ENGINEERING

ACCOUNTS

2019

Annual Accounts 2019

Engineering Ingegneria Informatica S.p.A.
Registered Office:
00144 Rome – Italy
Piazzale dell'Agricoltura, 24
Tax code 00967720285
VAT number 05724831002
Rome Chamber of Commerce 531128
Rome Companies' Register 00967720285
Share Capital:
Euro 31,875,000 fully paid-in
Euro 40,081,172 further increase resolved

ENGINEERING

ENGINEERING – Ingegneria Informatica S.p.A.
Rome – Piazzale dell'Agricoltura n.24
Share Capital Eur 31.875.000,00 i.v. (40.081.172 increase)
TAX CODE 00967720285, P. IVA 05724831002
www.eng.it

To the attention of Shareholders:

MIC TOPCO S.à.r.l.

Mr. Michele Cinaglia

Mr. Paolo Pandozy

Mr. Armando Iorio

To the attention of the Board of Directors

To the attention of Board of Statutory Auditors

Rome, April 10, 2020

Re: call of the Ordinary General Meeting

It is hereby notified that, the Board of Directors in its meeting of March 25th 2020, has called the General Meeting for:

Tuesday 28th April, 2002 at 16:00 PM. on a single call

at the registered office of the Company in Rome – Piazzale dell'Agricoltura, 24, in order to resolve on the following **Agenda**:

1. Approval of the stand-alone Financial Statements of Engineering Ingegneria Informatica for the year ended on 31 December 2019. Report of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors. Submission of the consolidated financial statements of the Group for the year ended on 31 December 2019. Related and consequent resolutions

Please be informed that in accordance to Decree Law no 18 of 2020 (COVID-19 emergency), the shareholders meeting shall be held only via conference call.

The Chairman of the Board of Directors
Michele Cinaglia

Consolidated Financial Statements

ENGINEERING GROUP

Deloitte.

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

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

INDEPENDENT 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 CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Engineering Ingegneria Informatica S.p.A. and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of Engineering Ingegneria Informatica S.p.A. ("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 Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Deloitte.

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 Group as at December 31, 2019, including its consistency with the related consolidated 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 consolidated financial statements of Engineering Ingegneria Informatica Group as at December 31, 2019 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 consolidated financial statements of Engineering Ingegneria Informatica Group as at December 31, 2019 and is prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
April 10, 2020

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

I. Corporate Governance and Corporate Bodies

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

On 11 April 2019, after the resolution of the Company's Ordinary Shareholders' Meeting and following the resolution of the Board of Directors held on the same day, a new Board of Directors and a new Board of Statutory Auditors were elected and will remain in office until the approval of the financial statements as of 31 December 2021. The composition of Corporate Bodies is as follows:

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

BOARD OF STATUTORY AUDITORS

Domenico Muratori	Chairman
Patrizia Paleologo	Statutory Auditor
Massimo Porfiri	Statutory Auditor

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Paolo Pandozy

SUPERVISORY BOARD

Roberto Fiore	Chairman
Spartaco Pichi	Member
Annalisa Quintavalle	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

II. Introduction and consolidation scope

INTRODUCTION

The consolidated financial statements as of 31 December 2019 of the Engineering Ingegneria Informatica Group (hereafter the "Engineering Group", "Engineering" or simply the "Group") have been prepared, as they have since 2005, in compliance with the recognition and measurement criteria established under International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), in addition to the IFRIC (International Financial Reporting Standard - Interpretation Committee) and previously named SIC (Standing Interpretation Committee) interpretations issued by the IASB (International Accounting Standards Boards) and endorsed by the European Union.

For further information regarding the result and the financial position of Engineering Ingegneria Informatica S.p.A. ("Parent Company" of the Engineering Group or "Company"), express reference is made to the relevant separate financial statements.

The Group consolidation scope includes the equity investments illustrated in the tables in the following page 6, where movements are described in detail in the following paragraph X. The companies included in the consolidation scope are consolidated under the line-by-line method, with the exception of dormant companies, which were measured at equity. The accounting periods of the subsidiaries coincide with those of the Parent Company. The financial statements have been prepared in accordance with the going-concern principle.

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

The data relating to the net financial position is compared with that at the end of the previous year.

Unless specified otherwise, the monetary quantities in the statements in the report are exposed in millions of Euro, the accounting ones and the ones in the note in full.

ALTERNATIVE PERFORMANCE MEASURES

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

In particular, the following is highlighted:

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

- **Pro-forma adjusted EBITDA:** the APM, calculated by the Group, the details of which are shown in the following reconciliation table. It is noted that pro-forma adjusted EBITDA is not identified as accounting measure within the IFRS standards adopted by the European Union. As a consequence, the calculation criterion adopted by the Group might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Group might not be comparable with the one calculated by the latter.

- **EBIT** ("Earnings before interest and taxes"), the APM, calculated by the Group as the result of the year, including the following items in the income statement: (i) "net financial income (expenses)" (including, inter alia, gains and losses on exchange rates) and (ii) "taxes". The Group deems that this is a useful indicator on its capacity to generate profit before financial management and tax effects.

- **Net Capital Employed:** discloses the net total amount of non-financial assets and liabilities.

- **Net Working Capital:** discloses the net total amount of non-financial, current assets and liabilities. It permits to evaluate the ability of the Group to fulfil short-term commercial commitments through current trade assets and, together with net fixed assets and the net capital employed, it also permits to evaluate the balance between utilisations and financing sources.

- **Net Financial Position:** discloses the Group'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 Group's ability to meet its financial obligations, including the impact of the application of IFRS 16 standard.

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

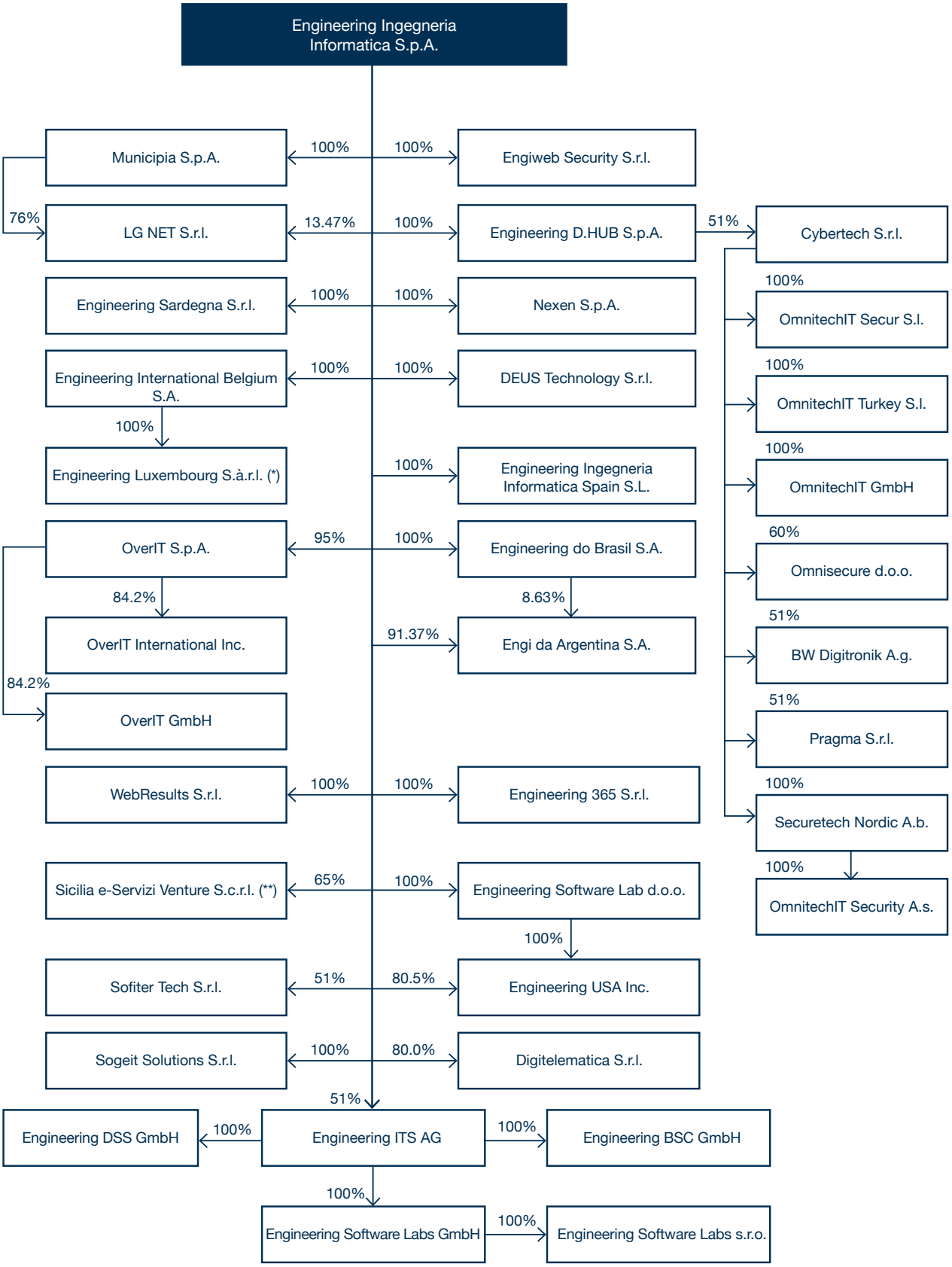
- **ROI (Return on Investment):** operating profitability index, which is a measure of the return on capital invested in the company by way of debt or risk. It is given by the ratio between operating profit (EBIT) and net capital employed, for the composition of which reference should be made to the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

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

CONSOLIDATION SCOPE

The structure of the Group as of 31 December 2019 follows the implementation of a careful acquisition policy and subsequent integration processes which have resulted in the Group consisting of 37 companies, in addition to the Parent Company, 35 of which are in operation and one liquidated in December 2019 (Engineering Luxembourg S.à.r.l.) and one in liquidation (Sicilia e-Servizi Venture S.c.r.l.). Engineering Ingegneria Informatica S.p.A. exercises managerial and business influence on the direct subsidiaries. This structure is to be meant as a representation of a Group that operates in a context of close integration, arranged into specific centres of managerial responsibility.

CONSOLIDATION SCOPE AS OF 31 DECEMBER 2019

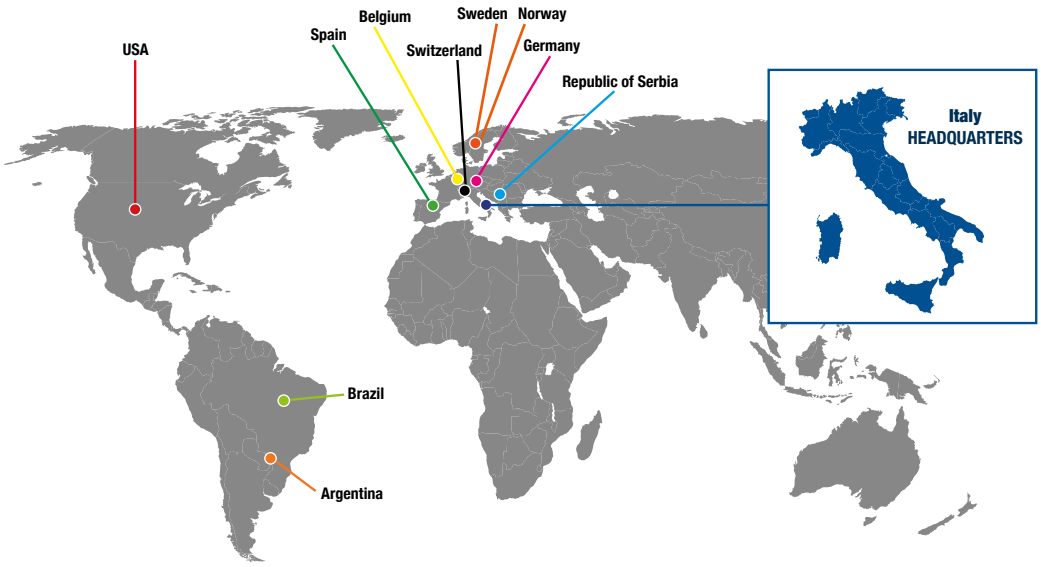


(*) Liquidated in December 2019.
(**) In liquidation.

III. Group 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.

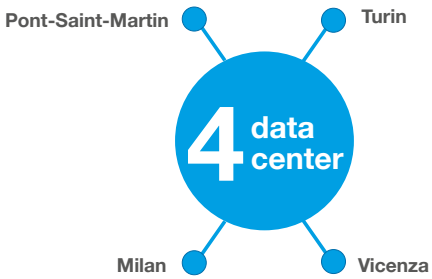
Established on 6 June 1980 | 1st Italian IT operator | ICT services, products and consultancy | Present on all markets



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

11,445 employees | 65 offices | 20 countries served | 13% foreign revenues

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



an integrated **NETWORK**

for more than 300 clients

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

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

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

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

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

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

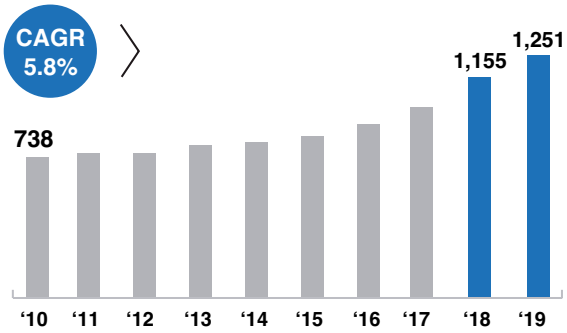
Around 44% of the Group's revenues result from the sale of licences of its products in relation to maintenance and implementation contracts.

The Group's 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.

