeutic Care Path), totalling Euro 1,291 thousand, in use since 1 January 2020, began amortisation for a period of 5 years;
 - in the first quarter of 2020, the evolutions to Suite of AREAS products were developed, involving some modules. The investment was Euro 1,248 thousand. The products have been in use since 1 April 2020 and are expected to be amortised over three years;
 - during the year, the product "eCC and eCDSS Platform Component" was created, the investment of Euro 301 thousand will begin amortisation on 1 January 2021 for a period of 5 years;
 - during the year, the product called "OT ellisse" was created, the investment of Euro 396 thousand will begin amortisation on 1 January 2021 for a period of 5 years.
- in the Utilities area, the NET@4SETTLEMENT module, with a total value of Euro 924 thousand and in use since 1 January 2020, began amortisation for a period of 5 years;
- in the Finance area, the product called "Soluzione collocamento prodotti" (Product placement solution), with a total value of Euro 2,271 thousand and started in 2019, was completed during the year. Being in use since October, it began amortisation over 5 years;

- in the Public Administration area, a new solution was created for “supplying authorities of European Funds” named “Sigem sistema di monitoraggio e scambio elettronico” (Sigem electronic monitoring and exchange system). The investment of Euro 422 thousand, began amortisation in September 2020 for a period of 3 years;

- in the Industry area, an integrated platform for social control and distancing called Smart Proximity was created. The investment of Euro 609 thousand will begin amortisation in January 2021 for a period of 3 years.

“Industrial patents and intellectual property” reported an overall increase of Euro 947 thousand, and refers to the purchases of software programs.

“Assets in progress” increased by Euro 5,890 thousand due to internal investments in new solutions:

- in the Finance area the following is being developed:
 - the product named “Soluzione Basilea 4- B4”, the completion of which is expected in 2021, with an estimate of overall costs of around Euro 2,350 thousand, entailed Euro 801 thousand costs during 2020;
- in the Utilities area the following is being developed:
 - the functional module, named “Neta@4sales”, which aims at making a set of advanced functionalities available to customers to support the business macro-processes related to procurement, purchase and sale of Gas and Electricity. This module will be completed in 2021. The total costs are estimated at around Euro 600 thousand, of which Euro 433 thousand incurred until 31 December 2020;
 - the product named “NET@2D sistema distribuzione” (NET@2D distribution system), is the solution for distribution companies. The total expected investment is around Euro 3,600 thousand and it will be completed in 2021. Costs incurred in 2020 amounted to Euro 3,110 thousand;
- in the Telco area the following is being developed:
 - platform named “Google Cloud Platform”, which permits developers to build, test and distribute applications, the completion of which is expected by 2021 and costs incurred until December 2020 amounted to Euro 1,640 thousand.

The decrease in fixed assets in progress represents the value of internally manufactured assets that ended the development phase in 2019 and started the production phase in 2020. They were recorded as an increase in the item “Development costs”.

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 31.12.2019	Write-downs	As of 31.12.2020
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 loss in value when tested for impairment, as provided for by IAS 36.

The impairment test carried out as of 31 December 2020 confirmed that there was no need to write down the value of the trademark expressed in the financial statements.

The item “Other assets” relates to “Customer contract and customer relation” and consists of the “Contract Portfolio” and the “Customer Relation Value” recorded as a result of the business combinations (Purchase Price Allocation) following the acquisitions carried out by Engineering in previous years.

6 Right of use

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Right of use	129,009,243	142,238,320	(13,229,077)

(in Euros)						
Description	Buildings IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Industrial patents IFRS 16	Total
Historical cost as of 31.12.2019	148,716,631	199,382	593,391	9,154,472	0	158,663,875
Acc. depreciation as of 31.12.2019	(13,235,970)	(84,558)	(299,072)	(2,805,955)	0	(16,425,555)
Balance as of 31.12.2019	135,480,661	114,823	294,319	6,348,517	0	142,238,320
Historical cost as of 31.12.2020	148,079,478	237,667	52,205	11,088,165	0	159,457,515
Acc. depreciation as of 31.12.2020	(24,769,569)	(114,475)	(28,921)	(5,535,306)	0	(30,448,272)
Balance as of 31.12.2020	123,309,909	123,192	23,283	5,552,858	0	129,009,243

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 01.01.2019	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
Disposal	(3,703,233)	(70,643)	(65,182)	(729,251)	(4,568,310)
Decr. in accumulated amortisation	443,679	70,643	65,182	495,249	1,074,753
Amortisation	(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
Increase	6,057,315	86,691	0	3,056,825	9,200,831
Disposal	(6,694,467)	(48,406)	(541,186)	(1,123,133)	(8,407,192)
Decr. in accumulated amortisation	1,263,749	48,406	541,186	594,847	2,448,188
Amortisation	(12,797,348)	(78,322)	(271,036)	(3,324,198)	(16,470,904)
Balance as of 31.12.2020	123,309,909	123,192	23,283	5,552,858	129,009,243

The increases relating to the item “Buildings IFRS 16” (property rents) of approximately Euro 6 million refer to new lease contracts or renewals signed in 2020, while the decreases relate to the early termination of lease contracts that were initially envisaged for at least another 7 to 8 years.

The “Other IFRS 16 assets” refer entirely to cars under operating lease, assigned to employees and its amortisation was 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)	
Description	31.12.2020
Depreciation of right of use	(16,470,904)
Interest expenses on leasing	(1,299,890)
Expenses of short-term agreements	(348,889)
Expenses of lease agreements with a value < 5 thousand Euro	(167,428)
Increase - Decrease in accumulated depreciation	2,448,188
Impact on P&L	(18,287,111)

The Company has also exercised the option to recognise in the income statement any reduction in lease payments according to provisions set out in “Covid-19 Related Rent Concession (Amendment to IFRS 16)”. For further information, see paragraph 3.30.

The reductions amounted to approximately Euro 225 thousand.

7 Goodwill

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Goodwill	44,648,340	44,648,340	0

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Goodwill - Finance	16,344,694	16,344,694	0
Goodwill - Public Administration	11,498,215	11,498,215	0
Goodwill - I&S	345,174	345,174	0
Goodwill - Telco & Media	6,798,110	6,798,110	0
Goodwill - Energy & Utilities	9,662,147	9,662,147	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 2020 on the goodwill allocated to the Cash Generating Units (CGUs) to which it relates confirmed that there is no need to write-down the value disclosed in the financial statements.

Based on the impairment test carried out according to the requirements of IAS 36 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.

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:

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

Hereunder are the main basic assumptions, used for impairment testing for every CGUs:

Description	Growth rate Terminal Value	Wacc** post-tax 2020	Wacc** post-tax 2019	Wacc* post-tax 2018	Wacc* post-tax 2017
Finance	0.50%	5.35%	6.10%	7.76%	7.76%
Energy & Utilities	0.50%	5.35%	6.09%	7.76%	7.76%
Telco & Media	0.50%	5.35%	6.09%	7.76%	7.76%
Public Administration	0.50%	5.35%	6.04%	7.76%	7.76%
Health	0.50%	5.35%	6.06%	n.a	n.a

* Weighted Average Cost of Capital

** With impact on IFRS 16

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 2020 equal to approx. 1.14%;
- Equity Risk Premium, equal to the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities; the benchmark rate used for the measurement is that for 2020, equal to 4.72%;
- Debt cost, equal to the average indebtedness cost (long and short term) of the Group equal to approx. 5%;
- Beta unlevered equal to 1;
- LTG (Long Term Growth) equal to 0.5%.

Sensitivity analysis

Moreover, for all CGUs a sensitivity analysis was performed with an increase of 0.6% on discount rate. This analysis highlighted no impairment. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a “g rate” growth rate equal to 0%.

The following table also shows the breakdown WACC by CGU/Company. Rounding down the WACC values in the table by about 0.01%, the value in use is equal to the book value.

(in Euros)		
CGU	Value of Goodwill tested	2020 Breakdown WACC
Finance	16,344,694	21.89%
Energy & Utilities	9,662,147	13.57%
Telco & Media	6,798,110	6.01%
PAL	4,758,832	12.53%
Health	6,739,383	16.15%
Industry	345,175	13.05%

(in Euros)

Description	31.12.2020	31.12.2019	Change
Equity investments	179,245,885	170,664,577	8,581,309

Changes in equity investments

(in Euros)

Equity investments	Value as of 31.12.2019	Increase	Decrease	Write-downs	Value as of 31.12.2020
In subsidiaries	170,609,759	22,226,916	(12,687,632)	(917,976)	179,231,067
In associated companies	54,818	0	(40,000)		14,818
Total	170,664,577	22,226,916	(12,727,632)	(917,976)	179,245,885

a) Subsidiaries

(in Euros)

	Value as of 31.12.2019	Increase	Decrease	Write-downs	Value as of 31.12.2020
Municipia S.p.A.	18,667,692				18,667,692
OverIT S.p.A.	11,389,673		(11,389,673)		-
Nexen S.p.A.	5,669,820				5,669,820
Engineering do Brasil Ltda	19,615,006				19,615,006
Engineering D.HUB S.p.A.	30,523,696	384,922			30,908,619
WebResults S.r.l.	4,194,317				4,194,317
ITS Holding AG	9,533,666	8,587,435			18,121,101
Engineering Ingegneria Informatica SL	103,589				103,589
Sofiter Tech S.r.l.	1,297,959		(1,297,959)		-
Sogeit Solutions S.r.l.	8,077,502				8,077,502
IT-SOFT USA Inc.	24,537,476	7,674,215			32,211,691
Engineering Balkan d.o.o.	47,800				47,800
Engineering Belgium	270,202				270,202
Engiweb Security S.r.l.	2,141,089				2,141,089
Engineering Sardegna S.r.l.	58,707				58,707
Engineering da Argentina S.A.		103,166		(103,166)	-
Engineering 365 S.r.l.	814,810			(814,810)	-
Digitematica S.r.l.	3,666,753				3,666,753
Deus Technology S.r.l.	30,000,000				30,000,000
FDL Servizi S.r.l.		5,477,178			5,477,178
Total	170,609,759	22,226,916	(12,687,632)	(917,976)	179,231,067

Equity investments in subsidiaries reported the following changes:

- the equity investment in the subsidiary OverIT S.p.A. was reclassified under item “Assets held for sale and held for Shareholders’ distribution” as the spin-off of the same in favour of the parent company Centurion Bidco 1 Spa was resolved, pursuant to provisions set out by IFRS 5 accounting standard;
- the equity investment in the subsidiary Engineering D.HUB S.p.A. increased by Euro 384,922 due to the Stock Options assigned to employees of Engineering D.HUB S.p.A. in the first half of 2020;
- the equity investment in company ITS Holding AG increased by Euro 8,587,435 for the purchase of non-controlling interests. The shareholding after this transaction is 100%;
- the equity investment in the company IT SOFT USA Inc. increased by Euro 7,674,215 for the purchase of non-controlling interests. The shareholding after this transaction is 97%;
- the acquisition of the company FDL Servizi S.r.l., 95% owned.