HIGHLIGHTS OVER THE LAST 10 YEARS

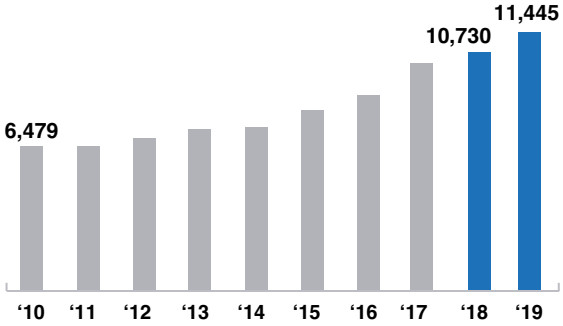
Revenues

(Amounts in millions of Euro)



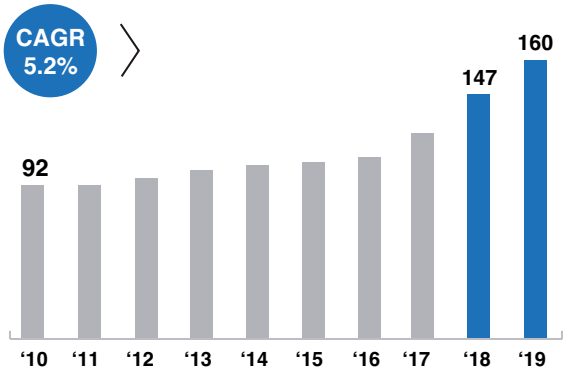
Employees

(Units)



Pro-forma adjusted EBITDA

(Amounts in millions of Euro)



Pro-forma net financial position

(Amounts in millions of Euro)

IV. Market overview

■ ECONOMIC OVERVIEW

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

■ THE ITALIAN ECONOMY

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

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

■ THE IT SECTOR

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

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

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

V. Operational overview

■ RESEARCH AND INNOVATION ACTIVITY

Since its incorporation, 40 years ago, the Group has shown an innate vocation for Research and Development, which has undoubtedly been one of its main factors of success.
The year 2019 was characterised by some events and projects that well represent the afore-mentioned vocation, i.e. the effective ability to capitalise research results in order to be ready to take advantage of new opportunities that may arise. Amongst others, the following three main projects and events are worth mentioning:

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

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

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

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

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

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

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

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

MARKET PERFORMANCE

FINANCE

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

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

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

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

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

The main criteria underlying the results are soundness of skills, wider range of proprietary solutions, the application of technological and business innovation paradigms and emphasis on operational efficiency.
Various combinations of these factors generated the most successful cases during 2019.
The most important match is the development of consulting services, which began in 2018 and will be consolidated in the coming years through a balanced mix of services:

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

Other successful cases for 2019 are described hereunder:

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

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

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

- constant strengthening of the Data & Process Driven offer to achieve the complete proposal of Open Banking & Insurance that enables Instant Banking & Insurance, a major issue for current financial institutions to respond to competition from Fintech and large digital entities: Google, Amazon, Facebook and Apple;
- promotion and adjustment of the offer in terms of architectures and semi-finished products for transformation projects towards a "Data & Open Company";
- enrichment of integrated cross-cutting offers in the most relevant areas of innovation: Cloud, Cybersecurity, Big Data, Analytics, Artificial Intelligence and Internet of Things;
- improvement of Business Consulting, with the aim of enhancing the driving value for the acquisition of new market shares, through increasingly strong relationships with business entities, in order to increase proactivity vis-à-vis their priorities;
- dissemination of our Digital Advisory & Sales proposal, one of our clients' major investment areas, thanks to the pooling of internal expertise and the strategic acquisition of Deus Technology;
- strengthening of the Salesforce and Microsoft CRM platform proposal;
- enhancement of the skills gained in projects developed on solutions of international partners (for example Meniga);
- development of a collaboration network with companies which developed solutions that are complementary to the company's offer or would allow to improve the time-to-market of new sectors;

- alliances with service centres aimed at supporting customers' cost-optimisation oriented strategies and seize opportunities for financial and insurance institutions that form their captive market and represent potential users of complementary services and solutions (e.g. Cedacri);
- setting up of strategic partnerships with the market's three main Digital Transformation customers: Intesa Sanpaolo (Services of Excellence and Banca Assicurazione), Generali (Life Time Partner of its customers), Poste Italiane (Hub and showcase of third party products);
- development of proposals, solutions, business consulting capable of moving from cost containment to the monetisation of relationships and revenue growth, also through partnerships based on revenue-sharing models.

PUBLIC ADMINISTRATION AND MUNICIPALITIES

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

CENTRAL PUBLIC ADMINISTRATION

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

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

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

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

LOCAL PUBLIC ADMINISTRATION

The thrust towards the innovation of Local Public Administration was confirmed in 2019, in view of increasing the centrality of the citizen, dematerialising documents, digitalising processes, continuing the process towards digital identity.

The Consip Sistemi Gestionali Integrati (SGI) convention, of which Engineering is the principal, has enabled us to develop a substantial volume of orders: during the period of validity of the convention Engineering acquired contracts for approximately Euro 180 million with an average duration of 30 months.

The projects launched concern the main regions and autonomous provinces of Italy: Emilia Romagna, Veneto, Piedmont, Tuscany, Lazio, Apulia, Calabria, Lombardy, Liguria, Valle d'Aosta, Marche, Abruzzo, Campania, Sardinia and the Autonomous Provinces of Trento and Bolzano.

The University of Bologna, INSIEL, Po River Basin Authority, AdSP Western Ligurian Sea, Milan Monza Brianza Lodi Chamber of Commerce, InfoCamere, ARPA Calabria and AdSP Eastern Sicily Sea are amongst the new customers acquired in 2019.

The following is worth noting:

- Piedmont Region: important contracts were entered into with CSI Piemonte in the areas of Personnel, Accounting, Electronic Payments, Documentation, Facility Management, Regional Taxes, Environment, Culture and Territorial Protection, Professional Training, Agriculture, Productive Activities and Transportation;

- Veneto Region: important contracts are in place for the development and maintenance of the IS for the Veneto Regional Council, ARPA Veneto, Veneto Lavoro, Azienda Zero and AVEPA;

- Emilia Romagna Region: with projects for AGREA, ARPAE, Agenzia Regionale Sicurezza Territoriale e Protezione Civile (Regional Agency for Environmental Prevention and Protection), Agenzia Territoriale Servizi Idrici e Rifiuti (Local Agency for Water and Waste Services), Cura Territorio e Ambiente (Environment and Maintenance of the Countryside Institute), Beni Artistici Culturali e Naturali (Artistic, Cultural and Natural Heritage Institute). A project for the accounting information system using SAP4HANA technology was also agreed between the Emilia Romagna and Campania Regions;

- Lazio Region (Lazio Crea): in this region, contracts were signed in the 2018-2019 two-year period in the areas of Accounting, Documentation, Assets, Productive Activities, Personnel, Regional Taxes, NUR, Labour and E-procurement;

- Apulia Region: in this region, contracts were signed in the 2018-2019 two-year period in the areas of Accounting, Personnel, Social Services, Management and Development of Calls, Digital Services, Electronic Payments, Labour, Administrative Litigation, Rural Development Programme, Protocol Management, PEC and SSO;

- the Autonomous Region of Sardinia considers Engineering as a reference provider in the process that it has undertaken for some time now to offer fully interoperable, digital services to citizens and businesses so as to improve the quality of life of people and increase the attractiveness of the territory.

Finally, it should be noted that Innova Puglia awarded the Framework Agreement to Engineering for the supply of Development, Maintenance, Assistance in Tourism, Cultural Heritage, Territory, Mobility and Environment Services.

Thanks to some of these new projects, interesting opportunities have opened up in new functional areas:

- as regards Port Authorities, they concern the implementation of SUA (Sportello Unico Amministrativo - One stop administrative shop) and the management of the Port and State Property Infrastructures;
- as regards the Po River Basin Authority, they concern planning and authorisation functions related to soil protection, water protection and water resources management;
- as regards InfoCamere, they concern the platform related to the Analysis of Financial Statements in the Companies' Register.

Lastly, the Leg. Decree 118/2011 on harmonisation of financial statements of local entities was an opportunity for enlarging collaboration with regional administrations, where the Group was not present yet. Competence accrued in this field and the reuse of solutions developed by Engineering, already in place in Liguria Region, Valle d'Aosta Region and Emilia Romagna Region, allowed for the acquisition of important agreements with other customers, thus consolidating the offer in the field of regional accounting systems and local entities.

MUNICIPALITIES

Through its subsidiary Municipia, Engineering confirmed itself as one of the leaders in the market of Digital Transformation of cities, with solutions that meet the needs expressed by citizens for better public services: efficiency, transparency, equity and environmental sustainability.

Within this context, backed by its experience in outsourcing revenue management processes, Municipia has opted for the strategy of becoming a leader in BPO services based on technological solutions. It has also elected to focus on public-private partnership and project finance to propose, design and then implement and manage complex innovative interventions.

Nowadays, the offer concerns public services of: private urban mobility (access, parking, transit), control and sanctioning, waste collection and transport, public lighting. New value propositions are also being tested for: energy efficiency, social services, tourism development, security.

The main events occurred in 2019 are highlighted hereunder:

- full use of both lots of the Consip-SGI framework agreement;
- award of 7 lots out of 8 of the Emilia Romagna Region framework agreement tender for BPO tax revenues of municipalities;
- start-up of the Roma Capitale ERP project;
- completion of AGID certification for all software platforms;
- achievement, for the second consecutive year, of 100 ML of booking volume;
- achievement of a high success rate in tenders (52% of the total and 82% of the value);
- improvement of customer satisfaction with only 0.3% of unsatisfactory ratings.

The strategy involves consolidating the presence in the top accounts (500 customers), leveraging the strong Smart City trend as a development driver and hopefully making further acquisitions to strengthen the strategy of public service diversification. Finally, we believe it would be interesting to create a technical and commercial platform in the segment of medium and small cities for standardised and scalable technology and services.

HEALTHCARE

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

It is worth noting that:

- in Piedmont, the project for the implementation of the Regional CUP was launched with gratifying results in terms of technical delivery. It is also worth mentioning the award of the tender for the supply of the First Aid Information System of ASL Torino 4;

- in Liguria, the implementation of the Management Information System for the Accounting System of all the Regional Health Authorities was launched;

- in Lombardy, a renewed presence in local healthcare companies has led, among other things, to the finalisation of contracts for the Hospital Information System of the ASST of Cremona;

- in Emilia, works have started on the new health information system of the Rizzoli Orthopaedic Institute in Bologna and the Mental Health and Pathological Dependencies Departments for the entire region, which are scheduled to become operational at the beginning of 2020. The awarding of the tender for the realisation of the Electronic Clinical Record of all the Hospitals of the Area Vasta Emilia Centro is also worth noting.

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

Specifically:

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

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

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

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

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

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

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

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

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

INDUSTRY & SERVICES

AUTOMOTIVE AND INDUSTRIAL AUTOMATION DEPARTMENT

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

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

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

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

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

TRANSPORTATION AND INFRASTRUCTURES DEPARTMENT

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

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

In 2019, an internal organisational transformation was launched to accompany a new approach to the market, focusing on the exploitation of the domain experience gained in the Rail, Road, Airport, Port, Public Transport System and Construction (EPC) sectors. Moreover, great importance is given both to the selection of product partners for the sector and to the international market in partnership with major players, who appreciate and recognise a high level of bid engineering skills and a proven experience in the management of complex contracts.

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

INDUSTRY DEPARTMENT

Engineering is acknowledged a reference player for digital transformation, allowing companies to improve their management and production processes.

Our success factors have been the ability to combine a consolidated knowledge of business processes with the potential offered by technologies such as Cloud, Artificial Intelligence, Digital Twin, Digital Enabler, IoT, Cybersecurity, and Big Data.

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

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

■ TELCO & MEDIA

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

Particularly significant is our consolidation in strategic areas of our main customers:
- Network Operations services for the customer Vodafone Italia, thanks to the award of additional service perimeters in the “End User Services” area;
- Vodafone IT area, including Application Development & Maintenance services of the Security (Log Management) platform;
- digital transformation projects in DWH and Wholesale Billing in TIM, started in October 2019;
- Application Development & Maintenance services of the Big Data area of TIM;
- the “Tiscali 4.0” digital transformation project started in September, which foresees the digital evolution of Tiscali’s BSS systems;

- the project for the realisation of the Single Portal of the SIAE customer for the management of agencies in the territory.

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

ENERGY & UTILITIES

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

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

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

Some of the primary commercial successes achieved are described hereunder:

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

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

VI. Personnel

As of 31 December 2019 the Group workforce with indefinite-term contracts numbered 11,445, of which 1,203 abroad (they were 10,730 and 1,072, respectively, as of 31 December 2018).
The number of employees grew by 715 (6.2%) individuals compared to December 2018, with an increase of 584 individuals in Italy and 131 individuals abroad.
The policy of hiring young, recent graduates continued in 2019 as well, with the hiring of over 1,000 individuals.

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

- graduated people total 60.20%;
- women totalling 31%;
- the average age is 42;
- the number of executives was equal to 3.2%;
- employees with Super Management/Management qualifications total 18.34%.

TRAINING

With regard to the training activities provided by the IT & Management Engineering School "Enrico Della Valle", an increase was reported in classroom activities in 2019, which rose from 16,323 days/person in 2018 to 17,235 in 2019 (+5.6%) within 377 different training courses provided.

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

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

- the launch of the new edition of MeM – Master Engineering in Management, an excellence training course in English for 59 future managers selected from among all the Italian and foreign companies of the Engineering Group;
- the launch of the 2019 edition of the Master Engineering in Project Management, a specialist training course to obtain PMP certification by the end of the year and, at the same time, to enhance overall strategic and operational know-how;
- two important new language training initiatives, performed with the aim of supporting the Group's internationalization processes and increasing its ability to communicate in foreign contexts. The first concerned the availability, to all Group employees, of an e-learning platform with unlimited access. The second one concerns one-week full immersion courses abroad with a personal teacher in addition to an individual language coaching program;
- the didactic activities were aimed at obtaining professional certificates for the Group staff on the main technologies and methods in the IT world. Through these activities, the Group's employees took more than 1,000 certificate examinations in the first half of the year, obtaining various certificates such as, for example: ITIL, SCRUM, COBIT, DEVOPS, Prince2, Microsoft, Oracle, SAP, AWS, VMware. This result was possible thanks to the School of Ferentino, which is both the official Testing Centre and the centre for exam intensive preparation courses;
- specific training activities on safety in the workplace, which saw the participation in the classroom of over 650 participants in 48 course editions delivered in all the Group's main offices;
- a structured update plan, aimed at more thoroughly study the Digital Transformation phenomenon. This provides a comprehensive view of the market dynamics and emerging technologies that characterise this transformation, the sectors that are and will be involved and the impact it will have on corporate processes.

VII. Outlook

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

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

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

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

The few exceptions are strictly monitored by the management.

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

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

VIII. Financial highlights

MAIN FINANCIAL DATA

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

(in millions of Euros)

Description	2019	2018	% change YoY
Total revenues	**1,274.0**	**1,177.5**	**+8.2**
Revenues	**1,250.9**	**1,154.9**	**+8.3**
Pro-forma adjusted EBITDA	**159.7**	**147.2**	**+8.5**
% of net revenues	+12.8	+12.7	
Adjusted EBITDA	**180.0**	**147.2**	**+22.3**
% of net revenues	+14.4	+12.7	
EBIT	**61.2**	**78.0**	**-21.6**
% of net revenues	+4.9	+6.8	
Consolidated profit for the year	**43.8**	**57.7**	**-24.0**
% of net revenues	+3.5	+5.0	
Shareholders' equity	**611.0**	**615.8**	**-0.8**
Pro-forma net financial position:	**(113.7)**	**(69.9)**	**+62.8**
ROE % (N.P./N.E.)	**+7.2**	**+9.4**	**-23.4**
ROI % (EBIT/N.C.E.)	**+6.8**	**+11.3**	**-39.8**
No. of employees	**11,445**	**10,730**	**+6.7**

The Engineering Group ended the year 2019 with a significant growth, both in revenue and profitability (Net Revenues +8.3%; pro-forma adjusted EBITDA +8.5%).

In detail:

- total revenues grew by Euro 96.5 million (+8.2%), achieving Euro 1,274 million. This increase is due to both changes in the consolidation scope and increase in turnover;
- pro-forma adjusted EBITDA totalled Euro 159.7 million, an increase of 8.5% compared to the previous year;
- EBIT totalled Euro 61.2 million (Euro 78 million in 2018), with a profitability of around 4.9% due to higher allocations and write-downs compared to 2018, as described in the reference section of the Explanatory Notes;
- after discounting a tax rate of 29.3%, the consolidated profit for the year amounted to Euro 43.8 million, down by 24% compared to the same period of the previous year;
- the Group reported a pro-forma net financial debt, amounting to Euro -113.7 million compared to Euro -69.9 million as of 31 December 2018, mainly due to the disbursement of dividends distributed to non-controlling interests shareholders and new acquisitions of subsidiaries investments over the year.

Alternative Performance measures

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

(in millions of Euros)

Description	Note	2018	2019
Consolidated profit for the year		**57.7**	**43.8**
Taxes		24	18.1
Gains on equity investments		0	(3.2)
Financial income		(15.6)	(8.4)
Interest expenses (excluding interest on leases)	(1)	11.9	9.4
Interest on leases		n/a	1.5
Depreciation of property, plant and equipment		8.0	8.0
Depreciation on right-of-use assets	(1)	n/a	20.0
Amortisation of intangible assets		35.5	32.3
Provisions and write-downs		15.8	39.5
Stock Option costs	(2)	9.9	10.0
Leaving incentives	(3)	0	3.2
Costs for transfer of registered office	(4)	0	1.6
Charges related to the corporate strategic valuation process	(5)	0	1.2
Tax charges related to tax assessment of Tax Authorities	(6)	0	2.9
Adjusted EBITDA		**147.2**	**180.0**
Standardisation, IFRS 16	(7)	0	(20.3)
Pro-forma adjusted EBITDA	**(7)**	**147.2**	**159.7**

(1) As from 1 January 2019, following the first-time application of IFRS 16 standard, for all lease contracts, except for short-term leases, the Group recognises right-of-use assets at the effective date of the lease contract itself, which is the moment in which the underlying asset is available for use.
The rights of use are measured at cost, net of any accumulated depreciation and impairment losses, and they are adjusted by any redetermination of lease liabilities. The right-of-use value includes the amount for financial lease payables for recognised leases, as well as initially borne direct costs, advanced payments and restoring costs. Financial lease payables are recognised at the effective date of the lease contract and they are entered at the current value of the instalment payments to be made, discounted by using the incremental borrowing rates (IBR) if the underlying specific interest rate of the lease contract cannot be easily determined. After the effective date, the amount of the financial lease payables increases to reflect the accumulated interest and decreases according to instalments paid. Each single instalment is apportioned between principal and interest. Interest is charged through income statement for the entire duration of the contract in order to obtain a constant periodic interest rate on the residual balance of the financial payables. IFRS 16 requires lessees to recognise new assets and liabilities under an on-statement of financial position accounting model that is similar to finance lease accounting envisaged by IAS 17. The Group has adopted the IFRS 16 standard by using the modified retrospective approach, with effect on the balance of the opening shareholders' equity of the Group as of 1 January 2019, equal to zero. The comparative period has not been restated and continues to be carried forward in accordance with the accounting standards in force for periods prior to 1 January 2019. Therefore, by effect of the adoption of IFRS 16, the adjusted EBITDA for financial years ended 31 December 2018 and 2017 is not directly comparable with adjusted EBITDA for the year ended 31 December 2019.
(2) Charges related to the assignment of Stock Options, as per the share incentive plan and the extraordinary plan addressed to employees and approved by the Board of Directors on 28 June 2017.
(3) Charges related to leaving incentives paid over the year.
(4) Total costs incurred for the transfer to the new registered office.
(5) Charges related to all activities performed for the strategic valuation process of the entire Group.
(6) Charges resulting from the acceptance request of the reports on findings of the latest tax assessments carried out by Tax Authorities.
(7) In order to disclose the effect of IFRS 16 on adjusted EBITDA, a pro-forma adjusted EBITDA is shown for the financial year ended 31 December 2019 to show the hypothetical non-application of IFRS 16. In particular, we added expenses related to operating leases, as if IFRS 16 had not been applied. This adjustment, however, does not intend to represent adjusted EBITDA in the event IFRS 16 had not been applied for the year ended 31 December 2019. The assumptions underlying this adjustment are based on our estimates and involve risks, uncertainties and other limitations that could cause actual results or performance to differ materially from those expressed by this adjustment.

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

(in Euros)

Description	31.12.2019		31.12.2018	
		%		%
Total revenues				
Finance	274,620,191	+22.0	239,738,776	+20.8
Public Administration	267,615,676	+21.4	233,552,552	+20.2
Health	70,391,104	+5.6	63,851,276	+5.5
Industry & Services	280,226,500	+22.4	252,981,213	+21.9
Telco & Media	160,039,488	+12.8	181,461,499	+15.7
Energy & Utilities	197,989,172	+15.8	183,306,856	+15.9
Revenues	**1,250,882,131**	**+100.0**	**1,154,892,172**	**+100.0**
Other revenues	23,107,429		22,655,704	
Total revenues	**1,273,989,560**		**1,177,547,877**	

Pro-forma adjusted EBITDA				
Finance	53,970,237	+33.8	49,837,683	+33.9
% on revenues	+19.7		+20.8	
Public Administration	31,104,916	+19.5	25,430,639	+17.3
% on revenues	+11.6		+10.9	
Health	11,177,129	+7.0	10,792,376	+7.3
% on revenues	+15.9		+16.9	
Industry & Services	20,864,973	+13.1	17,868,524	+12.1
% on revenues	+7.4		+7.1	
Telco & Media	14,323,304	+9.0	16,338,323	+11.1
% on revenues	+8.9		+9.0	
Energy & Utilities	28,221,133	+17.7	26,911,984	+18.3
% on revenues	+14.3		+14.7	
Total pro-forma adjusted EBITDA	**159,661,691**	**+100.0**	**147,179,528**	**+100.0**
% on revenues	+12.8		+12.7	

OPERATING EXPENSES

Operating expenses increased overall by Euro 113.3 million, compared to 2018.

Following an analysis of the increase in absolute value, the primary affected items were as follows:

• personnel costs increased by approx. Euro 53.5 million (+9.1%);
• costs for raw materials and consumables increased by Euro 13.6 million (+67.5%).

The increase in personnel costs is related to incoming resources from acquisitions made over the year, around 330 employees, and the increased number of employees (for further details see the following item IX).

Service costs are mainly due to professional resources used in our production cycle as flexibility element and they grow proportionally less (+5.4%) than revenues, if we take account of around Euro 20.0 million reclassified in 2019 under depreciation by effect of the application of the IFRS 16 standard.

The increase in the cost of raw materials is strictly connected with resale activities, also after the adhesion of new companies in the consolidation scope.

The item Amortisation/Depreciation and Allocations recorded an increase of around Euro 40.5 million, mainly due, as already highlighted, to the application of IFRS 16, which generated higher amortisation/depreciation of Euro 20.0 million included, in 2018, in service costs, as well as higher allocations made to the doubtful debt provision and to the provisions for risks that are better specified in the following paragraphs hereof.

(in Euros)

Description	2019	2018	Change	
			Absolute	%
Personnel costs	639,924,808	586,456,014	53,468,794	+9.1
Service costs	425,332,941	421,702,199	3,630,741	+0.9
Raw materials and consumables	33,729,702	20,135,999	13,593,702	+67.5
Amortisation and depreciation, provision	99,746,545	59,236,526	40,510,019	+68.4
Other costs	14,076,295	11,976,680	2,099,615	+17.5
Total operating expenses	**1,212,810,291**	**1,099,507,419**	**113,302,872**	**+10.3**

EBIT AND CONSOLIDATED PROFIT FOR THE YEAR

EBIT

(in Euros)

Description	31.12.2019	31.12.2018	Delta YoY %
Pro-forma adjusted EBITDA	**159,661,691**	**147,179,528**	**+8.5**
% on revenues	+12.8	+12.7	
Adjusted EBITDA	**179,961,691**	**147,179,528**	**+22.3**
% on revenues	+14.4	+12.7	
EBIT	**61,179,269**	**78,040,458**	**-21.6**
% on revenues	**+4.9**	**+6.8**	

Consolidated profit for the year

Consolidated profit for the year totalled Euro 43.8 million, a decrease of 24.0% compared to 2018. The tax rate stood at 29.3% and remained substantially unchanged compared to the previous year.

(in Euros)

Description	31.12.2019	31.12.2018	Change %
EBIT	**61,179,269**	**78,040,458**	**-21.6**
Financial income (expenses)	(2,469,376)	3,651,166	-167.6
Income (expenses) from investments	3,240,594	(32,549)	-100.6
Profit before taxes	**61,950,487**	**81,659,076**	**-24.1**
% on revenues	+5.0%	+7.1%	
Income taxes	18,121,308	23,966,116	-24.4
Tax rate	+29.3%	+29.3%	
Consolidated profit for the year	**43,829,179**	**57,692,960**	**-24.0**
% on revenues	+3.5%	+5.0%	
of which:			
Engineering Group	51,900,485	55,211,805	-6.0
Non-controlling interests	(8,071,306)	2,481,155	-4.3

IX. Statement of financial position

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

At year end, short-term cash and cash equivalents increased by around Euro 14 million and stood at around Euro 192 million as of 31 December 2019. The cash flow from operating activities (Euro +86.4 million) entirely covered investment both the requirements for the period (Euro -43.8 million) and the financing activities (Euro -28.5 million), mainly due to the balance between the disbursement of loans and the repayments of the credit lines used.

(in Euros)

	Description	2019	2018
	Cash collected from the sales of products/services - third parties	1,365,626,560	1,234,871,139
	Cash paid for goods and/services - third parties	(572,354,399)	(508,851,265)
	Personnel costs	(644,790,358)	(585,361,537)
	Interest received	82,845	625,107
	Interest paid for operating activities	(260,394)	(409,353)
	Exchange differences	(90,146)	0
	Income tax payments and reimbursements	(61,831,821)	(48,322,457)
A)	**Total cash flow from operating activities**	**86,382,287**	**92,551,634**
	Sale of property, plant and equipment	341,786	157,006
	Purchase of property, plant and equipment	(7,248,105)	(8,601,478)
	Purchase of intangible assets	(5,873,828)	(2,543,760)
	Consideration paid for acquisition of the businesses	(31,083,495)	(14,187,093)
	Disposal of subsidiaries	6,457	246,843
	Purchase of other investments and securities	(288,956)	(859,889)
	Sale of other investments and securities	330,371	524,000
	Dividends received	25,000	141,458
B)	**Total cash flow from investing activities**	**(43,790,769)**	**(25,122,913)**
	New loans	92,167,759	63,408,184
	Repayment of loans	(57,833,653)	(155,274,977)
	Dividends distributed	(39,650,442)	(2,087,641)
	Acquisition of non controlling interest	(3,211,750)	11,250
	Interest paid for financing activities	(3,981,924)	(3,000,592)
	Repayment of lease liabilities	(16,003,627)	0
C)	**Total cash flow from financing activities**	**(28,513,636)**	**(96,943,777)**
D)	**= (A + B + C) change in cash and cash equivalents**	**14,077,881**	**(29,515,055)**
E)	**Cash and cash equivalents at beginning of year**	**177,502,798**	**207,017,853**
F)	**Cash and cash equivalents from merger**	**289,613**	**0**
G)	**= (D + E + F) cash and cash equivalents at end of year**	**191,870,292**	**177,502,798**

NET FINANCIAL POSITION

The pro-forma net financial position stood at Euro -113.7 million, down compared to the end of 2018 (Euro -69.9 million). Generated cash flows, in fact, up compared to 2018, did not support the increase in both current and non-current financial indebtedness. It should be noted that, in 2019, dividends were distributed to minority shareholders in the amount of around Euro 40.0 million.

(in Euros)

Description	31.12.2019	31.12.2018
Cash and cash equivalents	56,323	36,841
Bank and postal deposits	191,813,969	177,465,956
A) Cash and cash equivalents	**191,870,292**	**177,502,797**
B) Current financial receivables	**0**	**4,700,000**
Bank overdrafts (bank overdrafts of bank accounts)	(5,852,080)	(4,263,099)
Short-term bank loans	(80,630,715)	(55,519,222)
Other current financial liabilities	(21,602,459)	(14,339,879)
C) Current borrowing	**(108,085,253)**	**(74,122,200)**
D) Net current financial position	**83,785,039**	**108,080,598**
Non-current financial liabilities	(183,630,387)	(167,621,564)
Other non-current financial liabilities	(13,855,500)	(10,317,470)
E) Non-current borrowing	**(197,485,888)**	**(177,939,035)**
F) Pro-forma net financial position	**(113,700,849)**	**(69,858,437)**

The net financial position is also shown:

(in Euros)

Description	31.12.2019	31.12.2018
Cash and cash equivalents	56,323	36,841
Bank and postal deposits	191,813,969	177,465,956
A) Cash and cash equivalents	**191,870,292**	**177,502,797**
B) Current financial receivables	**0**	**4,700,000**
Bank overdrafts (bank overdrafts of bank accounts)	(5,852,080)	(4,263,099)
Short-term bank loans	(80,630,715)	(55,519,222)
Current financial liabilities for right of use	(20,716,370)	0
Other current financial liabilities	(21,602,459)	(14,339,879)
C) Current borrowing	**(128,801,623)**	**(74,122,200)**
D) Net current financial position	**63,068,669**	**108,080,598**
Non-current financial liabilities	(183,630,387)	(167,621,564)
Non-current financial liabilities for right of use	(154,130,142)	0
Other non-current financial liabilities	(13,855,500)	(10,317,470)
E) Non-current borrowing	**(351,616,029)**	**(177,939,035)**
F) Net financial position	**(288,547,361)**	**(69,858,437)**

CENTRALISED TREASURY

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

The 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 within the Group and from external sources, at rates they would not have been able to obtain independently on the market. The Group's excellent rating (I6) 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 limited short-term procurement transactions. During the year, also thanks to the special terms obtained, hot money transactions were finalised, for which a weighted average annual interest rate of 0.0504% was paid to the banks against an average monthly exposure of around Euro 16.7 million. Receivables factored through non-recourse factoring transactions, envisaged every quarter, amounted to a total of around Euro 155.3 million. Factoring companies were granted an average rate of 0.35% for commissions and interest related to these transactions. During the year, new medium/long-term loans totalling approximately Euro 70.6 million were granted, mainly to support investments in research and technological development activities and projects. This is the case of the loan granted directly by the European Investment Bank (EIB), in the amount of Euro 60 million, as well as of loans granted by MIUR and MISE, in the amount of further Euro 580 thousand. The other loan of Euro 10 million, paid by Banco BPM, was granted for the financial reorganisation of Cybertech S.r.l., a company acquired at the beginning of the year.