At the beginning of the year, the subsidiary Engineering da Argentina S.A. reported an increase of Euro 103,166 for recapitalisation and write-down at year end of the same amount.

The decrease, equal to Euro 1,297,959, refers to the exit from the consolidation scope of the company Sofiter Tech S.r.l. while Euro 814,810 refer to the write-down of equity investments in Engineering 365 S.r.l..

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 2020 on equity investments:

- WebResults S.r.l.
- IT-SOFT USA Inc.
- Digitelematica S.r.l.
- Deus Technology S.r.l.
- FDL Servizi S.r.l.

confirmed that there was no need to write down the value of the same disclosed in the financial statements. Therefore, there are no indicators that equity investments were impaired in 2020. Based on requirements envisaged by the international accounting standard IAS 36, the value of equity investments as of 31 December 2020, tested for impairment, was Euro 75,549,940.

Equity investments in subsidiaries are detailed as follows:

(in Euros)									
	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/(loss)	Value as of 31.12.2020	%
Engineering do Brasil S.A.	Sao Paulo (Brazil)	36,966,513	27,111,937	8,100,733	9,854,576	43,826,781	(490,864)	19,615,006	100
Engineering International Belgium S.A.	Brussels	6,379,395	5,229,177	61,500	1,150,218	12,122,300	478,162	270,202	100
Engineering D.HUB S.p.A.	Pont Saint Martin	180,481,216	80,601,708	2,000,000	99,879,509	134,850,006	15,512,383	30,908,619	100
Engi da Argentina S.A.	Buenos Aires	3,342,247	3,498,098	81,860	(155,851)	1,298,314	(341,046)	-	91.37
Engineering Sardegna S.r.l.	Cagliari	10,127,710	5,780,498	1,000,000	4,347,211	9,768,652	696,169	58,707	100
Engineering 365 S.r.l.	Lancenigo (TV)	14,202,530	14,841,940	1,168,353	(639,410)	16,428,058	(1,417,627)	-	100
WebResults S.r.l.	Treviolo (BG)	12,126,329	8,920,621	10,000	3,205,708	15,468,035	434,773	4,194,317	100
Engineering Balkan d.o.o.	Belgrade (SRB)	3,342,264	2,299,720	3,850	1,042,543	6,551,382	941,048	47,800	100
EITS – Engineering ITS	Berlin	27,220,530	15,427,635	50,000	11,792,895	9,473,153	(1,707,740)	18,121,101	100
Engineering Ingegneria Informatica SL	Madrid	1,848,425	1,105,707	100,000	742,718	2,023,056	170,909	103,589	100
Municipia S.p.A.	Trento	90,763,610	69,387,264	13,000,000	21,376,346	63,310,328	2,613,958	18,667,692	100
Sogeit Solutions S.r.l.	Rome	19,864,176	10,946,988	100,000	8,917,188	15,709,240	1,627,086	8,077,502	100
Engineering USA Inc.	Chicago (USA)	13,967,505	4,116,572	212,534	9,850,933	15,346,955	2,281,323	32,211,691	97.36
Engiweb Security S.r.l.	Trento	11,170,527	5,919,166	50,000	5,251,362	13,400,721	1,060,018	2,141,089	100
Nexen S.p.A.	Padua	23,955,929	12,517,679	1,500,000	11,438,250	18,523,700	2,961,742	5,669,820	100
Digitalematica S.r.l.	Lomazzo (Italy)	2,775,940	1,831,311	100,000	944,628	3,200,263	493,359	3,666,753	80
Deus Technology S.r.l.	Milan (Italy)	6,311,630	4,688,335	147,000	1,623,294	6,291,657	970,341	30,000,000	100
FDL Servizi S.r.l.	Brescia (Italy)	1,611,242	415,779	20,800	1,195,463	1,586,597	524,634	5,477,178	95
Sicilia e-Servizi Venture S.c.a.r.l.	Palermo	52,767,260	79,360,960	300,000	(26,593,700)	2,064	(155,996)	-	65

(in Euros)									
	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2019	%
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	133,942,771	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)		91
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
Engineering 365 S.r.l.	Lancenigo (TV)	23,330,107	22,515,297	2,052,000	814,810	22,297,636	(895,131)	814,810	100
WebResults S.r.l.	Treviolo (BG)	10,411,730	7,594,692	10,000	2,817,038	13,094,440	326,320	4,194,317	100
Engineering Balkan d.o.o.	Belgrade (SRB)	2,415,246	2,315,766	3,836	99,479	5,212,071	(246,562)	47,800	100
EITS – Engineering ITS	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 SI	Madrid	1,331,569	759,760	100,000	571,809	1,484,382	187,086	103,589	100
Municipia S.p.A.	Trento	95,700,061	76,925,741	13,000,000	18,774,320	68,583,068	3,503,334	18,667,692	100
Sofiter Tech S.r.l.	Rome	6,799,713	3,264,049	204,082	3,535,664	8,210,641	1,128,116	1,297,959	51
Sogeit Solutions S.r.l.	Rome	12,582,297	5,301,002	100,000	7,281,295	13,632,701	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
Engiweb Security S.r.l.	Trento	10,659,890	6,453,130	50,000	4,206,760	16,301,297	503,190	2,141,089	100
Nexen S.p.A.	Padua	16,139,811	7,615,882	1,500,000	8,523,928	10,503,285	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	39,879,750	2,946,790	11,389,673	95
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
Sicilia e-Servizi Venture S.c.a.r.l.	Palermo	52,541,812	78,979,516	300,000	(26,437,704)		(16,144,344)		65

b) Associated companies

(in Euros)					
	Value as of 31.12.2019	Increase	Decrease	Write-downs	Value as of 31.12.2020
Si Lab – Calabria S.c.a.r.l.	8,293				8,293
Si Lab – Sicilia S.c.a.r.l.	3,525				3,525
Consorzio Sanimed Group	3,000				3,000
Terram S.r.l.	40,000	-	(40,000)		-
Total	54,818	-	(40,000)	-	14,818

Equity investments in associated companies are detailed as follows:

(in Euros)								
	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Value	%
Si Lab – Calabria S.c.a.r.l.	Rende	59,822	16,923	10,001	42,899	51,339	8,293	24
Si Lab – Sicilia S.c.a.r.l.	Palermo	38,952	1,706	30,000	37,246	14,751	3,525	24
Consorzio Sanimed Group							3,000	25

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

c) Companies under indirect control

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	%
DST Consulting GmbH	Dusseldorf (Germany)	5,176,690	2,357,281	25,000	2,819,409	11,156,446	11,204	100
Engineering BSC GmbH	Stuttgart (Germany)	2,680,771	1,618,108	300,000	1,062,663	7,405,866	(1,503)	100
Engineering Software Labs GmbH	Stuttgart (Germany)	6,013,178	4,336,135	25,000	1,677,043	7,713,662	(1,552)	100
OverIT International Inc.	Miami (USA)	296,292	1,161,468	40,746	(865,176)	33,394	(783,188)	80
Engineering Software Labs S.r.o.	Prague (Czech Rep.)	866,951	740,412	3,811	126,539	1,252,232	(131,453)	100
Securetech Nordic A.b.	Stockholm (Sweden)	386,584	323,684	4,983	62,900	283,175	(6,980)	51
OmnitechIT Secur S.L.	Madrid (Spain)	529,753	510,896	3,000	18,858	470,660	(48)	51
OmnitechIT Turkey S.L.	Gebze Osb Mah (Turkey)	17,948	88,476	549	(70,528)		(2,334)	51
OmnitechIT GmbH	Geilenkirchen (Germany)	104,920	3,612	25,000	101,308		(11,448)	51
Omnisecure d.o.o.	Belgrade (Serbia)	429,604	296,318	21,005	133,286	725,852	73,275	31
BW Digitronik A.G.	Ulster (Switzerland)	3,884,086	3,198,585	370,302	685,501	4,834,158	78,740	26
OmnitechIT Security AS	Oslo (Norway)	183,716	151,129	2,865	32,587	129,697	(2,264)	51
OverIT GmbH	Munich (Germany)	155,813	78,681	25,000	77,132	467,069	34,809	80
Pragma	Sommacampagna (Italy)	2,626,319	2,298,086	100,000	328,233	2,856,634	170,044	26
Cybertech	Rome (Italy)	16,276,062	25,950,604	1,000,000	(9,674,542)	19,609,419	(54,807)	51

9 Deferred tax assets

(in Euros)

Description	31.12.2020	31.12.2019	Change
Deferred tax assets	18,520,916	16,432,971	2,087,945

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	31.12.2020		31.12.2019	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Allocation to other prov. and charges	2,154,000	516,960	1,002,000	240,480
Property, plant and equipment and intangibles assets - IAS amortisation	1,936,105	464,665	1,978,086	474,741
Other current liabilities - Directors' fees	910,083	218,420	878,000	210,720
Doubtful debt provision	38,444,589	9,226,701	38,444,589	9,226,701
Provisions for risks	3,866,545	1,078,766	3,569,423	986,479
Current provision for risk and charges - Leaving incentives			6,552,500	1,572,600
Post employment benefits - Adjustments for IAS 19	14,977,437	3,594,585	15,363,478	3,687,235
Goodwill exemptions pursuant to Law Decree 104/2020	12,261,000	3,420,819		
Other			141,728	34,015
Total	74,549,759	18,520,916	67,929,805	16,432,971

The following table reports the detail of deferred tax assets:

(in Euros)					
Description	Doubtful debt provision	Adjustments IAS 19	Goodwill exemptions pursuant to Law Decree 104/2020	Other temporary differences	Total
Balance as of 01.01.2019	5,592,490	3,006,650	0	5,363,927	13,963,067
Impact on the income statement	3,634,211	0		(1,844,892)	1,789,319
Impact on the comprehensive income statement	0	680,585		0	680,585
Balance as of 31.12.2019	9,226,701	3,687,235	0	3,519,035	16,432,971
Impact on the income statement	0	0	3,420,819	(1,240,224)	2,180,595
Impact on the comprehensive income statement	0	(92,650)		0	(92,650)
Balance as of 31.12.2020	9,226,701	3,594,585	3,420,819	2,278,811	18,520,916

The change mainly refers to deferred tax assets allocated for the value of goodwill subject to tax realignment pursuant to Italian Law Decree 104/2020.