The medium/long term loans in place were repaid for a total amount of around Euro 54.2 million for principal and around Euro 2.2 million for interests at an average annual rate of 0.9991%. As of 31 December 2019, the residual payables related to medium/long-term loans amounted to Euro 240.6 million, including the new loans, with around Euro 56.6 million of principal to be repaid over 2020. The above also shows the Group's care and attention cast in managing resources and cash flows to maintain an efficient working capital. It also confirms the Group's ability to generate cash flows that are not only sufficient to remunerate and repay the debt, but that also indicate its ability for sustainable development, and are one of the objective units to measure its performance.

NET WORKING CAPITAL

The net working capital increased by Euro 15.0 million compared to 2018 (+5.2%), amounting to Euro 305.2 million.

The trend of the net working capital is the result of the increase in items "Trade receivables" and "Work in progress", strictly connected with growth in revenues, higher than that of trade payables.

It should be noted that the percentage impact of net working capital on net revenues decreased from 24.6% in 2018 to 23.9% in 2019, with an improvement of 70 basis points over an increase in net revenues of +8.3%. These rates will prove the capacity for cash generation of Group operations, thanks to the careful management of the trends in working capital.

(in Euros)

Description	31.12.2019	31.12.2018	Change	
			Absolute	%
Current assets				
Customer contract assets	200,871,073	167,414,703	33,456,370	+20.0
Deferred contract costs	22,172,850	23,333,398	(1,160,548)	-5.0
Trade receivables	590,500,354	568,087,727	22,412,627	+3.9
Other current assets	52,037,321	60,314,237	(8,276,916)	-13.7
Total	**865,581,598**	**819,150,066**	**46,431,532**	**+5.7**
Current liabilities				
Trade payables	(367,537,070)	(337,615,519)	(29,921,551)	+8.9
Other current liabilities	(192,824,011)	(191,293,729)	(1,530,282)	+0.8
Total	**(560,361,081)**	**(528,909,248)**	**(31,451,833)**	**+5.9**
Net working capital	**305,220,517**	**290,240,818**	**14,979,699**	**+5.2**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

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

- a shareholders' equity/fixed assets ratio of 0.7x, substantially in line with the previous year;
- the progressive and constant decrease in net working capital, compared to total revenues, which recorded a value equal to 23.9% at year end, compared to 24.6% in 2018.

(in Euros)

Description	31.12.2019	31.12.2018	Change	
			Absolute	%
Property plant equipment	29,792,652	37,467,016	(7,674,364)	-0.2
Right of use and leased assets	173,372,063		173,372,063	
Intangible assets	533,500,604	545,300,808	(11,800,204)	-0.0
Goodwill	107,854,469	67,365,314	40,489,155	+0.6
Equity investments	54,818	150,975	(96,157)	-0.6
Fixed assets	**844,574,605**	**650,284,113**	**194,290,492**	**+0.3**
Short-term assets	865,581,598	819,150,066	46,431,532	+0.1
Short-term liabilities	(560,361,081)	(528,909,248)	(31,451,833)	+0.1
Net working capital	**305,220,517**	**290,240,818**	**14,979,699**	**+0.1**
Other non-current assets	30,696,715	28,746,946	1,949,770	+0.1
Post-employment benefits	(74,412,000)	(69,768,374)	(4,643,625)	+0.1
Other non-current liabilities	(206,551,716)	(209,120,854)	2,569,138	-0.0
Net capital employed	**899,528,122**	**690,382,648**	**209,145,474**	**+0.3**
Group shareholders' equity	617,089,361	611,114,756	5,974,604	+0.0
Non-controlling interests shareholders' equity	(6,108,599)	4,709,455	(10,818,054)	-2.3
Total shareholders' equity	**610,980,762**	**615,824,211**	**(4,843,449)**	**-0.0**
(Availab.)/Fin. indebtedness ST	(63,068,669)	(103,380,598)	40,311,929	-0.4
(Availab.)/Fin. indebtedness	**288,547,361**	**74,558,437**	**213,988,924**	**+2.9**
Total sources	**899,528,122**	**690,382,648**	**209,145,474**	**+0.3**

RECONCILIATION

The reconciliation between the financial statements as of 31 December 2019 of Engineering Ingegneria Informatica S.p.A. and the Group consolidated financial statements at the same date is shown below:

(in Euros)

Description	Net profit for year	Shareholders' equity
Net profit and shareholders' equity of Engineering Ingegneria Informatica S.p.A.	14,734,490	599,118,125
Net profit and shareholders' equity of consolidated companies	13,616,797	164,585,488
Total	**28,351,287**	**763,703,613**
Elimination of the net book value of investments in consolidated subsidiaries and any intercompany dividend	0	(194,407,531)
Valuation of associates under the equity method	0	0
Other adjustments	15,477,892	47,793,278
Total consolidated profit and shareholders' equity	**43,829,179**	**617,089,360**
of which non-controlling interests net profit/(loss) and shareholders' equity	(8,071,306)	6,108,599
Group consolidated net profit and shareholders' equity	**51,900,485**	**610,980,761**

X. Significant events during the year

The significant events are detailed below:

- on 1 January 2019, Engineering Ingegneria Informatica S.p.A. changed its registered office in Piazzale dell'Agricoltura 24 – 00144 Rome;
- with deed of 14 January 2019, Engineering purchased a further 31.5% of the share capital of Sogeit Solutions S.r.l., thus owning the entire share capital of the company and becoming its Sole Shareholder;
- on 15 January 2019, with Consorzio Agrario del Nordest Soc. Coop. and ESRI S.p.A., Engineering established a new limited liability company, with registered office in Verona, whose denomination is Terram and holding 40% of the share capital. The corporate scope is the development of an IT system aimed at offering a series of services destined to the agricultural sector;
- by deed of 22 January 2019, Municipia S.p.A. acquired the entire share capital of Municipia Mobilità S.r.l., with registered office in Rome, Piazzale dell'Agricoltura no. 24, share capital of Euro 100,000.00, and becoming its Sole Shareholder;
- on 31 January 2019, the Extraordinary Shareholders' Meetings of Municipia S.p.A. and Municipia Mobilità S.r.l., resolved on the merger proposal by incorporation of Municipia Mobilità S.r.l. into Municipia S.p.A.;
- on 31 January 2019, the Shareholders' Meeting of MHT S.r.l., resolved to change the corporate name in Engineering 365 S.r.l.. The change was effective on 4 February 2019;
- in February, Engineering D.HUB S.p.A. acquired 51% of the share capital of Cybertech S.r.l., with registered office in Rome, via Fiume Giallo 3, share capital of Euro 1,000,000.00, fully paid-up. As a result of the aforementioned acquisition, Engineering D.HUB S.p.A. also indirectly became the controlling shareholder of numerous Italian and foreign companies located in Serbia, Norway, Sweden, Spain and Switzerland;
- in April, the sale of 25% of Unimatica S.p.A.'s equity investments, held by Engineering Ingegneria Informatica S.p.A., was completed, following the merger by incorporation of Infogroup S.p.A.. The equity investments were sold to the company RGI S.p.A., with registered office in Milan;
- on 8 April 2019, the Extraordinary Shareholders' Meeting of Engineering 365 S.r.l. resolved on a capital increase of Euro 2,000,000.00 (Euro two million/00), from Euro 52,000 (Euro fifty-two thousand/00) to Euro 2,052,000 (Euro two million fifty-two thousand/00). The increase resolution was recorded and therefore became effective on 18 April 2019;
- the merger by incorporation of Municipia Mobilità S.r.l. into Municipia S.p.A. became effective on 12 April 2019;
- on 28 June 2019, the liquidation procedure was closed and the company EUROAMS SRB d.o.o. was cancelled;
- on 28 June 2019, the investee company ISTELLA S.p.A., of which Engineering owned 8.61%, resolved to increase the share capital from Euro 94,048.00 to Euro 102,598.00, to be offered entirely in subscription to the shareholder Engineering. At the same time, this increase was partially subscribed by Engineering, bringing the share capital to Euro 96,898.00 and Engineering's equity investment to 11.29%;
- on 2 July 2019, Engineering acquired 80% of Digitelematica S.r.l., with registered office in Lomazzo (CO), share capital of Euro 100,000.00;
- on 11 July 2019, the Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved to proceed with the distribution, in favour of the Sole Shareholder, of part of the retained earnings reserve for an amount equal to Euro 40,500,000.00;

- on 6 August 2019, Engineering signed a preliminary agreement for the purchase of 100% of Deus Technology S.r.l., a company based in Milan, with share capital of Euro 147,000.00, fully paid-up. This company operates in the financial technology sector, which provides banks, financial intermediaries and other entities with consulting services, advanced security and portfolio analysis, compliance and risk MIFID;
- on 24 September 2019, Engineering Ingegneria Informatica S.p.A. acquired 100% of the company Deus Technology S.r.l. and became its Sole Shareholder;
- on 27 September 2019, the Extraordinary Shareholders' Meetings of Engineering Ingegneria Informatica S.p.A., Mic Newco S.p.A. and Mic Holdco S.r.l. resolved to approve the merger project of "Mic Holdco S.r.l." and "Mic Newco S.p.A." into "Engineering Ingegneria Informatica S.p.A.";
- on 28 November 2019, Engineering Ingegneria Informatica S.p.A. acquired 5% of the share capital of SIIT Società Consortile per Azioni (S.C.P.A.) from the University of Genoa for a total of 300 shares;
- in October, the company Cybertech S.r.l. changed its registered office, moving to Piazzale dell'Agricoltura 24;
- in November, Engineering 365 S.r.l. sold all the shares of the Serbian company Engineering Software Lab d.o.o. to Engineering Ingegneria Informatica S.p.A., which became its Sole Shareholder;
- on 3 December 2019, the Merger Deed by "reverse" incorporation of Mic Holdco S.r.l. and Mic Newco S.p.A. into Engineering Ingegneria Informatica S.p.A. was signed and became legally effective on 6 December 2019.

XI. Shareholders and treasury shares

SHAREHOLDERS

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

With respect to provisions set out by Article 2497 bis, paragraph 5, of the Italian Civil Code, it is underlined that, during the year, the Company had no relations with Mic Topco S.à.r.l..

TREASURY SHARES

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

XII. Subsequent events to the year-end

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

- on 7 February 2020 Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 95% of the company F.D.L. Servizi S.r.l., which operates in the IT sector in the software market for the integrated management of Energy Services, Heat Management and District Heating Networks, with registered office in Breno (BS), share capital of Euro 20,800.00 fully paid-up;
- on 7 February 2020, the Board of Directors of LG Net S.r.l., having ascertained the cause for the dissolution of the company pursuant to Article 2484, paragraph 1.4 of the Italian Civil Code, filed a declaration of the cause for dissolution for reduction of the capital below the legal minimum with the competent Company Register, in accordance with the provisions of the third paragraph of Article 2384 of the Italian Civil Code, declaring the company in liquidation.

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 movements with related parties were recorded.

MAIN RISKS AND UNCERTAINTIES

The Engineering Group 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 Group 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 Group activities.
The internal control system and procedures referred to in this document are consistent with applicable guidelines prepared by relevant associations and international best practices.
These were fully and transparently implemented and with a sense of responsibility concerning internal and external relations, offering sufficient guarantees for correct and efficient management.
Risk factors described hereunder must be read together with other information included in the financial statements for the year.

EXTERNAL RISKS

A. Risks connected with the economy general conditions
The IT consultancy market is related to the performance of the economies in developed countries, where the demand for technology is higher. The unfavourable economic situation, at national and/or international level, or a high inflationary level might affect growth in the business with repercussions on the Group's state of affairs. The Eurozone is slowing down, albeit the results are not expected to be adversely affected. The outcome will be determined by more general factors, of a regional and global type. This situation might slow down demand in IT services and products, with possible negative economic and equity impacts for the Group.

Thanks to diversification carried out over the years, as regards both changes made to the business model and acquisitions of companies with specific expertise in strategic sectors, the Group 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 sector in which the Group operates is characterised by rapid and significant technological changes and a constant evolution of professionalism and expertise that need to be combined in the performance of services which, in their turn, require a continuous development and technological updating and new products.

Areas of significant change include mobility, cloud-based computing, Artificial Intelligence, digitalisation and processing and analysis of large, unstructured data (so-called big data analysis). The Group's future success will depend on its ability to anticipate these progresses and develop new customised products and services to meet the customers' needs.

The Group 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 Group is able to mitigate risks related to the evolution in demand, which is treated as business opportunity.

C. Risks related to cybersecurity

The Group 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 continues 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. Threats to "cybersecurity" are constantly evolving, increasing the difficulty of identifying and defending them. In addition, the relentless, pervasive and sophisticated nature of certain cyber threats and vulnerabilities, as well as the scale and complexity of the business and infrastructure, allow certain threats or vulnerabilities to be undetected or unnoticed over time to prevent an attack.

The risk of such attacks includes breaches and breach attempts not only to the products and services offered and the systems, but also to the systems related to customers, contractors, business partners, suppliers and other third parties. Such breaches could involve, for example, unauthorised access, disclosure, modification, misuse, loss or destruction of data or systems of companies, customers or other third parties; theft of sensitive, regulated or confidential data, including personal and intellectual property information; loss of access to critical data or systems through "ransomware", service interruptions.

In the above cases, the Group could be exposed to potential liability, litigation 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 adverse effect on the Group, albeit there is no guarantee that no material adverse effect will occur in the future. As the information security business and landscape evolves, the Group 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 Group 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 Group on this issue and it developed a structure made up of specialised resources concerned with "the offer engineering", which allows the Group 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 the Group is not subject to particular segment regulations.

INTERNAL RISKS

A1. Risks related to the employment of key personnel

The Group 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. Moreover, the Management Board within Engineering plays a key role in the Group management activities. The Group has therefore a management structure able to ensure continuity in the management of corporate activities even in the event that key persons to be replaced leave immediately.

B1. Risks related to dependence on customers
The Group offers services to around 2,000 medium and large companies operating on all markets (Public Administration, Healthcare, Finance, Insurance, Telco & Media, Industry & 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 Group 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 Group has however signed insurance policies deemed as an adequate hedging against risks from general 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 Group'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 Group is deemed liable with respect to uncovered issues, the economic and equity situation of the Group might be negatively affected.

D1. Risks related to international expansion
For a number of years, the Group strategy has looked towards developing the process of internationalisation and economic and financial benefits are expected. The Group companies operate in areas where there are no armed conflicts or border tensions. At present, the exposure towards foreign activities, in the order of 15.6% of total consolidated revenues, does not subject the Group to risks such as changes to local political and regulatory frameworks, as well as considerable currency fluctuations. However, these events could negatively affect the Group's growth prospects. This growth strategy is addressed at minimising the specific country risk by differentiating the offer and the investments in more attractive geographic regions from a business point of view. With special reference to the Brazilian market, reference is made to the presence of risks related to the economic and political situation of the country, with possible impacts on Group operations.