10 Other non-current assets

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Other non-current assets	6,413,932	6,397,737	16,194

The balances are comprised of:

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Investments in other companies	2,835,170	2,835,170	0
Other non-current assets	3,578,761	3,562,567	16,194
Total	6,413,932	6,397,737	16,194

a) Investments in other companies

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

(in Euros)

	Value as of 31.12.2019	Increase	Decrease	Write-downs	Value as of 31.12.2020
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
Equity investment in 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.	1,000,000				1,000,000
Palantir Digital Media S.r.l.	500				500
Seta S.r.l.	82,192				82,192
Ditecfer S.c.a.r.l.	3,000				3,000
SIIT S.c.p.a	30,963				30,963
Total	2,835,170	-	-	-	2,835,170

b) Other non-current receivables

(in Euros)

Description	31.12.2020	31.12.2019	Change
Tax receivables and taxes paid abroad	1,448,727	1,448,727	0
Security deposits	314,034	318,840	(4,806)
Others	1,816,000	1,795,000	21,000
Total	3,578,761	3,562,567	16,194

The item "Others" includes the fair value of assets related to the year of the options 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 31 December 2021.

B) Assets held for sale and assets held for shareholders' distribution

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11 Assets held for sale and assets held for distribution to owners

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Assets held for sale and assets held for distribution to owners	11,389,673	0	11,389,673

The change refers to the equity investment in the subsidiary OverIT S.p.A., as the spin-off of the company in favour of the parent Centurion Bidco 1 S.p.A. was determined, pursuant to provisions set out by IFRS 5 accounting standard.

C) Current assets

12 Inventories

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Inventories	0	42,035	(42,035)

Inventories include stocks held for sale.

13 Customer contract assets

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Customer contract assets	151,656,430	156,958,879	(5,302,449)

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

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Initial customer contract assets	156,958,879	133,077,445	23,881,434
Adjustments and changes in customer contract assets	(674,932)	(288,729)	(386,203)
Amount of costs incurred increased by profits recorded according to percentage completion net of losses	439,571,730	444,596,576	(5,024,846)
Invoicing actual progress in customer contract assets	(444,199,247)	(420,426,413)	(23,772,834)
Total	151,656,430	156,958,879	(5,302,449)

Customer contract assets refer to projects in the course of completion based on long-term contracts. They include, but are not limited to, adjustments for projects for which critical issues emerged as regards possible realisable value. The related amount is the best estimate made based on the information available to us.

During this period, there were no significant changes in the contractual conditions.

The Company was not subject to penalties for non-fulfilment of contractual obligations or withdrawal by customers, as the activities were carried out in smart working mode.

The Company applies the simplified approach of IFRS 9 to measure the expected credit loss on trade receivables and customer contract assets. Customer contract assets refer to invoices to be issued for contracts in progress, and have substantially the same risk characteristics as trade receivables for the same type of contracts. The Company has therefore concluded that the expected credit loss for trade receivables represents a reasonable approximation of the losses on customer contract assets. The allocation for the period related to ECL is included under item "Adjustments and changes in customer contracts".

For further information on the ways to calculate the ECL, reference is made to the following paragraph 15.

14 Deferred contract costs

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Deferred contract costs	7,040,137	7,357,880	(317,743)

During 2020, the Company recognised deferred contract costs in relation to fulfilling the contract represented by the so-called transition costs for Euro 3,827 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 which will have benefits during their duration (transition cost).

The portions of costs pertaining to 2020, recognised in the income statement for the period, were determined on the basis of the ratio between the revenues accrued for the activities carried out at the reporting date and the total estimated revenue, until expiration of the contracts; these costs amount to Euro 4,145 thousand.

The deferred costs, totalling Euro 7,040 thousand, will be charged to the income statement in the amount of Euro 3,777 thousand within 12 months and Euro 3,263 thousand after 12 months.

15 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	31.12.2020	31.12.2019	Change
Trade receivables	524,056,744	486,083,407	37,973,337

Trade receivables as of 31 December 2020 are shown hereunder.

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Customers	406,109,107	365,073,545	41,035,561
Subsidiaries	110,519,170	114,373,688	(3,854,517)
Associated companies	552,504	552,504	0
Others	6,875,962	6,083,670	792,293
Total	524,056,744	486,083,407	37,973,337

a) From customers

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Receivables on invoices issued	367,689,145	318,418,162	49,270,983
of which overdue	114,850,114	103,105,105	11,745,009
Invoices to be issued	60,786,300	69,457,155	(8,670,855)
Credit notes to be issued	(357,074)	(255,235)	(101,839)
Doubtful debt provision	(23,572,582)	(23,798,532)	225,950
Provision for interest in arrears	(870,283)	(870,283)	0
Others	2,433,600	2,122,278	311,323
Total	406,109,107	365,073,545	41,035,561

Receivables from customers, net of the doubtful debt provision, amounted to Euro 406,109 thousand.

It is noted that, as of 31 December 2020, the Company factored trade receivables for a total amount of Euro 74.5 million (Euro 137.3 million as of 31 December 2019). 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, 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. 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 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, no further payment was received so that the settlement agreement was dissolved, with a note dated 20 January 2021 and the execution of the judgment was started for the higher amount indicated therein, through the notification of a specific writ of order (i.e. on 21 February 2020, the enforceable judgment was served).

The doubtful debt provision decreased by Euro 226 thousand. The amount is due to the difference between the allocation for the year (Euro 476 thousand) and its use (Euro 702 thousand).

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

(in Euros)	
Trade receivables	31.12.2020
Doubtful debt provision as of 31.12.2019	(23,798,532)
Provision for the period	(476,395)
Write-off of receivables considered non-recoverable	702,345
Doubtful debt provision as of 31.12.2020	(23,572,582)

The value of Euro 702 thousand relates to the transaction with the E-Class Group.

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

Rates on expected credit loss are based on collection terms over a period of 545 days prior to 31 December 2020 and on the corresponding historical credit losses during this period. Historical loss rates are updated 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 period, considering the Covid-19 pandemic effect 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 update the historical loss rates recorded.

On the basis of the model described above, it is specified that a total of Euro 734 thousand has been allocated to the doubtful debt provision for the expected credit loss.

The following table shows the reconciled balance of receivables for invoices issued, divided by "overdue" and not "overdue".

(in Euros)

Description	Not expired	Days falling due					Total as of 31.12.2019
		30	60	90	120	over 120	
Public Administration	33,314,194	1,974,801	3,279,020	276,061	621,861	8,567,645	48,033,585
Health	11,274,803	2,146,878	959,251	226,072	339,179	16,718,689	31,664,873
Finance	65,891,640	8,821,185	1,555,463	866,526	598,088	11,032,792	88,765,696
Industry & Services	45,447,430	7,075,740	5,174,567	973,622	933,404	13,295,103	72,899,869
Energy & Utilities	28,166,740	4,064,155	1,236,624	564,507	1,225,179	5,310,683	40,567,892
Telco & Media	31,218,247	2,603,552	679,589	338,756	201,350	1,444,748	36,486,245
Trade receivables	215,313,057	26,686,313	12,884,517	3,245,547	3,919,064	56,369,664	318,418,162
ECL rate	0.02%	0.02%	0.08%	0.08%	0.18%	0.40%	
Doubtful debt provision - Expected credit loss	43,063	5,337	10,308	2,596	7,054	225,479	293,837

(in Euros)

Description	Not expired	Days falling due					Total as of 31.12.2020
		30	60	90	120	over 120	
Public Administration	28,914,581	6,712,668	2,998,064	1,476,919	195,599	17,771,914	58,069,745
Health	22,112,583	3,443,815	1,415,444	1,222,335	322,503	18,687,027	47,203,708
Finance	62,754,056	5,838,790	2,217,587	580,691	800,113	8,026,167	80,217,404
Industry & Services	44,672,342	5,707,105	3,114,486	1,372,655	592,313	11,955,125	67,414,027
Energy & Utilities	49,278,214	4,653,456	2,887,385	758,771	1,212,656	4,978,518	63,769,001
Telco & Media	45,107,254	2,588,147	1,596,214	19,140		1,704,506	51,015,261
Trade receivables	252,839,031	28,943,981	14,229,181	5,430,512	3,123,183	63,123,256	367,689,145
ECL rate	0.01%	0.01%	0.04%	0.12%	0.18%	0.18% - 3.30%	
Doubtful debt provision - Expected credit loss	25,284	2,729	6,370	6,472	5,622	687,366	733,842

It is specified that the diversification of the sectors in which the Company's customers operate (Public Administration, Finance, Health, Industry, Transportation, Telco & Media, Energy & Utilities) constitutes an element mitigating the potential risk of credit solvency, considering the current economic context and the health emergency due to Covid-19.

b) From subsidiaries

These receivables refer to the following:

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Receivables on invoices issued	43,222,236	40,106,451	3,115,785
Invoices to be issued	35,775,392	29,577,443	6,197,949
Cash pooling	33,523,702	44,057,359	(10,533,656)
Doubtful debt provision	(17,285,905)	(17,184,508)	(101,398)
Credit notes to be issued	(59,040)	(26,666)	(32,374)
Loans receivables	14,338,120	16,913,120	(2,575,000)
Others	1,004,666	930,489	74,177
Total	110,519,170	114,373,688	(3,854,517)

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 2020, with respect to Sicilia e-Servizi Venture S.c.a.r.l., in liquidation (“SISEV”), equal to Euro 50,192,574 (gross of the doubtful debt provision amounting to Euro 17,285,905), 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. (former Sicilia e-Servizi S.p.A.) and Sicilia e-Servizi Venture S.c.a.r.l. in liquidation on 21 May 2007 and expired on 22 December 2013.

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.a.r.l. - ... Omitted ... there is no urgency (periculum in mora) ...”. In other words, the Judge reported no credit risk, while highlighting the “guarantor” role played by the Sicilian Region in favour of SISEV.

As regards Sicilia Digitale S.p.A.’s judgment of opposition to the payment order, filed 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 Sicilia e-Servizi Venture S.c.a.r.l. 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 Sicilia e-Servizi Venture S.c.a.r.l.; therefore, almost the entire amount claimed in Court was assessed by experts (taking account that in the arrears some payments were received by Sicilia e-Servizi Venture S.c.a.r.l. and today the receivables in question were equal to Euro 28,346 thousand). 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 judgment, 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, on 12 June 2019, a specific transaction was agreed between the transferees of the SISEV credit (Engineering and Accenture, as creditor partners for services rendered and not remunerated at that time) and Sicilia Digitale ("amicable agreement") 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 plan for the repayment of the credit transacted with last expected repayment date on 1 May 2020.

The failure to comply with any time scans for the payment so agreed implies, for the express provision of the agreement, the resolution of the same and the possibility for the creditor parties (Engineering and Accenture) to act for the entire amount (see Article 5).

For this reason, on the occasion of the indicated date of 5 July 2019, the parties were asked to postpone the case to a date after the last agreed payment; the postponement was granted to 11 September 2020.