With regard to the activities carried out in Argentina, the Group is present through the company EDA with a turnover equal to 0.1% of the Group's consolidated turnover.

E1. Risks associated with significant dependence on third parties
The Group'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 Group'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 Group.
In particular, large and complex projects often require that we use subcontractors or that services and solutions integrate or fulfil the software, systems or infrastructure requirements of other suppliers and service providers, including companies with whom we collaborate. The Group's profitability depends on the ability of these subcontractors, vendors and service providers to deliver their products and services in a timely manner and in accordance with project requirements, as well as on the Group's effective supervision of their performance.

FINANCIAL RISKS

By operating mainly in the Euro area the Group 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 Group. Delays in payments by larger customers, requests for changes to their contractual payment agreements or breaches of payment obligations could adversely affect the Group's business, financial conditions and results of operations. The Group manages this risk 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 Group does not have significant concentration of credit risks except in relation to those activities carried out for governmental bodies 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 "14. Trade receivables" of the Explanatory Notes.

B2. Liquidity risk

Liquidity risk is defined as the risk that the Group 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 Group 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 Group 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.

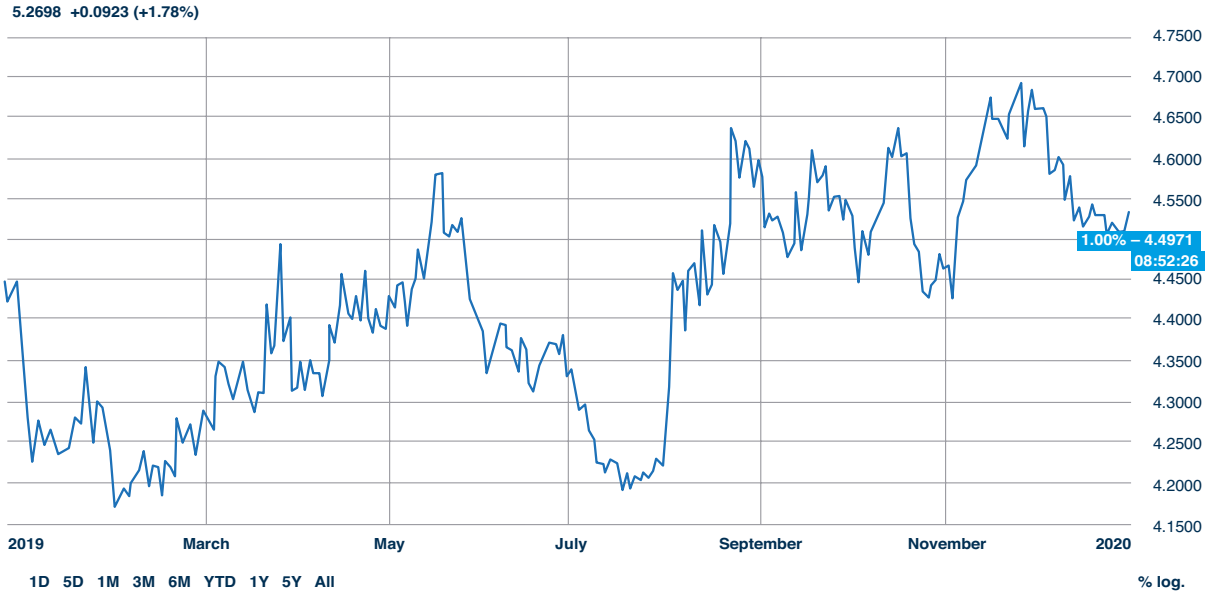
C2. Exchange rate risk

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

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

In particular, the exchange rate risk can be determined on those operations currently carried out on the Brazilian market through Engineering do Brasil S.A..

KEY EURO/REAL EXCHANGE RATE DATA



At the end of August 2019, the Euro exchange rate was within the market forecast, i.e. between $ 4.20 and $ 4.40, but since September the rate has started to rise. The main factors driving this rate increase were the weak performance expected for the Brazilian economy (the year 2019 ended with only 1.1% of GDP), much lower than expected, as well as the decline in the domestic interest rate. The fall in domestic interest rates has encouraged foreign investors to withdraw Dollars and Euros invested, causing the exchange rate to rise, due to demand for stronger currencies, i.e. USD and EURO.

	EURO – REAL projections – Before Coronavirus			
Data Focus	**2020**	**2021**	**2022**	**2023**
10.01.2020	**4.444**	**4.40**	**4.422**	**4.51**

	EURO – REAL projections – After Coronavirus			
Data Focus	**2020**	**2021**	**2022**	**2023**
02.03.2020	**4.62**	**4.565**	**4.565**	**4.587**

Important national and international factors that directly influence or may directly influence exchange rate changes over the course of 2020 are:

- Coronavirus: of course, the Coronavirus epidemic is one of the main causes of the extremely high variation of the Dollar and Euro in Brazil. According to local forecasts, this problem should last until April and, from then on, we should have exchange rates at “normal level”;
- Fiscal reform in Brazil: this reform is very much needed in Brazil and the Federal Government has worked hard to achieve it this year. The expectation is to have more international investors here and therefore a decrease in exchange rates;
- Administrative reform: this is a reform that the Government intends to approve this year. This reform aims at drastically reducing the number of government employees, cutting expenditures with “government administrative machinery” and therefore obtaining more resources for the necessary investments thereby reducing interest rates, inflation and exchange rates;
- North American elections: this is certainly an important factor that should influence exchange rates in Brazil, depending on who is more likely to win the elections.

D2. Interest rate risk

Exposure to interest rate risk arises from the need to finance operating investment activities (research and M&A). Changes in interest rates can have a negative or positive impact on the Group’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 Group does not have operations related to this risk, therefore the exposure is nil.

TAX CONSOLIDATION

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

TAX AUTHORITY RELATIONS

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

In December 2016, the company Engineering.IT (merged into Engineering Ingegneria Informatica in 2013) was served with an assessment notice related to VAT for transactions undergone with Banca Antonveneta first, and then with Consorzio Operativo Gruppo Monte Paschi, in the 2011-2013 period. This audit resulted from the

report sent by the Tuscany Regional Authority after the tax audit on Consorzio Operativo Gruppo Monte Paschi, carried out by the Italian Tax Police that objected the VAT exemption. Engineering Ingegneria Informatica filed an appeal at the Tax Commission: both the first and second instance judgements have acknowledged the grounds put forward by the Company and the reasons given in the appeal and to date the judgement has become final due to the failure of the Valle d'Aosta Regional Authority to appeal it to the Court of Cassation.

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

In July 2019, the subsidiary OverIT S.p.A. underwent a general tax assessment related to direct taxes, IRAP (Regional Business Tax) and VAT for 2016 charged by the Pordenone Province Authority to the subsidiary. This tax assessment was concluded in the same month of July 2019, with the drafting of a report on findings with no objections.

In February 2020 the company OmnitechIT, the transferee of the branch in the subsidiary Cybertech, underwent a "targeted tax audit" on the tax period 2017 in order to verify compliance with the tax obligations in relation to the origin and entitlement of the tax credit for "Research and Development" as per art. 3 of Legislative Decree no. 145/2013 and subsequent amendments. The Inland Revenue Office - Provincial Directorate II of Rome, contested the undue use of the credit in question, which was offset by F24, considering the expenses incurred in R&D to be ineligible. Considering the non-existent credit, it extended the joint and several liability to the transferee Cybertech by applying to the case in question paragraph 4 of Article 14 of Legislative Decree no. 472/1997.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Euros)

Statement of Financial Position - Assets	Note	31.12.2019	31.12.2018
A) Non-current assets			
Property, plant and equipment	6	29,792,652	37,467,016
Intangible assets	7	533,500,604	545,300,808
Rights of use	8	173,372,063	0
Goodwill	9	107,854,469	67,365,314
Equity investments	10	54,818	150,975
Deferred tax assets	11	24,859,040	23,186,256
Other non-current assets	12	5,837,675	5,560,690
Total non-current assets		**875,271,321**	**679,031,059**
B) Non-current assets held for sale			
C) Current assets			
Inventory	13	90,514	55,440
Customer contract assets	14	200,780,560	167,359,263
Deferred contract costs	15	22,172,850	23,333,398
Trade receivables	16	590,500,354	568,087,727
Other current assets	12	52,037,321	60,314,237
Cash and cash equivalents	17	191,870,292	177,502,797
Total current assets		**1,057,451,890**	**996,652,863**
Total assets (A + B + C)		**1,932,723,211**	**1,675,683,922**

Statement of Financial Position - Liabilities	Note	31.12.2019	31.12.2018
D) Shareholders' equity			
Share capital	19	31,875,000	31,875,000
Reserves	20	498,227,139	497,264,761
Retained earnings	21	35,086,737	26,763,190
Profit for the year		51,900,485	55,211,805
Group shareholders' equity		**617,089,361**	**611,114,756**
Capital and reserves of non-controlling interests		1,962,707	2,228,300
Profit/(loss) for the year of non-controlling interests		(8,071,306)	2,481,155
Total shareholders' equity	**18**	**610,980,762**	**615,824,211**
E) Non-current liabilities			
Non-current financial liabilities	22	197,485,888	177,939,035
Non-current lease liabilities	23	154,130,142	0
Deferred tax liabilities	24	162,880,181	167,646,133
Non-current provisions for risks and charges	25	4,686,023	4,015,264
Other non-current liabilities	26	38,985,512	37,459,457
Post-employment benefits	27	74,412,000	69,768,374
Total non-current liabilities		**632,579,745**	**456,828,263**
F) Current liabilities			
Current financial liabilities	28	108,085,253	74,122,200
Current lease liabilities	29	20,716,370	0
Current tax payables	30	5,496,524	4,080,474
Current provisions for risks and charges	31	15,087,070	17,144,424
Other current liabilities	32	172,240,417	170,068,831
Trade payables	33	367,537,070	337,615,519
Total current liabilities		**689,162,704**	**603,031,447**
G) Total liabilities (E + F)		**1,321,742,449**	**1,059,859,711**
Total liabilities and shareholders' equity (D + G)		**1,932,723,211**	**1,675,683,922**

CONSOLIDATED INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

(in Euros)

Income Statement	Note	31.12.2019	31.12.2018
A) Total revenues			
Revenues	34	1,250,882,131	1,154,892,172
Other revenues	35	23,107,429	22,655,704
Total revenues		**1,273,989,560**	**1,177,547,877**
B) Operating expenses			
Raw materials and consumables	38	33,729,702	20,135,999
Service costs	39	425,332,941	421,702,199
Personnel costs	40	639,924,808	586,456,014
Amortisation and depreciation	41	60,296,088	43,464,123
Provisions	42	39,450,458	15,772,403
Other costs	43	14,076,295	11,976,680
Total operating expenses	**37**	**1,212,810,291**	**1,099,507,419**
C) Operating profit (A - B)		**61,179,269**	**78,040,458**
Financial income		8,428,172	15,629,193
Financial expenses		10,897,549	11,978,026
D) Net financial income (expenses)	**44**	**(2,469,376)**	**3,651,166**
E) Total income/(expenses) from investments	**45**	**3,240,594**	**(32,549)**
F) Profit before taxes (C + D + E)		**61,950,487**	**81,659,076**
G) Income taxes	46	18,121,308	23,966,116
H) Net profit from continuing operations (F - G)		**43,829,179**	**57,692,960**
I) Profit from discontinued operations		0	0
L) Consolidated profit for the year (H + I)		**43,829,179**	**57,692,960**
Non controlling interest		(8,071,306)	2,481,155
Attributable to shareholders of the Parent		51,900,485	55,211,805

(in Euros)

Comprehensive Income Statement	Note	31.12.2019	31.12.2018
L) Profit for the year		**43,829,179**	**57,692,960**
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		(4,560,052)	(1,953,964)
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		1,094,413	468,951
Total other comprehensive profit/(loss) which will not be reclassified in profit/(loss) for the year, net of tax effect		**(3,465,640)**	**(1,485,012)**
N) Total other comprehensive profit/(loss) which will be reclassified in profit/(loss) for the year:			
Exchange gains/losses on non Euro accounts		(335,801,05)	(1,565,624)
Total other comprehensive profit/(loss) which will be reclassified in profit/(loss) for the year, net of tax effect		**(335,801)**	**(1,565,624)**
Total other comprehensive profit/(loss), net of tax effect		**(3,801,441)**	**(3,050,637)**
O) Total comprehensive income for the year (L + M + N)		**40,027,738**	**54,642,323**
Non controlling interest		(8,153,047)	2,494,879
Attributable to shareholders of the Parent		48,180,786	52,147,445

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euros)

	Group shareholders' equity						
Description	**Share capital**	**Reserves**	**Retained earnings/ (losses carried forward)**	**Profit for the year**	**Group shareholders' equity**	**Non-controlling interests**	**Shareholders' equity**
Note	**19**	**20**	**21**				**18**
Balance as of 31.12.2017	**31,875,000**	**511,174,082**	**(9,996,383)**	**47,710,322**	**580,763,021**	**3,709,084**	**584,472,105**
First time adoption of IFRS 15 as of 01.01.2018			(4,233,192)		(4,233,192)		(4,233,192)
First time adoption of IFRS 9 as of 01.01.2018			(487,442)		(487,442)		(487,442)
Balance as of 01.01.2018	**31,875,000**	**511,174,082**	**(14,717,017)**	**47,710,322**	**576,042,387**	**3,709,084**	**579,751,471**
Net profit for the year	-	-	-	55,211,805	55,211,805	2,481,155	57,692,960
Other net comprehensive items		(1,565,624)	(1,498,736)	-	(3,064,360)	13,724	(3,050,636)
Comprehensive income for the year	**-**	**(1,565,624)**	**(1,498,736)**	**55,211,805**	**52,147,445**	**2,494,879**	**54,642,324**
Allocation of the residual result of the previous year to retained earnings	-		47,710,322	(47,710,322)	-	-	-
Share based compensation plans	-	9,902,544	-	-	9,902,544	-	9,902,544
Change in interests in subsidiaries and scope of consolidation	-		(4,480,934)	-	(4,480,934)	(1,494,508)	(5,975,442)
Put/Call option detection	-	(22,978,781)	-	-	(22,978,781)	-	(22,978,781)
Other changes	-	732,540	(250,445)	-	482,095	-	482,095
Transactions with shareholders and other movements	**-**	**(12,343,697)**	**42,978,943**	**(47,710,322)**	**(17,075,076)**	**(1,494,508)**	**(18,569,584)**
Balance as of 01.01.2019	**31,875,000**	**497,264,761**	**26,763,190**	**55,211,805**	**611,114,756**	**4,709,455**	**615,824,211**
Net profit for the year			-	51,900,485	51,900,485	(8,071,306)	43,829,179
Other net comprehensive items	-	(335,801)	(3,383,898)	-	(3,719,699)	(81,741)	(3,801,441)
Comprehensive income for the year	**-**	**(335,801)**	**(3,383,898)**	**51,900,485**	**48,180,786**	**(8,153,047)**	**40,027,739**
Allocation of the residual result of the previous year to retained earnings	-	-	15,561,363	(15,561,363)	-	-	-
Dividends distribution	-	-	-	(39,650,442)	(39,650,442)	-	(39,650,442)
Share based compensation plans	-	10,021,063	-	-	10,021,063	-	10,021,063
Put/Call option detection	-	(8,722,884)	(4,920,000)	-	(13,642,884)	-	(13,642,884)
Change in interests in subsidiaries and scope of consolidation	-	-	1,222,159	-	1,222,159	(2,665,007)	(1,442,848)
Reverse merger	-	-	(316,317)	-	(316,317)	-	(316,317)
Other changes	-		160,240	-	160,240	-	160,240
Transactions with shareholders and other movements	**-**	**1,298,179**	**11,707,445**	**(55,211,805)**	**(42,206,181)**	**(2,665,007)**	**(44,871,188)**
Balance as of 31.12.2019	**31,875,000**	**498,227,139**	**35,086,737**	**51,900,485**	**617,089,361**	**(6,108,599)**	**610,980,762**