Moreover, since the instalments provided for in Article 2, point 2, letter b) of the same agreement for the months of November 2019, December 2019, January 2020 and February 2020, for a total amount of Euro 4,175,000 have not been paid, a warning notice was sent on 3 February 2020 for their fulfilment, under penalty of termination of the transaction.

However, no further payment was received so that the settlement agreement was dissolved, with a note dated 20 January 2021 and the execution of the judgement was started for the higher amount indicated therein, through the notification of a specific writ of order (i.e. on 21 February 2020, the enforceable judgement was served).

For this reason, at the hearing on 5 February 2021, Sicilia Digitale requested a stay of execution, also in light of the ruling in first instance referred to in point B below. We objected to the above, also by means of a special constitution of Engineering, as the acquiring party of the relevant Venture receivable, mainly referring to the provision of the settlement agreement with which Sicilia Digitale waived its right to object to the execution of the sentence in the event of termination of the agreement. The Court reserved on the ruling.

Sicilia Digitale S.p.A. also filed an objection to the execution, requesting (and obtaining) the anticipation of the discussion on the "suspension" in the executive phase to 8 March 2021. On 23 March 2021, the Court of Appeal adjourned the case to 16 April 2021, noting the need to form a panel with a different composition.

In addition to what has just been described, on 18 February 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of its receivables (around Euro 79.7 million, 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 from SISEV for only Euro 4.2 million against a claim of Euro 79.7 million and (ii) provides the Judge, as a possible alternative assessment criterion, with a second calculation certifying a total receivable of Euro 26.2 million 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 judgment. The final briefs are currently being drafted.

On 4 September 2020, the Civil Court of Palermo issued judgment no. 3343/2020 (filed on 23 October 2020 and notified by the Region on 26 October 2020), which dismissed in its entirety the legal claim brought by the applicant company, also dismissing all the counterclaims brought by the defendants.

By a writ of summons on appeal served on 23 November 2020 the judgment no. 3343/2020 was appealed.

The first hearing was held on 19 March 2021 before the Business Section of the Court of Appeal (RG 1635/20); the Court reserved the right to decide on the request to combine the case with the other case pending before the Court. We are still waiting for the reserve to be lifted.

It is considered that the appeal is likely to succeed. The issue will then have to be shifted, on appeal, to a redetermination of SISEV's actual claim, hopefully through the renewal of the expertise, as requested on several occasions by SISEV.

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.

The Directors, considering the legitimacy of the credit lines and the correct performance of the services rendered, and assessing the appraisal delivered by the independent expert as part of the writ of summons to obtain payment of an amount of their receivables, equal to approximately Euro 79.7 million, as seriously omissive and erroneous, stated, also based on the opinion of the lawyer in charge, that SISEV 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, considering the continuous change of institutional interlocutors and the difficulty of achieving an amicable agreement, considering the legal dispute and the objections filed by Sicilia Digitale S.p.A. and the Sicilian Region, in its consolidated financial statements the Group recognised the interest set out by law pertaining to the period considered (Euro 5.7 million) in the income statement and under financial income, in addition to the amount already recognised until 31 December 2019 (for a total amount of approx. Euro 41 million), and accrued additional provision for Euro 5.7 million for a total doubtful debt provision of around Euro 68.3 million, which includes the total impairment of the statutory interest shown above and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable.

c) From associated companies

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Receivables on invoices issued	552,504	552,504	0
Total	552,504	552,504	0

d) From others

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Prepayments	586,127	869,787	(283,660)
Others	6,289,836	5,213,883	1,075,953
Total	6,875,962	6,083,670	792,293

The “Other receivables” item refers to costs pertaining to future years for leased assets mainly relating to the maintenance of software packages, rentals, sureties and insurances.

16 Other current assets

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Other current assets	31,314,710	38,411,149	(7,096,440)

The other current assets are broken down as follows:

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Other assets and current tax and tax receivables	1,857,151	4,995,963	(3,138,812)
Others	29,457,559	33,415,187	(3,957,628)
Total	31,314,710	38,411,149	(7,096,440)

a) Other assets and tax receivables

The item is broken down as follows:

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Tax receivables	1,474,892	4,906,955	(3,432,063)
Social security institutions	382,259	89,008	293,251
Total	1,857,151	4,995,963	(3,138,812)

The tax receivables mainly relate to the following:

- Euro 271 thousand, receivables from the Inland Revenue Office for recoverable VAT;
- Euro 696 thousand in tax refunds receivable;
- Euro 263 thousand related to receivables for taxes paid abroad.

b) Others

The item “Others” primarily refers to receivables accrued for applied research, related to projects financed by national public Authorities and by the European Community.

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Applied research grants	28,873,518	32,499,254	(3,625,736)
Prepaid expenses	976	976	0
Others	583,065	914,958	(331,892)
Total	29,457,559	33,415,187	(3,957,628)

17 Cash and cash equivalents

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Cash and cash equivalents	110,083,010	161,484,408	(51,401,398)

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	31.12.2020	31.12.2019	Change
Banks and postal deposits	110,070,533	161,467,080	(51,396,547)
Cash	12,477	17,328	(4,851)
Total	110,083,010	161,484,408	(51,401,398)

For further information, reference should be made to the Cash Flow Statement hereof.

18 Information on shareholders' equity

(in Euros)

Description	31.12.2020	31.12.2019	Change
Shareholders' equity	808,190,577	599,118,125	209,072,453

Changes are highlighted in the following table:

(in Euros)

Shareholders' equity	Value as of 31.12.2019	Increase	Decrease	Value as of 31.12.2020
Share capital	31,875,000	2,220,537	0	34,095,537
Total share capital	31,875,000	2,220,537	0	34,095,537
Legal reserve	6,375,000	0	0	6,375,000
Share premium reserve		30,650,262	0	30,650,262
Merger reserve	504,437,886	0	0	504,437,886
Other reserves	30,669,420	10,021,063	(39,370,483)	1,320,000
Total reserves	541,482,307	40,671,325	(39,370,483)	542,783,148
Prior years' undistributed profits	21,127,218	54,104,973	0	75,232,192
First-time application of IAS/IFRS	1,700,058	0	0	1,700,058
IAS 19 actuarial gains/(losses)	(11,800,948)	293,391	0	(11,507,557)
Retained earnings	11,026,328	54,398,365	0	65,424,693
Profit (loss) for the year	14,734,490	165,887,199	(14,734,490)	165,887,199
Total shareholders' equity	599,118,125	263,177,426	(54,104,973)	808,190,577

On 23 July, the change of control of the entire share capital of Engineering was completed.

In July, the Board of Directors approved the "Master Allocation Schedule" and resolved to subscribe 846,890 shares to implement the "SOP" Stock Option Plan, allocating Euro 2,220,537 to a share capital increase and Euro 30,650,262 to a share premium.

19 Share capital

The subscribed and fully paid-up share capital is Euro 34,095,537, divided into 13,003,677 shares each without nominal value. The increase of Euro 2,220,537 relates to the issue of 846,890 shares to implement the Stock Option Plan.

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

- **Legal reserve:**
the legal reserve of Euro 6,375,000 is available for the covering of losses but is not distributable.
- **Share premium reserve:**
the share premium reserve of Euro 30,650,262, created as a result of new shares issued to implement the Stock Option Plan, as described above.
The reserve is available and distributable, after covering negative reserves.
- **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 1,320,000 relate to:**
 - 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.

The Stock Option reserve was reclassified under retained earnings.

Pursuant to Law Decree no. 104 of 14 August 2020 ("August Decree"), converted into Law no. 126 of 13 October 2020 (Article 110, paragraph 8), and 2021 Budget Law - Law no. 178 of 30 December 2020 (Article 1, paragraph 83), it is possible to realign the higher value of assets and equity investments resulting from the financial statements for the year ending 31 December 2019, for entities adopting International Accounting Standards too.

On 2 March 2021, the Board of Directors of Engineering Ingegneria Informatica S.p.A., approved the realignment of all existing misalignments in the financial statements as of 31 December 2019, resulting from corporate tax return (Schedule RV of the Form UNICO SC) and in particular with reference to trademarks, goodwill and other intangible assets. The realignment will determine the allocation of the amount of the realignment net of the substitute tax (Euro 471 million) to an unavailable reserve. The Shareholders' Meeting called to approve the financial statements will approve the aforementioned reserve.

21 Retained earnings

Retained earnings of Euro 65,424,693 include:

- **Prior years' undistributed profits of Euro 75,232,192**
The item increased by Euro 54,104,973 due to the allocation of profits made in 2019 amounting to Euro 14,734,490 and the reclassification of the Stock Option reserve amounting to Euro 39,370,483.
The reserve is available and distributable, after covering negative reserves.
- **First-time application of IAS/IFRS of Euro 1,700,058**
The reserve is neither available nor distributable and relates to the first time application of International Accounting Standards.
- **Actuarial gains/(losses) IAS 19 of Euro (11,507,557)**
This reserve increased for a total amount of Euro 293,391 due to the actuarial gain, net of deferred taxes (Euro 92,650).

E) Non-current liabilities

22 Non-current financial liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Non-current financial liabilities	129,140,701	191,354,046	(62,213,345)

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Bank loans	124,512,407	183,444,398	(58,931,991)
Other non-current financial liabilities	4,788,325	9,816,003	(5,027,678)
Value of financial debt at amortised cost	(160,031)	(1,906,355)	1,746,324
Total	129,140,701	191,354,046	(62,213,345)

Bank loans as of 31 December 2020 are as follows:

(in Euros)

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Of which over 5 years
248064 SAFE&SMART	2024	0.2500000	58,182	293,100	
BANCO BPM	2024	2.2500000	3,750,000	9,375,000	
MISE/MCC SUMMIT	2028	0.1700000	64,518	422,051	162,879
Centurion Bidco loan*	2026	Euribor 3 months + 0.055		114,422,255	114,422,255
Total			3,872,700	124,512,407	114,585,134

Payables totalled Euro 128,385,107, including amortised costs, of which Euro 124,512,407 due beyond 12 months and Euro 3,872,700 due within 12 months and are stated under current financial liabilities.

As part of the acquisition transaction by the Bain Capital and NB Renaissance Funds that involved the Company on 23 July 2020 and the related extraordinary transactions carried out, all the loans existing at that date were repaid in advance, except for those disbursed by MISE and MIUR, for a total of Euro 203,041,919. The early repayment took place partly using the Company's cash and cash equivalents and partly using a loan of Euro 114.4 million provided by Centurion Bidco S.p.A., the direct parent company of Engineering Ingegneria Informatica S.p.A..

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

- on 13 October 2020, a loan was also granted by Banco BPM, for the amount of Euro 15 million and duration of 4 years within the extraordinary transactions related to the acquisition of 23 July 2020 and to support current operations;
- the two loans 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 reported an initial disbursement on 25 January 2019, and the Summit was disbursed on 23 October 2019.