CONSOLIDATED CASH FLOW STATEMENT

(in Euros)

Description	2019	2018
Cash collected from the sales of products/services - third parties	1,365,626,560	1,234,871,139
Cash paid for goods and/services - third parties	(572,354,399)	(508,851,265)
Personnel costs	(644,790,358)	(585,361,537)
Interest received	82,845	625,107
Interest paid for operating activities	(260,394)	(409,353)
Exchange differences	(90,146)	0
Income tax payments and reimbursements	(61,831,821)	(48,322,457)
A) Total cash flow from operating activities	**86,382,287**	**92,551,634**
Sale of property, plant and equipment	341,786	157,006
Purchase of property, plant and equipment	(7,248,105)	(8,601,478)
Purchase of intangible assets	(5,873,828)	(2,543,760)
Consideration paid for acquision of the businesses	(31,083,495)	(14,187,093)
Disposal of subsidiaries	6,457	246,843
Purchase of other investments and securities	(288,956)	(859,889)
Sale of other investments and securities	330,371	524,000
Dividends received	25,000	141,458
B) Total cash flow from investing activities	**(43,790,769)**	**(25,122,913)**
New loans	92,167,759	63,408,184
Repayment of loans	(57,833,653)	(155,274,977)
Dividends distributed	(39,650,442)	(2,087,641)
Acquisition of non controlling interest	(3,211,750)	11,250
Interest paid for financing activities	(3,981,924)	(3,000,592)
Repayment of lease liabilities	(16,003,627)	0
C) Total cash flow from financing activities	**(28,513,636)**	**(96,943,777)**
D) = (A + B + C) Change in cash and cash equivalents	**14,077,881**	**(29,515,055)**
E) Cash and cash equivalents at beginning of year	**177,502,798**	**207,017,853**
F) Cash and cash equivalents from merger	**289,613**	**0**
G) = (D + E + F) Cash and cash equivalents at end of year	**191,870,292**	**177,502,798**

Notes to the Consolidated Financial Statements

1 General information

Engineering Ingegneria Informatica S.p.A. (hereinafter the "Company" or "Engineering") and its subsidiaries (hereinafter "Engineering Group" or the "Group") is the leading domestic provider of integrated ICT services, products and consultancy. It was established in Padua on 6 June 1980.

With approximately 11,500 employees, around 65 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group derives approximately 13% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Banking and Public Administration sectors. The Group operates in the outsourcing and Cloud Computing market through an integrated network of 4 data centres located in Pont St. Martin (Aosta), Turin, Vicenza and Milan, which manages approximately 300 clients.

The Group operates in Software and IT Services with a leading position in numerous vertical sectors, due to a wide range of proprietary solutions, from banking compliance (SISBA, ELISE), to Billing and CRM for Utilities (Net@SUITE), to integrated diagnostics and administration solutions for Healthcare (AREAS), WFM systems (OverIT) and mobile platforms for Telco & Utilities.

At the date of preparation of these consolidated financial statements, Mic Topco S.à.r.l. is the sole shareholder of Engineering Ingegneria Informatica S.p.A.. Mic Topco S.à.r.l. does not exercise management and coordination activities, as defined by Article 2497 of Italian Civil Code, with regard to Engineering Ingegneria Informatica S.p.A..

These consolidated financial statements as of 31 December 2019, were approved by the Board of Directors of Engineering Ingegneria Informatica S.p.A. in the meeting of 25 March 2020.

1.1 OPERATIONS OF REORGANIZATION OF CORPORATE STRUCTURE OF THE GROUP

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

On 6 December 2019, the reverse merger between the companies Mic Holdco S.r.l. (it owned 100% of share capital of Mic Newco S.p.A.) and Mic Newco S.p.A. (it owned 100% of share capital of the Entity), which were incorporated into the Entity was completed. Because this is a merger with the aim of reorganization of the corporate structure, it was not accounted for as a business combination under IFRS 3.

Given the above, the reverse merger project did not result in any further "goodwill" being recognized and the assets and liabilities of the two companies Mic Newco S.p.A. and Mic Holdco S.r.l. were included in the consolidated financial statements according to the principle of continuity of book values.

The net book value of the assets and liabilities of Mic Newco S.p.A. and Mic Holdco S.r.l. was equal to Euro (316) thousands and was recorded in the consolidated financial statements of the Company as a reduction of the consolidated equity.

Other merger between the other subsidiaries

Also in 2019, the merger process of ICRAFT GmbH, previously a wholly controlled subsidiary of Engineering ITS AG, into Engineering BSC GmbH (formerly EMDS GmbH) was completed.

At the beginning of the 2019, the company Engineering Software Labs GmbH proceeded to carry out the merger by incorporation for the companies Icode GmbH (previously wholly controlled by Engineering ITS AG), Bekast It Consulting GmbH (previously wholly controlled by Engineering ITS AG) and the company KeyVolution GmbH (previously wholly controlled by Bekast It Consulting GmbH and initially merged by incorporation into the latter). The tax and accounting effects of the above mentioned mergers were effective 1 January 2019.

The above transactions had no impact on the consolidation scope and on the consolidated financial statements.

1.2 ACQUISITIONS FOR THE YEAR

Acquisition of control of Cybertech S.r.l.

By deed dated 19 February 2019, Engineering D.HUB S.p.A. acquired control of Cybertech S.r.l. through a 51% stake in the share capital. As a result of the aforementioned acquisition, Engineering D.HUB S.p.A. also indirectly became the controlling shareholder of numerous Italian and foreign companies located in Serbia, Norway, Sweden, Spain and Switzerland. With the acquisition of Cybertech, the Group aims to strengthen Cybersecurity solutions which represent a crucial and transversal part of its offer.

For the purposes of preparing these consolidated financial statements, the transaction was accounted for, in accordance with IFRS 3, through the use of the acquisition method which led to the provisional estimate of the fair value of the assets acquired and liabilities assumed.

The non-controlling interests was determined on the basis of the share of the current values attributed to the assets and liabilities at the date of taking control, excluding any goodwill attributable to them.

The following table shows the overall values of the assets and liabilities acquired at their respective fair value and goodwill.

(in Euros)

Net assets acquired	Final fair value
Property, plant and equipment	63,917
Intangible assets	5,968,384
Equity investments	1,155,508
Other non-current assets	12,762
Trade receivables	13,440,810
Cash and cash equivalents	15,660
Other current assets	943,603
Non-current financial liabilities	-
Other non-current liabilities	(2,709,779)
Current financial liabilities	(5,897,467)
Non-current financial liabilities	(1,909,076)
Other current liabilities	(15,368,857)
Total net assets acquired	**(4,284,535)**
Non-controlling interests	(2,099,422)
Total net assets acquired by the Group	(2,185,113)
Total amount	**738,435**
Goodwill	**2,923,548**
Cash and cash equivalents	15,660
Net outflow resulting from the acquisition	**722,775**

As more fully illustrated in the detailed comments on the individual items of this Explanatory Notes to which reference is made, in the context of the fair value measurement of the assets acquired and liabilities assumed in accordance with IFRS 3, a net value fair value adjustments of Euro 4.9 million, relating to the recognition of Customer Relationship intangible assets of Euro 5.9 million and of the equity investments item of Euro 0.6 million (gross deferred taxes liabilities for Euro 1.6 million).

The fair value of receivables acquired and the gross contractual amounts receivable amount to Euro 13.4 million. At the acquisition date there are not any contractual cash flow not expected to be collected.

The determination of the assets acquired and the liabilities assumed at fair value was carried out through an estimation process based on assumptions deemed reasonable and realistic based on the information that was available at the date of acquisition of control.

The goodwill was allocated to the CGU “Cybertech” which benefits from the synergies generated by the acquisition. Furthermore, this goodwill value will be fiscally non-deductible.

The full consolidation from the acquisition date of this business combination led to the recognition of revenues and profits in the consolidated financial statements of the Engineering Group equal to respectively Euro 27.8 million and Euro 0.1 million.

If the acquired company had been fully consolidated since 1 January 2019, the Engineering Group's consolidated revenues and consolidated net profit for 2019 would have been greater than Euro 0.5 million and Euro 0 million respectively.

Acquisition of control of Municipia Mobilità S.r.l.

On 22 January 2019, the company Municipia S.p.A. acquired 100% of the share capital of Municipia Mobilità S.r.l. (subsequently merged in Municipia S.p.A.), based in Rome, which specialises in the development of Smart Mobility systems. This acquisition was made in order to strengthen its commercial strategy and to integrate licensable products into the local authorities market.

The following table shows the fair values of the assets and liabilities acquired and the goodwill determined as described below.

(in Euros)

Description	Fair value of net assets acquired
Property, plant and equipment	871
Intangible assets	3,174,982
Trade receivables	217,608
Cash and cash equivalents	11,877
Other current assets	381,096
Other non-current liabilities	(15,540)
Other current liabilities	(642,316)
Temporary fair value of assets acquired	**3,128,578**
Shareholding acquired	100.0%
Acquisition cost	7,271,470
Goodwill	**4,142,892**
Cash and cash equivalents	11,877
Net outflow resulting from the acquisition	**7,259,593**

The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events. The agreement between the parties sets out that the earn-out shall not exceed Euro 3.5 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.6 million, which is the estimated amount to be paid upon maturity based on the agreements signed.

The fair value of acquired receivables and the gross contractual amounts receivable amount to Euro 218 thousand. At the acquisition date there are not any contractual cash flow not expected to be collected.

The fair values of the assets and liabilities of Municipia Mobilità S.r.l. were recognized in the consolidated financial statements as at 31 December 2019, recording the full difference between the purchase cost and the assets acquired at net of liabilities assumed under goodwill (Euro 4.1 million).

The goodwill was allocated to Municipia Mobilità. Furthermore, this goodwill value will be fiscally non-deductible.
The full consolidation of this business combination from the acquisition date led to the recognition of revenues and net profit on the consolidated financial statement amounts to Euro 2.5 million and Euro 0.4 million.

Given that the acquisition of control took place on 22 January 2019, the consolidated revenues and consolidated net profit of 2019 of the Engineering Group would not have been substantially different if the acquired company had been fully consolidated since 1 January 2019.

Acquisition of control of Deus Technology S.r.l.

On 24 September 2019, Engineering Ingegneria Informatica S.p.A. acquired 100% of the shares of Deus Technology S.r.l. with the aim of using technology, in continuous development, and to bring innovation to Wealth Management by providing customers with cutting-edge solutions.
The company's mission is to guide and support clients in the evolution of their business model towards Fintech, adopting technology to extend their services offered and deliver them in a scalable manner.

The following table shows the provisional fair values at the acquisition date of the assets acquired and liabilities assumed:

(in Euros)

Description	Provisional fair value of net assets acquired
Property, plant and equipment	106,373
Intangible assets	293,299
Right of use	2,019,888
Other non-current assets	134,260
Trade receivables	1,160,967
Cash and cash equivalents	89,828
Other current assets	312,872
Non-current financial liabilities	(1,827,970)
Other non-current liabilities	(470,955)
Current financial liabilities	(167,678)
Other current liabilities	(1,784,930)
Temporary fair value of assets acquired	**(134,045)**
Shareholding acquired	100.0%
Acquisition cost	30,000,000
Goodwill	**30,134,045**
Cash and cash equivalents	89,828
Net outflow resulting from the acquisition	**29,910,172**

The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events. Indeed, the agreement between the parties set out that the earn-out shall not exceed Euro 7.3 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 7.3 million, which is the estimated amount to be paid upon maturity on the basis of the aforementioned agreements.

The provisional fair value of receivables acquired and their the gross contractual amounts receivable amount to Euro 1.2 million. At the acquisition date there are not any contractual cash flow not expected to be collected.

As allowed by IFRS 3, in the consolidated financial statements as at 31 December 2019, the fair values of the assets and liabilities of Deus Technology S.r.l. were provisionally recognized, recording the full difference between the purchase cost and the assets acquired net of liabilities assumed in the goodwill item (Euro 30.1 million). In particular, taking into account the relevance of the acquisition, it was considered appropriate to temporarily maintain the carrying amounts of the assets and liabilities already recognized in the Deus financial statements, properly adjusted to make them compliant with the accounting principles and evaluation criteria applied in the preparation of these consolidated financial statements attributing to goodwill the entire difference from the cost of the acquisition. This accounting approach was considered more clear and representative for users of the financial statements, taking into account the substantial impossibility of determining the fair values, albeit provisional, of the assets and liabilities acquired on a reliable basis, thus making it possible to obtain a provisional accounting representation of the effects of the acquisition.

At the end of the process of definitive recognition of the fair values of the assets and liabilities of Deus Technology S.r.l., which will take place within twelve months of the acquisition date as indicated by IFRS 3, the economic, equity and financial contribution of Deus Technology will therefore be reworked to the consolidated financial statements for 2019.

As required by IFRS 3, the goodwill that emerged following the above accounting for the transaction was allocated to the CGU "Deus" and was subjected to the impairment test on the acquisition date based on the method set out in IAS 36. Furthermore, this goodwill value will be fiscally non-deductible.

Based on the valuation activities in progress, effects on the following main items may arise: intangible assets and deferred tax assets and liabilities and related economic effects.

The full consolidation from the acquisition date of the business combination in question led to the recognition of revenues and profits in the consolidated financial statements of the Engineering Group equal to Euro 2.3 million and Euro 0.8 million respectively.

If the acquired company had been fully consolidated from 1 January 2019, the consolidated revenues and consolidated net profit of 2019 of the Engineering Group would have been respectively greater than Euro 3.4 million and Euro 0.1 million.

Acquisition of control of Digitelematica S.r.l.

On 2 July 2019 (hereinafter also "acquisition date") Engineering Ingegneria Informatica S.p.A. acquired 80% of the capital of Digitelematica S.r.l..

Digitelematica S.r.l. is a software house that creates web and mobile applications for various customers. Thanks to this acquisition, the Group will be able to count within its services offered the analysis, development, design and distribution of software.
In the last few years the company has worked in particular on e-commerce solutions for organised large-scale distribution, with a specific interest in Click&Collect. Digitelematica also implements Locker and Home Delivery solutions.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the provisional estimate of the fair value of assets acquired and liabilities undertaken.

The non-controlling interests was determined based on the portion pertaining to current values attributed to assets and liabilities at the control acquisition date, excluding any goodwill that can be attributed to such.

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

(in Euros)

Description	Provisional fair value of net assets acquired
Property, plant and equipment	40,884
Intangible assets	10,307
Other non-current assets	22,883
Trade receivables	694,286
Cash and cash equivalents	425,778
Other current assets	171,674
Non-current financial liabilities	(13,393)
Other non-current liabilities	(126,356)
Other current liabilities	(766,908)
Temporary fair value of assets acquired	**459,156**
Shareholding acquired	80.0%
Acquisition cost	3,666,753
Shares held by minority holders	20.0%
Non-controlling interests	91,831
Goodwill	**3,299,429**
Cash and cash equivalents	425,778
Net outflow resulting from the acquisition	**3,240,975**

As allowed by IFRS 3, the fair values of Digitelematica S.r.l.'s assets and liabilities have been provisionally recognized in the consolidated financial statements at 31 December 2019, recording the full difference between the purchase cost and the assets acquired net of liabilities assumed in the goodwill item (Euro 3.3 million).

As required by IFRS 3, the goodwill that emerged following the above accounting for the transaction was allocated to the CGU "Digitelematica" and was subjected to the impairment test on the acquisition date based on the method set out in IAS 36. Furthermore, this goodwill value will be fiscally non-deductible.

Based on the valuation activities in progress, effects on the following main items may arise: intangible assets and deferred tax assets and liabilities and related economic effects.

The provisional fair value of receivables acquired and their the gross contractual amounts receivable amounts the credits acquired is equal to Euro 0.7 million. At the acquisition date there are not any contractual cash flow not expected to be collected.

The full consolidation of this business combination from the acquisition date led to the recognition of revenues and net profit on the consolidated financial statement amounts to Euro 1 million and Euro 0.04 million.

If the acquired company had been fully consolidated from 1 January 2019, the consolidated revenues and consolidated net profit of 2019 of the Engineering Group would have been greater than Euro 0.6 million and Euro 0.3 million respectively.

Completion of accounting activities related to acquisitions

Goodwill allocation of Icraft GmbH

The purchase price allocation for the acquisition of Icraft GmbH was finalised at 31 December 2019.
No changes were made to the provisional fair values of assets and liabilities acquired.

Goodwill allocation of Icode GmbH

The purchase price allocation for the acquisition of Icode GmbH was finalised at 31 December 2019.
No changes were made to the provisional fair values of assets and liabilities acquired.

1.3 PURCHASE OF INVESTMENTS IN SUBSIDIARIES

During 2019, the Group paid the amounts due for the acquisition of control of the following companies and business units.

The table below shows details of the main cash payments and cash and cash equivalents acquired:

(in Euros)

Description	Digitelematica S.r.l.	Deus Technology S.r.l.	Cybertech S.r.l.	Municipia Mobilità S.r.l.	In.for. S.r.l.	Other	2019
Cash payments leading to obtaining control	1,766,753	22,650,000	700,000	3,771,470			28,888,223
Cash and cash equivalents acquired	(425,778)	(89,828)	(15,660)	(11,877)			(543,143)
Earn out payment				207,900	200,000	1,058,068	1,465,968
Advance payment			1,200,000			72,448	1,272,448
Cash flow for the purchase of subsidiaries investments net of cash and cash equivalents	**1,340,975**	**22,560,172**	**1,884,340**	**3,967,493**	**200,000**	**1,130,516**	**31,083,496**

If the acquired companies had been fully consolidated since 1 January 2019, the Engineering Group's consolidated revenues and consolidated net profit for 2019 would have been Euro 35.6 million and Euro 1.3 million respectively. The column "Other" included payments of contingent consideration related to business combinations performed during previous periods for Euro 1.05 million.

1.4 HYPERINFLATION IN ARGENTINA

In Argentina, following a long period of observation of inflation rates and other indicators, a consensus has been reached at a global level regarding the occurrence of the conditions determining the presence of hyperinflation in accordance with International Financial Reporting Standards. It follows that, as of 1 July 2018, all companies operating in Argentina are required to apply IAS 29 "Financial reporting in hyperinflationary economies" when preparing financial reports.

With reference to the Group, the consolidated financial results as of 31 December 2019, include the effects deriving from the application of the above mentioned accounting standard, with effect from 1 January 2018.

Consistent with the provisions of IAS 29, the restatement of the financial statements as a whole has resulted in the following:

- with regard to the income statement, costs and revenues have been revalued by applying the change in the general consumer price index to reflect the loss of purchasing power of the local currency as of 31 December 2019. For the purpose of converting the income statement thus restated into Euro, the exchange rate at 31 December 2019, was consistently applied instead of the average exchange rate for the period. With reference to consolidated net sales for the period, the effect of applying the standard resulted in a negative change of Euro 220.1 thousand for 2019;

- with regard to the statement of financial position, the monetary elements have not been restated since they were already expressed in the current unit of measurement at the end of the period; instead, non-monetary assets and liabilities have been revalued to reflect the loss of purchasing power of the local currency that occurred from the date on which the assets and liabilities were initially recorded at the end of the period;

- the effect determined on the net monetary position for the part generated during the twelve months of 2019 (total income of Euro 171.7 thousand) was recorded in the income statement under net financial income (charges), while the effects of the first application of the standard as of 1 January 2018 were recorded directly as components of shareholders' equity.

2 Form, contents and accounting standards

These consolidated financial statements as of 31 December 2019, have been prepared under International Financial Reporting Standards (IFRS), as defined hereinafter, issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission as per the procedure set down by Article 6 of Regulation (EC) 1606/2002 of the European Parliament and the European Council of 19 July 2002. The IFRS standards also include all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Standard Interpretations Committee (IFRS IC), 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 consolidated financial statements are expressed in Euro and, in compliance with IAS 1 "Presentation of Financial Statements" include the consolidated statement of financial position, the consolidated income statement and the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related Explanatory Notes.

The principles utilised are the same as those used for the preparation of the last annual financial statements and were applied evenly, except for the accounting standard "IFRS 16 - Leases", applied from 1 January 2019. In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of the comparative information. Equity was not impacted as the right of use asset was measured at an amount equal

to the lease liability, please refer to Note 4.29. IFRS 16 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 leasing contracts from service contracts while identifying the following as discriminating factors of leases: 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.
IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the standard does not include significant changes for lessors. For a description of the impacts resulting from the application of the above standard, please refer to Note 4.

The consolidation was carried out under the line-by-line method, including the non-controlling interests reported in the relevant shareholders' equity and income statement accounts.

The Group companies adopted the same accounting period as the Parent Company and the standards utilised are the same for the preparation as the last annual financial statements and were applied in a uniform manner.

In the statement of financial position, assets and liabilities are classified according to the "current/non-current" criterion with separation of assets and liabilities held-for-sale.

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

Current liabilities are expected to be settled in the normal operating cycle or within 12 months following the year-end. The income statement is classified according to the nature of the costs while the cash flow statement uses the direct method.

The transactions with related parties concern subsidiaries, associated companies and Directors and executives with strategic responsibilities.

For each item of the statements, the corresponding figure of the previous year is disclosed for comparison purposes.

It should also noted that the completion of the process of allocation of the fees paid for the transactions made during the financial year 2018 did not result in any restatement of the fair values of the net assets acquired and the goodwill provisionally recognized in the consolidated financial statements closed on 31 December 2018.

CRITICAL JUDGMENTS IN APPLYING THE ACCOUNTING POLICES

There are no critical judgements made in applying the Group's accounting policies.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in compliance with IFRS also requires the use of estimates and assumptions in determining the values of the assets and liabilities, costs and revenues and contingent assets and liabilities. The estimates and assumptions are based on the best information available at the reporting date and on prior experience where the book value of assets and liabilities is not easily inferable from other sources.

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

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

Impairment of assets (Goodwill Euro 108 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 Group has taken into account, with reference to the specified period, the expected trends resulting from the budget for 2019 and, for subsequent years, the forecasts included in the 2020 - 2022 multi-year plan. The impairment test carried out on the basis of these forecasts did not generate any write-downs.

Purchase Price Allocation (IFRS 3)

As explained in the paragraph "Completing the accounting activities related to acquisitions", the recognition of business combination transactions implies the allocation of the payment of acquisition to the assets and liabilities of the acquired company, which are evaluated at fair value.
The possible difference, if positive, is recorded as goodwill; if negative, it is recorded in the income statement.
In the process of assigning amounts to certain asset items, the Group applied estimates to determine their fair value. To determine fair value, the Group used valuation methods, including discounted cash flow analysis. To calculate the present value of future cash flows, it is necessary to formulate some assumptions regarding uncertain issues, including management's expectations regarding:

- marginality of customer portfolios;
- the probability of renewal of contracts with customers;
- the selection of the discount rate that reflects the risk.

The Group's estimates are based on assumptions deemed reasonable, but uncertain and foreseeable. These assessments require the use of management assumptions, which may not reflect unpredictable events.

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 judgments are required to determine the amount of deferred tax assets that can be recognized 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 recoverable against future taxable income shown in the updated strategic plans of the Group, also as a consequence of the fact that the tax losses may be carried forward indefinitely.

Receivable from Sicilia Digitale S.p.A.

As explained in more detail in Note 16, trade receivables include receivables from Sicilia Digitale S.p.A., which amounted to Euro 107,873,475 (not including the related doubtful debt provision amounting to Euro 27,377,522 and the related doubtful debt provision for interest on arrears), in addition to Euro 14,526,757 of customer contract assets.
These amounts were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region, within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. and Sicilia e-Servizi Venture S.c.r.l. in liquidation ("SISEV" or "Venture") on 21 May 2007 and expired on 22 December 2013.

The Board of Directors, considering the legitimacy of the receivables for the services provided, assessing the appraisal delivered by the independent expert as part of the summons to obtain payment of an amount of their receivables equal to approximately Euro 79,675 thousand as seriously omissive and erroneous and supported by the opinion of the legal sponsor, stated that the receivables from Sicilia Digitale S.p.A. are collectable.

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, the Group recognised the interest set out by law pertaining to the period considered (Euro 5.0 million) in the income statement and under financial income, in addition to the amount already recognised until 31 December 2018 (for a total amount of Euro 35.3 million), and accrued additional provision for Euro 26.8 million for a total doubtful debt provision of Euro 62.7 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.

Below is the Group's exposure to the counterparty as of 31 December 2019:

(in Euros million)

Description	31.12.2019
Trade receivables and customer contract assets	122
Doubtful debt provision	(62.6)
Total	**59.4**

Fair value of options on non-controlling interest

The fair value of liabilities, which represents a reasonable estimate of the exercise price for the options, was determined using the discounted operating cash flow method using the plan of the subsidiary involved.
The exercise prices are determined on the basis of the agreements contained in the option agreements signed by the Group.

Lease term

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

3 Consolidation scope and principles

3.1 SUBSIDIARIES

The subsidiaries are consolidated from the date on which the Group acquires control and deconsolidated from the date in which control is lost. Control is defined as the ability to directly or indirectly determine the financial and management policies and benefit from their implementation.

Consistently with provisions set out by IFRS 10, a company is controlled with the presence of the following three elements: (a) power on the entity acquired/established; (b) exposure, or rights, to variable returns deriving from involvement with the same; (c) capacity to utilise the power to influence the amount of these returns.

The accounts are consolidated under the line-by-line method, therefore including the entire amount of assets and liabilities and all costs and revenues regardless of the percentage of share capital held. The book value of consolidated investments is therefore derecognised against the relative shareholders' equity.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition until the date of sale. The operations, the balances as well as the unrealised profits and losses on inter-group transactions are derecognised.

The shares of shareholders' equity and of the minority interest result are included in a separate shareholders' equity account and in a separate line of the consolidated income statement.

3.2 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.
The acquisition was recognised under the acquisition method described in the following paragraph 4.6. After acquisition, investments in associated companies are recorded under the equity method or rather recording the Group share of the result and of the movements in the reserves respectively to the income statement and shareholders' equity. Non-realised profits and losses on inter-group transactions are derecognised for the relative share.
When the Group share of losses in an associated company is equal to or greater than the value of the investment held, the Group does not recognise additional losses unless an obligation to recapitalise exists or if payments have been made on behalf of the associated company.

3.3 JOINT ARRANGEMENTS

Pursuant to provisions set forth by IFRS 11, investments in joint ventures are recorded under the equity method applied as described in the previous note. A joint venture is a joint operation where parties have rights on contractually agreed assets and obligations for agreed liabilities. As regards joint operations, the standard envisages that the proportionate assets, liabilities, costs and revenues, resulting from joint operations, are entered directly in the consolidated (and separate) financial statements.

3.4 CONSOLIDATION SCOPE

The consolidated financial statements include the financial statements of the Parent Company and those companies in which the Parent Company holds control based on the provisions of IFRS 10. The financial statements of the Group's companies are prepared as of the same date and refer to a financial year of equal length.