The commitments/obligations set out in the contract for the loan granted by Banco BPM, at a variable rate, reflect the provisions of the financial documentation signed in the context of the acquisition transaction of 23 July 2020. In particular, the following Financial Parameters must be respected:

Test SSN FCCR (Fixed Charge Coverage Ratio): the fixed charge coverage ratio of the SSN Issuer ("FCCR") must be at least 2:1 pro-forma for the issue of the new debt. The calculation of the FCCR is detailed in the SSN Indenture and is essentially the ratio between the SSN Issuer's LTM EBITDA (EBITDA adjusted for acquisitions, disposals and run-rate synergies etc. for the four most recent consecutive fiscal quarters for which consolidated financial statements are available) and the SSN Issuer's consolidated fixed expenses (i.e. interest expense plus all dividends accrued or paid in cash or otherwise).

Test PIK CTNLR (Consolidated Total Net Leverage Ratio (PIK Notes)): the consolidated total net leverage ratio of the PIK Issuer ("CTNLR") cannot exceed 5:1 pro-forma for the issue of the new debt. The calculation of the CTNLR is detailed in the PIK indenture and is essentially the ratio between the consolidated total net debt of the PIK Issuer (i.e. all indebtedness of the PIK Issuer and its subsidiaries excluding the indebtedness of the SSN Issuer incurred by virtue of factoring, securitisations, asset-backed loans and borrowings and other similar financing and hedging obligations, but including capitalised interest on the PIK Securities, less cash resulting from the PIK Issuer's financial statements on a consolidated basis) and the PIK Issuer's LTM EBITDA (EBITDA adjusted for acquisitions, disposals and run-rate synergies etc. for the last four consecutive fiscal quarters for which consolidated financial statements are available).

If the SSN Issuer, or any of its Subsidiaries subject to restrictions, wants to secure the new debt ratio on the SSN guarantee, in addition to fulfilling the FCCR and PIK CTNLR tests, the consolidated senior secured net leverage ratio ("CSSNLR") of the SSN Issuer cannot exceed 5:1 pro-forma for the issue of the new debt.

Test CSSNLR (Consolidated Total Net Leverage Ratio (SSNs)): the consolidated senior secured net leverage ratio ("CSSNLR") of the SSN Issuer cannot exceed 5:1 pro-forma for the issue of the new debt. The calculation of the CSSNLR is detailed in the SSN indenture and is essentially the ratio between the consolidated senior secured net debt of the SSN Issuer (i.e. all indebtedness guaranteed with SSN guarantee less cash resulting from the SSN Issuer's consolidated financial statements) and the SSN Issuer's LTM EBITDA (EBITDA adjusted for acquisitions, disposals and run-rate synergies etc. for the four most recent consecutive fiscal quarters for which consolidated financial statements are available).

The Financial Parameters are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report.

The "Other non-current financial liabilities" are as follows:

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Derivative (cash flow hedge)	0	8,413	(8,413)
Security deposits	258,325	107,590	150,735
Amounts due for finance lease	0	450,000	(450,000)
Contingent consideration for business combinations	4,530,000	9,250,000	(4,720,000)
Total	4,788,325	9,816,003	(5,027,678)

The item "Contingent consideration for business combinations", to be paid from 2021 onwards, includes mainly equity investments to be paid referring to the expected earn outs.

The following table represents the movement of financial liabilities:

(in Euros)

Description	December 2019	Cash flows			Non-monetary changes	December 2020
		New loans	Repayment of loans	Reclassifications	Other changes	
Non-current financial liabilities	191,354,046	129,848,700	(241,656,725)	52,431,290	(2,836,610)	129,140,701
Non-current lease liabilities	130,512,656			1,097,369	(9,807,957)	121,802,068
Current financial liabilities	91,983,019	193,000,000	(173,000,000)	(52,431,290)	(7,710,215)	51,841,514
Current lease liabilities	13,440,996		(12,613,816)	(1,097,369)	13,194,701	12,924,512
Total	427,290,717	322,848,700	(427,270,541)	0	(7,160,081)	315,708,795

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

(in Euros)

Description	31.12.2020	31.12.2019
Cash and cash equivalents	12,477	17,328
Bank and postal deposits	110,070,533	161,467,080
A) Cash and cash equivalents	110,083,010	161,484,408
B) Current financial receivables	0	0
Bank overdrafts (Bank overdrafts of bank accounts)	0	0
Short-term bank loans	(43,872,700)	(76,303,990)
Current lease liabilities	(12,924,512)	(13,440,996)
Other current financial liabilities	(7,968,813)	(15,679,028)
C) Current borrowing	(64,766,026)	(105,424,015)
D) Net current financial position	45,316,984	56,060,393
Non-current financial liabilities	(124,512,407)	(183,444,398)
Non-current lease liabilities	(121,802,068)	(130,512,656)
Other non-current financial liabilities	(4,628,294)	(7,909,648)
E) Non-current borrowing	(250,942,769)	(321,866,702)
F) Net financial position	(205,625,785)	(265,806,309)

23 Non-current lease liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Non-current lease liabilities	121,802,068	130,512,656	(8,710,588)

With regard to the portion due within 12 months of lease payables, amounting to Euro 12,924,512, 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 (IAS 17)	1,347,974	3,023,627	
Payables for lease offices and branches	8,719,181	115,861,604	66,828,845
Payables for vehicle financing	2,745,663	2,839,315	
Payables for hardware and software lease	2,167		
Other lease liabilities	109,527	77,522	
Total	12,924,512	121,802,068	66,828,845

24 Deferred tax liabilities

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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	31.12.2020	31.12.2019	Change
Deferred tax liabilities	20,143,241	156,700,459	(136,557,218)

(in Euros)

Description	31.12.2020		31.12.2019	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Goodwill	13,650,030	3,808,358	12,710,473	3,546,222
Trademark	0	0	453,029,362	126,395,192
Research grants	157,574	43,963	157,574	43,963
Research grants taxed in 5 years	65,581,246	15,739,499	67,067,529	16,096,207
IFRS adjustments FTA	1,892,377	527,973	2,001,553	558,433
Customer relationship - Allocation of goodwill	0	0	36,020,606	10,049,749
Other	97,698	23,447	44,555	10,693
Total	81,378,926	20,143,241	571,031,651	156,700,459

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

(in Euros)

Description	Trademark	Allocation of goodwill	R&D grants	Other temporary differences	Total
Balance as of 01.01.2019	126,395,192	14,713,983	15,913,719	3,883,672	160,906,565
Impact on the income statement		(4,664,234)	226,451	231,676	(4,206,106)
Impact on the comprehensive income statement					
Balance as of 31.12.2019	126,395,192	10,049,749	16,140,170	4,115,348	156,700,459
Impact on the income statement	(126,395,192)	(10,049,749)	(356,707)	244,430	(136,557,218)
Impact on the comprehensive income statement					
Balance as of 31.12.2020	0	0	15,783,463	4,359,778	20,143,241

As already widely described in paragraph 1.2 “Significant operations” herein, the change in deferred taxes of approximately Euro 136 million refers to the release to the income statement of deferred tax liabilities relating to the trademark and other intangible assets in order to realign the higher book values to the lower tax values, based on Law Decree no. 104 of 14 August 2020 (“August Decree”), converted into Law no. 126 (Article 110, paragraph 8) of 13 October 2020, and the 2021 Budget Law - Law no. 178 (Article 1, paragraph 83) of 30 December 2020.

The exemption will entail the payment of a substitute tax of Euro 14.6 million against a net tax saving of Euro 128 million over the next 18 years.

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other non-current liabilities	12,355,954	2,031,348	10,324,606

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

- the non-current portion of the substitute tax (Euro 9,712 thousand) due to the adhesion to the tax realignment, as described in section 1 “General information” herein. The substitute tax totalled Euro 14,567 thousand, to be paid over three years. The first instalment to be paid in 2021, amounting to Euro 4,855 thousand is recorded under other current liabilities in item “Current tax payables”;
- the payables for a non-competition agreement signed with the top management and key consultants (Euro 2,154 thousand);
- the fair value of liabilities, related to the exercise of the put option, for the purchase of non-controlling interests by minority shareholders (Euro 490 thousand).

26 Post-employment benefits

(in Euros)

Description	31.12.2020	31.12.2019	Change
Post-employment benefits	49,995,647	53,133,499	(3,137,853)

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) and with payment of the contributions it fulfils the obligation to its 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 rates were established as variable from 0.0000% to 0.2229% and were 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%
Infla	-10%	49,862,690	2,985	49,859,706	(2,981)	49,856,725
		(135,962)	(132,957)	(135,941)	(138,923)	(135,920)
	100%	49,998,653	3,006	49,995,647	(3,002)	49,992,645
		136,445	139,451	136,424	133,401	136,403
	+10%	50,135,098	3,027	50,132,071	(3,023)	50,129,048

Description		Discounting				
		-10%		100%		10%
Infla	-10%	+99.73%	+0.01%	+99.73%	-0.01%	+99.72%
		-0.27%	-0.27%	-0.27%	-0.28%	-0.27%
	100%	+100.10%	+0.01%	+100.00%	-0.01%	+99.99%
		+0.27%	+0.28%	+0.27%	+0.27%	+0.27%
	+10%	+100.28%	+0.01%	+100.27%	-0.01%	+100.27%

Actuarial gains and losses are recognised under shareholders' equity on an accrual basis.

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2019	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	53,133,498
Provisions	20,068,338
Amounts paid to social security institutions + INPS	(20,075,400)
Actuarial losses/(gains)	(386,041)
Benefits paid	(2,820,389)
Post-empl. benefits on acquisition of Group business units/subsidiaries	508,636
Transfer payables of Group business units/subsidiaries	(432,996)
Balance as of 31.12.2020	49,995,647

27 Current financial liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current financial liabilities	51,841,514	91,983,019	(40,141,505)

(in Euros)

Description	31.12.2020	31.12.2019	Change
Bank loans	43,872,700	76,303,990	(32,431,290)
Other current financial liabilities	7,968,813	15,679,028	(7,710,215)
Total	51,841,514	91,983,019	(40,141,505)

Bank loans totalled Euro 43,873 thousand and relate, in the amount of Euro 3,873 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 40,000 thousand, to loans with a duration lower than six months.

“Other current financial liabilities” relate to:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other payables and grants to be repaid	7,218,297	14,148,512	(6,930,215)
Contingent consideration for business combinations	750,517	1,530,517	(780,000)
Total	7,968,813	15,679,028	(7,710,215)

“Other grants” refer to the following:

- Euro 7,137 thousand for collections received for research projects to be reversed to other partner subjects;
- Euro 81 thousand for collections received from customers for invoices transferred to factoring companies.

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

28 Current lease liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current lease liabilities	12,924,512	13,440,996	(516,484)

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

29 Current tax payables

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current tax payables	10,090,735	721,127	9,369,608

The breakdown is as follows:

(in Euros)			
Description	31.12.2020	31.12.2019	Change
IRES	3,759,676	0	3,759,676
IRAP	930,474	0	930,474
Other tax payables	5,400,585	721,127	4,679,458
Total	10,090,735	721,127	9,369,608

The provision for taxes as of 31 December 2020 is recorded net of the payments on account for IRES and IRAP taxes.

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.

30 Current provisions for risks and charges

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Current provisions for risks and charges	2,729,032	9,228,919	(6,499,887)

(in Euros)			
Description	31.12.2020	31.12.2019	Change
Provision for risks and charges	1,302,115	7,902,500	(6,600,386)
Provision for losses on projects	1,426,918	1,326,419	100,499
Total	2,729,032	9,228,919	(6,499,887)

The item "Provision for risks and charges" mainly relates to legal disputes and the risk of penalties with customer contracts.

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

The provisions 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 01.01.2019	9,069,774
Increase	5,597,530
Decrease	(5,438,385)
Balance as of 31.12.2019	9,228,919
Increase	1,012,569
Decrease	(7,512,457)
Balance as of 31.12.2020	2,729,032

The decrease is mainly related to the use of the provision for restructuring charges regarding the incentive leaves of employees involved in the restructuring plan resolved in 2019.

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other current liabilities	117,097,178	119,914,012	(2,816,834)

This item is broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Directors and Statutory Auditors	1,086,750	940,880	145,870
Consultants	301	35,301	(35,000)
Withholding taxes	99,857	93,102	6,755
Tax payables	12,995,790	18,290,792	(5,295,001)
Due to RTI partners	2,250,308	3,407,286	(1,156,978)
Social security institutions	15,677,195	16,536,444	(859,249)
Others	4,455,933	4,754,099	(298,166)
Employees	72,300,899	69,978,744	2,322,155
Partners for research projects	8,051,343	5,453,437	2,597,906
Accrued m/l loan interest	12,004	327,408	(315,404)
Other accruals	71,507	1,227	70,279
Other deferred income	95,292	95,292	0
Total	117,097,178	119,914,012	(2,816,834)

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
VAT	1,407,490	6,210,476	(4,802,985)
Suspended VAT	1,123,237	1,132,513	(9,275)
IRPEF	10,465,062	10,947,803	(482,741)
Total	12,995,790	18,290,792	(5,295,001)

32 Trade payables

(in Euros)

Description	31.12.2020	31.12.2019	Change
Trade payables	385,525,494	381,972,361	3,553,133

The account consists of:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Suppliers	183,248,053	206,591,300	(23,343,246)
Subsidiaries	161,386,973	139,024,125	22,362,848
Parent companies	452,652	0	452,652
Others	40,437,816	36,356,936	4,080,879
Total	385,525,494	381,972,361	3,553,133

a) Suppliers

(in Euros)

Description	31.12.2020	31.12.2019	Change
Due to suppliers	122,079,786	136,196,077	(14,116,290)
Due to foreign suppliers	4,824,295	6,572,994	(1,748,699)
Invoices to be received	56,977,437	64,287,128	(7,309,690)
Credit notes to be received	(633,465)	(464,898)	(168,566)
Total	183,248,053	206,591,300	(23,343,246)

b) Subsidiaries

(in Euros)

Description	31.12.2020	31.12.2019	Change
Invoices to be received	29,235,483	27,176,326	2,059,157
Invoices received	36,776,911	58,666,765	(21,889,854)
Credit notes to be received	(18,424)		(18,424)
Deferred income	5,192	3,785	1,407
Cash pooling	95,387,811	53,177,249	42,210,563
Total	161,386,973	139,024,125	22,362,848

c) Payables due to parent companies

(in Euros)

Description	31.12.2020	31.12.2019	Change
Invoices to be received	452,652		452,652
Total	452,652	0	452,652

d) Others

(in Euros)

Description	31.12.2020	31.12.2019	Change
Advances for future work	40,437,816	36,356,936	4,080,879
Total	40,437,816	36,356,936	4,080,879

A) Total revenues

(in Euros)

Description	31.12.2020	31.12.2019	Change
Total revenues	911,963,692	933,015,455	(21,051,763)

33 Total revenues

(in Euros)

Description	31.12.2020	31.12.2019	Change
Revenues from sales and services	881,805,920	878,759,933	3,045,988
Cgs. finished products and construction contracts	(4,840,383)	24,119,844	(28,960,228)
Other revenues	34,998,155	30,135,678	4,862,477
Total	911,963,692	933,015,455	(21,051,763)

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	Type of goods and services				Total
	Deliverable-based contracts	Resource-based contracts	Service-based contracts	Assistance and maintenance based contracts	
At a point in time			74,440,504		74,440,504
Over time	461,700,109	79,097,536		261,727,389	802,525,033
Total	461,700,109	79,097,536	74,440,504	261,727,389	876,965,537

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.

34 Other revenues

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other revenues	34,998,155	30,135,678	4,862,477

The breakdown of “Other revenues” is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Grants	15,438,307	16,855,234	(1,416,927)
Other income	9,988,608	3,917,493	6,071,115
Other revenues from subsidiaries	9,571,240	9,362,951	208,289
Total	34,998,155	30,135,678	4,862,477

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.

35 Disclosure pursuant to Article 1, paragraphs 125-129, Law no. 124/2017

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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
DEMAND	The DEMAND project implements a direct load control system for electrical users in the residential, tertiary and industrial sectors through the use of an embedded device, called energy gateway, able to: interact with other users through the Internet to negotiate decisions to be undertaken in response to requests from the service provider or distributor; control the electrical loads that can be regulated through local access technologies.	MISE	27.07.2020 Total	162,866 162,866
"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, localisation and energy saving services, as well as real-time communication modules between human operators and machine tools.	Piedmont Region (through FinPiemonte)	13.05.2020 22.12.2020 Total	152,949 124,123 277,072
BISS	Project financed as part of the PNRM (National Plan for Military Research) in favor of the Italian Navy for the creation of a software platform and Artificial Intelligence algorithms for the detection of objects in an underwater environment with non-cooperative Bi-Static sonar configuration.	Ministry of Defence - Navarm - Segredifesa direz. Naval Armaments	25.02.2020 08.05.2020 Total	85,816 173,856 259,672
DICET-INMOTO	Industrial research and experimental development project funded by MIUR on the issues of multimedia narration relating to tourism and cultural heritage, especially in relation to the scalability of content servers towards high volumes of data, including the problem of location and content and federation of areas and good relations with Social Networks.	MIUR	07.04.2020 Total	3,579,046 3,579,046
Echo System (Ministry of Defence project)	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 - Segredifesa direz. Naval Armaments	30.03.2020 21.05.2020 24.09.2020 Total	207,544 83,499 228,314 519,357
IUP	Research project within the PNRM (National Plan for Military Research) for the implementation and field testing of a platform for maritime monitoring capable of detecting and acquiring sensitive data relating to surface and submerged naval targets and subsequently carrying out the transmission of this information to a remote station for the appropriate analyses and checks. The platform is composed of two main sub-systems: the Underwater Component (CS) and the Land Component (CT).	Ministry of Defence - Navarm - Segredifesa direz. Naval Armaments	01.06.2020 Total	32,870 32,870
M2Q	The objective of the project is the creation of a public-private laboratory to carry out R&D activities in the agro-industrial field, particularly in favour of SMEs to favour their access to large-scale distribution and international markets, through: support for product innovation and process; product qualification and product certification; environmental sustainability of production.	MIUR	20.11.2020 Total	142,438 142,438
NEPTIS	Industrial research and experimental development project funded by MIUR on the issues of multimedia narration relating to tourism and cultural heritage, especially in relation to issues relating to use in mobility, along itineraries and with contents contextualised to the physical position of the user.	MIUR	17.11.2020 Total	99,592 99,592
POLIS2020	Supporting activities for design and development of innovative applications aimed at creating a social-technical platform able to supply instruments and methods, which will allow to focus on local public and private entities in change processes. The instruments and methodologies will be defined in order to favour and optimise interrelation between technology and social aspects.	Apulia Region	18.12.2020 Total	2,523,700 2,523,700
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	24.12.2020 Total	581,677 581,677
Grand total				8,178,289

B) Operating expenses

36 Operating expenses

(in Euros)

Description	31.12.2020	31.12.2019	Change
Operating expenses	850,905,866	899,385,409	(48,479,543)

The breakdown of "Operating expenses" is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Raw materials and consumables	21,734,820	22,603,786	(868,967)
Service costs	367,888,374	387,008,809	(19,120,435)
Personnel costs	418,989,092	421,881,779	(2,892,687)
Amortisation and depreciation	37,245,745	39,318,004	(2,072,260)
Provisions	1,852,182	22,723,657	(20,871,475)
Other costs	3,195,653	5,849,374	(2,653,721)
Total	850,905,866	899,385,409	(48,479,543)

37 Raw materials and consumables

(in Euros)

Description	31.12.2020	31.12.2019	Change
Raw materials and consumables	21,734,820	22,603,786	(868,967)

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Hardware	2,696,224	3,687,872	(991,648)
Software	18,466,283	18,727,324	(261,041)
Consumables	572,313	188,590	383,723
Total	21,734,820	22,603,786	(868,967)

38 Service costs

(in Euros)

Description	31.12.2020	31.12.2019	Change
Service costs	367,888,374	387,008,809	(19,120,435)

“Service costs” include the following:

(in Euros)			
Description	31.12.2020	31.12.2019	Change
EDP purchases, services and data lines	2,032,102	1,415,728	616,374
Insurance	3,256,236	3,317,520	(61,283)
Bank commissions	1,690,558	1,710,889	(20,331)
Technical support and consultancy	197,389,656	207,273,369	(9,883,713)
Consultancy from subsidiaries	103,503,683	98,853,821	4,649,862
Legal and administrative consultancy	5,717,071	2,994,315	2,722,756
Training and refresher courses	2,021,196	3,167,481	(1,146,285)
Consultants	288,064	156,623	131,441
Cost of corporate bodies	1,708,904	1,895,690	(186,786)
Building rental	619,552	1,063,871	(444,319)
Maintenance of property, plant and equipment and intangible assets	13,008,010	13,023,495	(15,485)
Canteen and other personnel costs	7,572,480	6,773,504	798,976
Automotive expenses	4,705,194	6,225,223	(1,520,029)
Hardware and software rental	190,139	237,571	(47,432)
Services from subsidiaries	9,347,938	8,599,745	748,193
Maintenance and security services	2,919,908	3,934,603	(1,014,695)
Advertising and sales rep. expenses	718,420	1,193,746	(475,326)
Travel costs	3,132,116	13,600,844	(10,468,728)
Postage and shipping expenses	1,823,683	1,974,144	(150,461)
Utilities	5,325,472	6,413,479	(1,088,007)
Other	917,994	3,183,148	(2,265,154)
Total	367,888,374	387,008,809	(19,120,435)

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 decrease in the item “Travel expenses” is linked to the drastic reduction in travel expenses due to the Covid-19.

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.	458,000
Other services (*)	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	33,000

(*) 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.

(in Euros)

Description	31.12.2020	31.12.2019	Change
Personnel costs	418,989,092	421,881,779	(2,892,687)

“Personnel costs” consist of:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Salaries and wages	306,134,263	308,521,408	(2,387,145)
Social security expenses	77,783,569	77,200,864	582,705
Post-employment benefits	20,068,338	20,376,746	(308,408)
Restructuring and reorganising personnel	1,785,650	3,240,192	(1,454,543)
Other personnel costs	13,217,272	12,542,567	674,705
Total	418,989,092	421,881,779	(2,892,687)

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

The change is related to savings resulting from the use of the extraordinary CIG for the Covid emergency, as provided for by Government decrees.

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 3,324 thousand relating to cars assigned to employees as required by IFRS 16, applied from 1 January 2019;
- the cost related to the Stock Option Plan, amounts to Euro 9,636 thousand.

The Stock Option Plan assigned is classified as Equity Settled and therefore the contra-entry of the costs is recorded in an equity reserve which, in addition to this amount, also includes the increase for the portion of Stock Options assigned to the subsidiary Engineering D. Hub S.p.A., for Euro 0.4 million. The subsidiary recognised, instead, a cost of equal amount.

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 options vested 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.

The fair value of rights assigned is 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.

The fair value of options granted in the first pool amounted to Euro 43.30 per option. The fair value at the assignment date was determined independently and based on the following parameters for the options granted:

- options are granted free;
- options accrued are exercisable;
- the exercise price is Euro 38.81;
- the concession time is 3.5 years;
- the exercise price for each share at the assignment date is Euro 42.15.

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

(in Euros)

	As of 31.12.2020		As of 31.12.2019	
	Average price for the exercise of the option	Number of options	Average price for the exercise of the option	Number of options
Beginning of the year	42	896,441	0	888,964
Granted during the year		0	42	10,668
Exercised during the year		(846,890)	0	
Lapsed during the year		(49,551)	0	(3,191)
Year end	0	0	42	896,441

On 23 July, the change of control of the entire share capital of Engineering was completed, with this act the disinvestment event occurred which allowed beneficiaries to exercise their dividend options. These financial statements reflect the achievement of 100% of the above process.

The average workforce is as follows:

(units)

Average number of employees	31.12.2020	31.12.2019	Change
Executives	318	311	7
Managers	1,596	1,632	(36)
Other employees	5,291	5,127	164
Total	7,205	7,070	135

40 Amortisation and depreciation

(in Euros)

Description	31.12.2020	31.12.2019	Change
Amortisation and depreciation	37,245,745	39,318,004	(2,072,260)

The breakdown is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Depreciation of property, plant and equipment	3,876,753	3,876,975	(222)
Amortisation of intangible assets	20,222,286	21,832,626	(1,610,340)
Depreciation and amortisation IFRS 16	13,146,706	13,608,403	(461,698)
Total	37,245,745	39,318,004	(2,072,260)

(in Euros)

Description	31.12.2020	31.12.2019	Change
Provisions	1,852,182	22,723,657	(20,871,475)

The breakdown is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Allocation to doubtful debt provision	1,475,200	17,268,650	(15,793,450)
Risk provision	376,982	5,455,008	(5,078,025)
Total	1,852,182	22,723,657	(20,871,475)

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

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

42 Other costs

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other costs	3,195,653	5,849,374	(2,653,721)

Other costs are broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Dues and subscriptions	780,496	630,841	149,654
Taxes	961,413	1,357,239	(395,826)
Gifts and donations	56,221	103,079	(46,857)
Charges for social causes	236,405	782,495	(546,089)
Other	1,161,118	2,975,720	(1,814,602)
Total	3,195,653	5,849,374	(2,653,721)

Item "Other costs" includes credit losses amounting to around Euro 1,033 thousand.

43 Net financial income/(expenses)

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(in Euros)

Description	31.12.2020	31.12.2019	Change
Net financial income/(expenses)	(7,796,823)	(3,664,512)	(4,132,311)

Financial income is broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Interest income	1,465,013	1,756,469	(291,457)
Fair value gain (differential from derivative)	1,445,683	1,864,482	(418,799)
Gain on exchange differences	266,552	82,861	183,690
Total	3,177,247	3,703,812	(526,565)

Financial expenses consist of:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Interest expense	10,117,348	7,269,679	2,847,669
Other	856,723	98,646	758,077
Total	10,974,071	7,368,325	3,605,746

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

44 Income/(expenses) from equity investments

(in Euros)

Description	31.12.2020	31.12.2019	Change
Income/(expenses) from equity investments	6,452,451	(7,079,239)	13,531,690

The breakdown is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Gains on equity investments	7,380,427	767,848	6,612,579
Write-downs of equity investments	(927,976)	(7,847,087)	6,919,111
Total	6,452,451	(7,079,239)	13,531,690

The "Gains on equity investments" item mainly refers, in the amount of Euro 7,350 thousand, to unrecognised earn outs due to failure to fulfil the agreed benchmarks.

The item "Write-downs of equity investments" relates to write-downs of the following companies:

- Euro 815 thousand of Engineering 365 S.r.l.;
- Euro 103 thousand of Engi da Argentina S.A.;
- Terram S.r.l. for Euro 10 thousand.

(in Euros)

Description	31.12.2020	31.12.2019	Change
Income taxes	(106,173,746)	8,151,804	(114,325,550)

The breakdown of taxes is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current	32,564,068	14,147,229	18,416,839
Deferred	(138,737,814)	(5,995,425)	(132,742,389)
Total	(106,173,746)	8,151,804	(114,325,550)

Deferred tax assets are affected by the positive impact connected to the realignment (as per Law Decree 126/2020) of all existing misalignments in the financial statements as of 31 December 2019 resulting from Schedule RV of the Form UNICO SC and in particular with reference to trademarks, goodwill and other intangible assets, which involved the release to the income statement of the deferred tax liabilities associated with these intangible assets not having tax relevance to date and the allocation of deferred tax assets with reference to goodwill.

For details of the temporary differences determining the deferred taxes, please see previous paragraphs “Deferred tax assets” and “Deferred tax liabilities” herein.

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

(in Euros)

	31.12.2020		31.12.2019	
Profit/(loss) before taxes	59,713,453		22,886,294	
Ordinary rate applied	14,331,229	+24.0%	5,492,711	+24.0%
Income taxable in prior years	4,465,618	+7.5%	4,623,392	+20.20%
Income not taxable	(5,504,736)	-9.2%	(4,272,587)	-18.67%
Expenses not deductible	5,816,198	+9.7%	12,854,828	+56.17%
Deductible expenses not charged to income statement	(5,218,562)	-8.7%	(8,044,218)	-35.15%
Utilisation of previous years tax losses	0	+0.0%	0	+0.00%
Total assessable IRES	57,873,950		44,392,192	
Tax/Tax rate	13,889,748	+24.0%	10,654,126	+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.

46 Other information

■ COMMITMENTS UNDERTAKEN

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

(in Euros)

Description	31.12.2020
Third party sureties	307,289,065
Bank sureties in favour of other companies	9,051,390
Bid Bonds and Performance Bonds	9,114,627
Total commitments undertaken	325,455,082

47 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 2020:

(in Euros)

Items as of 31.12.2020	Assets at amortised cost	Assets at FVPL	Assets at FVOCI
Other non-current assets	4,607,932	1,806,000	
Trade receivables	524,056,744		
Other current assets	31,314,710		
Cash and cash equivalents	110,083,010		
Total assets	670,062,395	1,806,000	0

(in Euros)

Items as of 31.12.2019	Assets at 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 31.12.2020	Liabilities at amortised cost	Liabilities at FVPL	Liabilities at FVOCI	Other liabilities
Non-current financial liabilities	129,140,701			
Non-current lease liabilities	121,802,068			
Other non-current liabilities	11,865,954	490,000		
Current financial liabilities	51,841,514			
Current lease liabilities	12,924,512			
Other current liabilities	117,097,178			
Trade payables	385,525,494			
Total liabilities	830,197,420	490,000	0	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

Assets and liabilities measured at fair value, shown in the table above, are included in level 2 (III).

48 Transactions with related parties

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

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

(in Euros)

Description	Revenues	Costs	Financial income (expenses)	Trade receivables	Trade payables	Receivables, cash pooling	Payables, cash pooling
OverIT S.p.A.	305,473	34,550,449		699,601	24,231,399	0	0
Engiweb Security S.r.l.	265,461	12,739,164	(29,807)	243,881	2,353,096	0	7,147,801
Municipia S.p.A.	4,833,044	920,520	188,586	3,445,301	3,163,286	24,770,294	0
Engineering Sardegna S.r.l.	1,017,207	742,264	20,328	661,406	1,281,763	2,735,375	0
Nexen S.p.A.	6,158,236	3,136,971	(65,193)	5,562,510	1,190,696	0	9,470,102
Engineering do Brasil S.A.	92,986	149,516	490,046	12,072,993	331,340	0	0
Sicilia e-Servizi Venture S.c.a.r.l.	60,000		920	32,906,668	33,295	0	0
Engineering International Belgium S.A.	553,007	506,008	27,074	2,974,474	879,854	0	0
Engineering D.HUB	10,924,038	30,080,724	(313,161)	10,233,349	14,184,586	0	77,427,115
Engi da Argentina S.A.	70,443			2,375,167	16,593	0	0
Engineering 365 S.r.l.	1,711,360	6,609,935	40,687	1,263,223	4,958,369	4,578,405	0
WebResults S.r.l.	1,666,726	8,669,003	(4,578)	1,546,458	4,387,367	0	100,901
Engineering Software Lab d.o.o.	214,435	6,518,695	192	681,233	2,108,677	0	0
EITS – Engineering ITS	1,573,171		70,116	5,820,176	3,778	0	0
Engineering SL	793,690	764,962		892,535	647,442	0	0
Engineering DSS GmbH				0	24,216	0	0
Engineering Software Labs GmbH	1,299,393			2,674,289	160,000	0	
Sogeit Solutions S.r.l.	2,202,244	4,115,904	808	2,191,640	3,367,376	1,439,628	0
Engineering USA Inc.	932,309	164,780		595,308	155,000	0	0
Pragma	2,347	9,169		15,653	10,429	0	0
Cybertech	1,035,131	4,588,432		1,556,859	1,848,482	0	0
Digitelematica S.r.l.	121,867	302,354		106,215	235,784	0	0
Deus Technology S.r.l.	739,454	16,000	(7,537)	832,385	18,099	0	1,241,892
FDL Servizi S.r.l.	9,477	44,000	(234)	1,754	408,234	0	0
Sofiter Tech S.r.l.	335,876	420,772		0	0	0	0

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

- Engineering do Brasil S.A. 7,500,000
- Engineering International Belgium S.A. 2,100,000
- Engineering ITS AG 3,910,120
- SI.SE.V. S.c.r.l. 728,000
- Engineering Software Lab d.o.o. 100,000

It should also be noted that a loan of Euro 114.4 million was disbursed by the company Centurion Bidco, the details of which are shown in the table “Non-current financial liabilities” herein.

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 25 herein.

As set out by Art. 2497-bis, paragraph 4, it should be noted that the Company is subjected to coordination and management by Centurion Holdco S.à.r.l. The latter was established in 2020 and its first financial statements have not yet been approved. Therefore, the summary table reporting the figures pertaining to the last approved financial statements prepared according to the IAS/IFRS International Accounting Standards has not been included.

Report of the Board of Statutory Auditors on the Financial Statements as at 31 December 2020



Engineering Ingegneria Informatica spa

Piazzale dell'Agricoltura, 24 - 00144 Rome

Share capital: 34,095,537.11 fully paid up

Sole Shareholder: Centurion Bidco S.p.A.

Company Register in Rome and Tax ID no. 00967720285, VAT no. 05724831002

The Company is subjected to coordination and management by Centurion Holdco S.à.r.l.

BOARD OF STATUTORY AUDITORS' REPORT

ON THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

PURSUANT TO ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

The Financial Statements for the year ended 31 December 2020, submitted to your approval, were approved by the Board of Directors during the meeting held on 30 March 2021 and reported a profit of Euro 165,887,199.

This report informs you on the most significant aspects of our activities performed during the 2020 financial year, as well as their outcome and the result for the year ended 31 December.

As you are aware, pursuant to Article 2409-bis, paragraph 1, of the Italian Civil Code, Deloitte & Touche S.p.A. is responsible for the statutory audit of your company's accounts, so our audit of the financial statements was limited to the correctness of the general layout and general compliance with the Law.

SUPERVISORY ACTIVITY CARRIED OUT BY THE BOARD OF STATUTORY AUDITORS, PURSUANT TO ARTICLE 2403 OF THE ITALIAN CIVIL CODE

It should be preliminarily underlined that the Board of Statutory Auditors was appointed in its current composition as of 23 July 2020, following the resignation of the previous Board of Statutory Auditors as part of the wider corporate reorganisation of the Company.

On 23 July 2020, Bain Capital Private Equity and NB Renaissance Partners, a company part of Neuberger Berman dedicated to private equity investments in Italy, completed the acquisition of Engineering Ingegneria Informatica S.p.A.

The share capital of Engineering Ingegneria Informatica S.p.A. is 100% owned by Centurion Bidco S.p.A. as Sole Shareholder.

The activities carried out by the Board of Statutory Auditors covered, in terms of time, the entire financial year (taking into account what has just been indicated) and during the financial year the meetings pursuant to Article 2404 of the Italian Civil Code were regularly held and the minutes of these meetings were duly signed for unanimous approval.

Our activities during the financial year followed the legislative and regulatory provisions and were inspired by the code of conduct for the Board of Auditors recommended by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

In particular, we have

- supervised the compliance with regulations and the Articles of Associations, as well as with correct administration principles;
- regularly held and recorded the meetings referred to in Article 2404 of the Civil Code;
- attended the Shareholders' Meetings and the meetings of the Board of Directors, which were held in accordance with the statutory, legislative and regulatory provisions governing their functioning;
- during the meetings, obtained from the Board of Directors information on the general performance of operations and business outlook, as well as on the most significant transactions, according to size and features, made by the Company; We can therefore reasonably ensure that the decisions taken comply with the Law and the Company's Articles of

Association and are not manifestly imprudent, risky, in potential conflict of interest or in conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets;

- supervised, to the extent of our competence, the adequacy of the Company's organisational structure, also by collecting information from the heads of organisational positions, and in this regard we have no observations to report;
 - supervised the adequacy of the Company's administrative-accounting system and its suitability to correctly represent management events, requesting and obtaining all necessary information from the heads of the competent company departments and carrying out all checks deemed necessary, without finding any noteworthy exceptions;
 - pursuant to Article 2409-*septies* of the Italian Civil Code, carried out a periodic exchange of information with the independent auditors Deloitte & Touche, without any information emerging that needs to be highlighted herein;
 - viewed the financial statements of subsidiaries, within the limits of information required for the drawing up of this report and to the purpose of expressing an opinion on the Company's financial statements as of 31 December 2020. This opinion, however, does not cover the single financial statements of subsidiaries;
 - met with the Supervisory Board and took note of the report of the Supervisory Board pursuant to Legislative Decree 231, concerning the control activities for the year 2020, which does not indicate any critical issues of particular importance;
 - received no claims as per Article 2408 of the Italian Civil Code;
- moreover, during the supervisory activities described above, no further significant facts were identified that would require mention herein.

COMMENTS AND PROPOSALS AS TO THE FINANCIAL STATEMENTS AND ITS APPROVAL

We reviewed the draft financial statements for the year ended 31 December 2020 and the following further information is given:

- as we are not asked to analytically analyse the contents of the financial statements, we supervised the general format of the draft financial statements, their general compliance with regulations in force concerning their preparation and structure, as well as their consistency with facts and information we are aware of;
- these financial statements as of 31 December 2020, 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) no. 1606/2002 of the European Parliament and the Council of 19 July 2002 and applied consistently for the periods under evaluation. However, the adoption of the new standards had no impact on the Company financial statements;
- we also assessed the compliance to law on the preparation of the Directors' Report;
- we supervised the accounting approach of the extraordinary transactions carried out during the 2020 financial year; in particular, in 2020 the Company resolved on a spin-off, which will be finalised during 2021, through which Engineering will split the equity investment in OverIT into the company Centurion Bidco 1 S.r.l. which, as a result of the spin-off, will be renamed "OverIT Bidco 1 S.r.l.";
- pursuant to international accounting standards, and in particular the criteria and methods provided for by IAS 36 - Impairment of assets, the Company performed an impairment test on intangible assets with an indefinite life, recorded at Euro 453 million under 'Trademarks' and Euro 44.6 million under 'Goodwill', and reported in the report approved by the Board of Directors on 30 March. The impairment test performed confirmed that the values entered in the Assets were consistent as no impairment loss was reported. As required by the International Accounting Standards, the base assumptions, the main data and the results required for impairment testing are widely described in the Explanatory Notes. During our supervisory activities we also assessed the Directors' report on impairment testing and results included in the Explanatory Notes. No remarks are to be reported to this purpose;

- pursuant to Article 2426, no. 5, of the Italian Civil Code, we have expressed our consent to the entry in the Assets of the item "Development costs" of intangible assets, amounting to Euro 9,964,620 net of amortisation. As referred to in the Explanatory Notes, development costs are amortised over their useful life or, when this cannot be precisely determined, over a period not exceeding five years. Moreover, additional development costs amounting to Euro 5,986,377 were recognised under "Intangible assets in progress", as they were incurred in connection with projects for the implementation of new IT solutions that have not yet been completed. As referred by Directors, projects still underway will be completed during 2021;
- The net profit includes Euro 166.3 million, including Euro 121 million due to the effects of the realignment carried out on the basis of Law Decree no. 104 of 14 August 2020 ("August Decree"), converted with Law no. 126 of 13 October 2020 (Article 110, paragraph 8), and the 2021 Budget Law - Law no. 178 of 30 December 2020 (Article 1, paragraph 83). The Company is also obliged to allocate a reserve in suspension of taxation for tax purposes for the amount corresponding to the higher values subject to realignment net of the substitute tax. The net profit without tax realignment would have been Euro 45.3 million.

INDEPENDENT AUDITORS' REPORT

- The Independent Auditors Deloitte & Touche S.p.A. issued their report to date, pursuant to Article 14 of Legislative Decree no. 39 of 27 January 2010, in which they express an opinion with no remarks. In their report, the Independent Auditors certified that the financial statements for the year ended 31 December 2020 provide a true and fair view of the Company's financial position, economic results of operations and cash flows. They also certified that the Financial Statements for the year ended 31 December 2020 are consistent with the Directors' Report.

CONCLUSIONS

According to the checks carried out and in consideration of the above, and taking into account that the report prepared by the Independent Auditors in charge of the statutory audit of the accounts does not

raise any issues and/or reservations, we propose that you approve the draft financial statements for the year ended 31 December 2020 prepared by the Directors and the proposed allocation of the profit for the year of Euro 166,259,599 that they have formulated.

Rome, Milan 13 April 2021

THE STATUTORY AUDITORS

Maurizio Salom

Domenico Muratori

Stefano Roberto Tronconi

Resolutions of the Shareholders' Meeting

The Ordinary Shareholders' Meeting, held on 29 April 2021, with the favourable vote of the Sole Shareholder Centurion Bidco S.p.A.:

- having examined the figures of the financial statements as at 31 December 2020 with the relevant reports submitted by the Board of Directors, the Board of Statutory Auditors and the auditing firm Deloitte & Touche S.p.A.;
- having acknowledged the data of the consolidated financial statements as at 31 December 2020 with the related reports submitted by the Board of Directors, the Board of Statutory Auditors and the auditing firm Deloitte & Touche S.p.A.;
- having noted the allocation of Euro 471,414,528 to the unavailable reserve, following the realignment of all existing misalignments in the financial statements as at 31 December 2019 resulting from Schedule RV of the UNICO SC Tax Return Form relating to trademark, goodwill and other intangible assets;
- having acknowledged the proposal of the Sole Shareholder regarding the allocation of the profit for the year;

deliberated

1. to approve the financial statements as at 31 December 2020 of Engineering Ingegneria Informatica S.p.A., as prepared, including the annexes;
2. to proceed with the distribution, to the Sole Shareholder, of a portion of the net profit for the year equal to Euro 46,000,000 (forty-six million Euro), considering that the financial statements as at 31 December 2020 reported a net profit for the year of Euro 165,887,199. It was established that such distribution may be made as from today's date and that the Chairman, Mr Paolo Pandozy and Mr Armando Iorio, severally, are vested with the widest powers to implement this resolution;
3. to grant a mandate to the Chairman or to the Director, Armando Iorio, so that, severally, they may fulfil the necessary obligations required by law.

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