The consolidated companies as of 31 December 2019 are listed hereunder:

Company	Registered office	Share capital	Percentage of share capital held		
			Direct	Indirect	Total
Engineering Sardegna S.r.l.	Cagliari	1,000,000 Euro	100.00%		100.00%
Engiweb Security S.r.l.	Rome	50,000 Euro	100.00%		100.00%
Municipia S.p.A.	Trento	13,000,000 Euro	100.00%		100.00%
LG-NET S.r.l.	Rome	26,500 Euro	13.47%	76.00%	89.47%
Engineering International Belgium S.A.	Brussels	61,500 Euro	100.00%		100.00%
Engineering Luxembourg S.à.r.l.	Luxembourg	12,500 Euro		100.00%	100.00%
Engineering D.HUB S.p.A.	Pont-Saint-Martin	2,000,000 Euro	100.00%		100.00%
Cybertech	Rome	1,000,000 Euro		51.00%	51.00%
OmnitechIT Secur s.l.	Madrid	3,000 Euro		51.00%	51.00%
OmnitechIT Turkey s.l.	Gebze Osb Mah (Turkey)	5,000 TRY		51.00%	51.00%
OmnitechIT GmbH	Geilenkirchen (Germany)	25,000 Euro		51.00%	51.00%
Securetech Nordic S.A.	Stockholm	4,786 SEK		51.00%	51.00%
OmnitechIT Security AS	Oslo	30,000 NOK		51.00%	51.00%
Omnisecure d.o.o.	Belgrade	2,466,177 Rsd		30.60%	30.60%
BW digitronik A.G.	Ulster (Switzerland)	400,000 CHF		26.01%	26.01%
Pragma	Sommacampagna	100,000 Euro		26.01%	26.01%
Nexen S.p.A.	Padua	1,500,000 Euro	100.00%		100.00%
Engineering 365 S.r.l. (former MHT S.r.l.)	Lancenigo	2,052,000 Euro	100.00%		100.00%
Engineering Software Lab d.o.o.	Belgrade	452,000 Rsd	100.00%		100.00%
Engi da Argentina S.A.	Buenos Aires	7,106,425 AR$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	Sao Paulo (Brazil)	51,630,020 Reais	100.00%		100.00%
Engineering Ingegneria Informatica Spain S.L.	Madrid	100,000 Euro	100.00%		100.00%
Engineering USA Inc.	Chicago (USA)	260,800 Usd	80.50%		80.50%
OverIT S.p.A.	Pordenone	300,000 Euro	95.00%		95.00%
OverIT International Inc.	Miami	50,000 Usd		80.00%	80.00%
OverIT GmbH	Munich	25,000 Euro		80.00%	80.00%
WebResults S.r.l.	Treviolo	10,000 Euro	100.00%		100.00%
Sicilia e-Servizi Venture S.c.r.l.	Palermo	300,000 Euro	65.00%		65.00%
Sogeit Solutions S.r.l.	Rome	100,000 Euro	100.00%		100.00%
Sofiter Tech S.r.l.	Rome	204,082 Euro	51.00%		51.00%
Deus technology S.r.l.	Milan	147,000 Euro	100.00%		100.00%
Digitelematica S.r.l.	Lomazzo	100,000 Euro	80.00%		80.00%
Engineering ITS AG	Berlin	50,000 Euro	51.00%		51.00%
Engineering DSS GmbH	Dusseldorf	25,000 Euro		51.00%	51.00%
Engineering BSC GmbH	Stuttgart	300,000 Euro		51.00%	51.00%
Engineering Software Labs GmbH	Stuttgart	25,000 Euro		51.00%	51.00%
Engineering Software Labs s.r.o.	Prague	3,887 Euro		51.00%	51.00%

Changes in the consolidation scope compared to 31 December 2019, relate to transactions carried out during the period as summarised below:

- on 14 January 2019, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired 31.5% of the shares of the subsidiary Sogeit Solutions S.r.l. bringing its holding to 100%;
- acquisition on 22 January 2019, of 100% of the share capital of Municipia Mobilità S.r.l. by the subsidiary Municipia S.p.A.;
- on 23 January 2019, the Board of Directors of Municipia S.p.A. approved the merger of Municipia Mobilità S.r.l. into Municipia S.p.A.;
- on 19 February 2019 the subsidiary Engineering D.HUB S.p.A acquired 51% of the share capital of Cybertech S.r.l. from the companies Omnitech Finanziaria Internazionale S.p.A. and Investo Holding S.r.l., becoming the Parent Company. As a result of this transaction, the share capital of Cybertech is distributed as follows:
  - Engineering D.HUB S.p.A. holds 51% of the share capital;
  - OmnitechIT S.r.l. holds 49% of the share capital.

As a result of the above acquisition, Engineering D.HUB S.p.A. also indirectly became the owner of the controlling interests held by Cybertech in a number of Italian and foreign companies:

- on 2 July 2019 Engineering Ingegneria Informatica S.p.A. acquired 80% of the capital of Digitelematica S.r.l.;
- on 24 September 2019, Engineering Ingegneria Informatica S.p.A. acquired 100% of the shares of Deus Technology S.r.l., with share capital equal to Euro 147,000.00 fully paid-up, registered office in Milan (MI), becoming Sole Shareholder.

In addition, while not having an impact on the consolidation scope, it should be noted that the following corporate transactions took place during the first half of the year:

- merger on 1 January 2019, of Icraft GmbH into Engineering BSC GmbH;
- merger on 1 January 2019, of KeyVolution GmbH into Bekast IT Consulting GmbH;
- merger on 1 January 2019, of Bekast IT Consulting GmbH into Engineering Software Labs GmbH;
- merger on 1 January 2019, of Icode GmbH into Engineering Software Labs GmbH.

The latter transactions described, considering their nature, have not generated any accounting impact in the Engineering Group's consolidated financial statements in terms of value of the assets and liabilities of the companies involved in the transaction.

Non-controlling interest disclosure

As required by IFRS 12, a summary of the main financial indicators of companies with significant non-controlling interests is provided below. It should be noted that the non-controlling interests in these subgroups of companies are considered relevant in relation to the contribution made to the consolidated financial statement.

(in Euros)

Company	Shares held by non-controlling holders		Profit (loss) held by non-controlling holders		Equity held by non-controlling holders	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Sicilia e-Servizi Venture S.c.r.l.	35.0%	35.0%	(5,650,520)	(214,487)	(9,253,196)	(3,602,676)
EITS – Engineering ITS	49.0%	49.0%	(3,375,823)	908,472	2,140,216	5,977,914
Sofiter Tech S.r.l.	49.0%	49.0%	552,777	478,304	1,732,475	1,179,544
Cybertech	49.0%	n/a	(238,014)	n/a	(2,337,436)	n/a
ISU - Engineering USA	19.5%	19.5%	487,856	206,588	1,647,637	1,001,690
Other non controlling interests	n/a	n/a	152,418	1,102,277	(38,296)	152,982
Total	**n/a**	**n/a**	**(8,071,306)**	**2,481,155**	**(6,108,599)**	**4,709,455**

The table below represents the balances before intercompany eliminations:

(in Euros)

Description	Sicilia e-Servizi Venture S.c.r.l.		EITS – Engineering ITS		Sofiter Tech S.r.l.		Engineering USA Inc.		Cybertech
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Non current assets	0	0	25,036,113	23,697,896	794,397	799,858	1,774,656	194,227	1,345,761
Current assets	52,541,812	98,474,720	1,517,928	7,685,211	6,005,315	4,833,758	11,063,107	8,561,543	17,027,962
Non current liabilities	328	328	1,567,440	1,565,349	20,805	16,474	1,273,547	0	2,284,584
Current liabilities	78,979,188	108,767,753	11,485,965	9,412,226	3,243,244	3,209,909	3,123,453	2,917,838	25,650,970
Group shareholders' equity	(6,690,684)	(6,905,171)	10,398,935	10,860,995	1,227,849	1,705,993	4,781,722	3,278,168	(4,723,480)
Non-controlling interest shareholders' equity	(3,602,676)	(3,388,189)	858,287	411,690	1,179,698	701,240	1,159,781	795,102	(4,538,245)
Revenues	0	3,260	5,062,712	2,704,232	8,209,509	8,445,685	13,738,522	12,892,692	19,122,001
Expenses	(16,144,344)	(616,081)	(11,952,145)	(1,777,346)	(7,081,393)	(7,469,555)	(11,239,262)	(11,834,350)	(19,422,106)
Profit/(loss) for the year	(16,144,344)	(612,820)	(6,889,434)	926,886	1,128,116	976,131	2,499,260	1,058,341	(300,105)
Group profit/(loss) for the year	(10,493,824)	(398,333)	(3,513,611)	472,712	575,339	497,827	2,011,404	851,753	(153,054)
Profit/(loss) for the year of non-controlling interests	(5,650,520)	(214,487)	(3,375,823)	454,174	552,777	478,304	487,856	206,588	(147,052)
Cash flow from operating activities	(122,053)	(25,192)	(1,666,512)	259,041	508,223	897,931	1,564,529	1,954,611	(3,197,490)
Cash flow from investing activities	0	0	1,346,276	(4,169,674)	0	(540,000)	0	(171,809)	(206,725)
Cash flow from financing activities	0	0	442,499	3,306,873	(468,854)	(500,000)	(26,102)	264	4,242,686
Total cash flows	**(122,053)**	**(25,192)**	**122,262**	**(603,759)**	**39,370**	**(142,069)**	**1,538,427**	**1,783,066**	**838,471**

4 Accounting principles

These consolidated 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 Group's ability to meet its obligations in the foreseeable future. A description of how the Group manages financial risks, including liquidity and capital risks, is provided in Note 4.27.

These financial statements were prepared using measurement criteria based on historical cost, with the exception of the fair value measurement of the derivative financial instrument hedging the variable interest rate risk relating to an existing loan.

Where not specified, the significant changes reported in these Explanatory Notes principally relate to the changes in the consolidation scope indicated above.

The accounting policies adopted in the preparation of these consolidated financial statements are described below.

4.1 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 including any directly attributable costs. The acquisition cost is the fair value of the price paid and any other cost directly related and necessary for the correct functioning of the asset with regard to the use for which it was acquired. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased is solely made within the limits established to be separately classified as assets or part of an asset. Financial charges incurred for the acquisition of tangible fixed assets are never capitalised.

Land, both with and without civil and industrial buildings, is recorded separately and is not depreciated as it has an indefinite useful life.

Property, plant and equipment are recorded net of the relative accumulated depreciation and any losses in value. The amount to be depreciated is comprised of the carrying amount gross of depreciation and net of write-downs. Given the uniformity of the assets included in the various fixed asset categories, the useful life by category is as follows (except in specific cases):

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

Property, plant and equipment are depreciated on a straight-line basis over the useful estimated life of the asset which is reassessed at least at the end of each year to apply any changes.
The book value of a tangible fixed asset is recognised within the value limits that this asset may recover through use. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.
Depreciation starts when the asset is available and ready for use.
At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is derecognised from the financial statements and any loss or gain (calculated as the difference between sale price and the book value) is recorded to the income statement.

4.2 LEASING

Periods commencing 1 January 2019

Accounting for the lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. 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 Group 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.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

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 Group restates the value of the lease liabilities (and adjusts the value of the corresponding right of use) if there is:

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

The Group did not detect any of the aforementioned changes in the period.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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 depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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

The right of use is subject to the impairment process provided for by IAS 36 in case of indicators of a loss in value.

This value will also change as a result of new valuations or changes in the liability relating to the lease contract.

In the statement of the consolidated cash flow statement, the Group divides the total amount paid between the principal portion (recognized in the cash flow deriving from financial activity) and the interest portion (entered in the cash flow deriving from financial activity).

Cases of exclusion from the application of IFRS 16
The Group has decided not to recognize 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 Group recognizes 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 lessor recognises under financial receivables the amount of the lease payments to be received and distributes the gross receipts so as to obtain a constant rate of return based on the net investment method.

If, on the other hand, the lease has the characteristics of an operating lease, the lessor will continue to keep the asset under its fixed assets and will record the receipts as income on a straight-line basis over the lease term. The costs incurred to obtain the contract are considered as accessory charges to the leased asset.

Periods before 1 January 2019

- **In the case in which the Group is the lessee**
  Lease contracts concerning assets in which the Group substantially holds all the risks and benefits from ownership are classified as finance leases. Assets acquired under finance leases are recorded under tangible fixed assets and against the financial payable to the lessor and depreciated according to the nature of the individual asset. The financial charge is incurred in the income statement for the duration of the contract. Lease contracts in which the lessor retains a significant amount of the risks and benefits deriving from the ownership are instead classified as operating leases; the lease payments are booked in the income statement on a straight-line basis for the whole duration of the contract.

- **In the case in which the Group is the lessor**
  For assets leased under a finance lease contract, the current rental amount under the lease is recognised as a financial receivable. The difference between the net book value and the current value of the receivable is recognised to the income statement as financial income. Assets leased under operating lease contracts are however included in tangible or intangible fixed assets and depreciated in a similar manner to assets owned, with rental instalments recognised on a straight line basis over the duration of the contract.

4.3 INTANGIBLE ASSETS

The intangible assets, all with definite useful life with the exception of the trademark, are recognised where identifiable and are likely to produce future economic benefits for the Group.

Intangible assets are initially recognised at acquisition or production cost. The acquisition cost is the fair value of the price paid to acquire the asset and any other direct costs incurred to prepare the asset for use. For intangible assets generated internally, the generation of the asset is broken down into the periods of research (non-capitalised) and the period of development (capitalised). Where the two periods are indistinguishable, the entire project is considered as research and is recorded directly to the income statement.
Realised assets are amortised from the time of use or when they are sold. To date they have been classified under assets in progress.
Financial charges incurred to acquire an intangible fixed asset are never capitalised.

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

Category	Useful life
Development costs	1 - 5 years
Industrial patents and intellectual property	1 - 5 years
Engineering trademark	Indefinite
Concessions, licenses and trademarks	1 – 8 years
Customer relationship/customer list	1 – 5 years

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

Software
Costs directly associated with information technology products, created internally or acquired from third parties are capitalised as intangible assets when the following conditions are met:

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

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

Concessions, licenses and trademarks
Costs associated with the purchase of concessions, licenses and trademarks 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.

4.4 GOODWILL

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

Goodwill relating to associated companies or other companies is included in the book value of these companies.

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

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

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.

4.5 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.

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.

4.6 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 of their book value. The difference (if positive) comprises the goodwill.

The changes in the interest of the Parent Company in a subsidiary, which does not lead to loss of control, are recognised as equity. In this event, the book values of the holdings must be adjusted to reflect the changes in their relative holdings in the subsidiaries. Any difference between the adjusted value of the minority holdings and the fair value of the amount paid or received is directly recorded to shareholders’ equity and allocated to shareholders of the Parent Company.

4.7 EQUITY INVESTMENTS

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

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.

4.8 OTHER NON-CURRENT ASSETS

Financial receivables with a due date beyond 12 months and investments in other companies are recorded under other non-current assets.

Investments in other companies refer to equity investments other than subsidiaries, associated companies and joint ventures and are recorded at the fair value through other comprehensive income.

4.9 INVENTORIES

Inventories are assets held for sale within the normal course of business or employed or to be employed in the productive processes for sale or services.
Inventories are measured at the lower between purchase cost and the fair value. The fair value is the sales price estimated for normal activity, net of completion costs and sales expenses.
The purchase cost is inclusive of all directly attributable costs and indirect costs and is determined according to the weighted average cost method.

Any potential write-down is derecognised in subsequent years if the reason for the write-down no longer exists.

4.10 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 as to attribute the revenues and profits over the entire duration of the contract.

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

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

4.11 DEFERRED CONTRACT COSTS

4.11.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.

4.11.b Costs of fulfilling a contract

IFRS 15 provides for the capitalisation of costs for the fulfilment of the contract, i.e. those costs that meet all of the following criteria:
- relate directly to the contract;
- generate and improve resources that will be used to meet the contractual performance obligation in the future;
- are recoverable through future economic benefits of the contract.

Usually this type of cost is represented by pre-operating costs, which are not explicitly recognised within contracts with customers and are remunerated through the contract overall margin. In this case, in compliance with the three conditions mentioned above, pre-operating costs are systematically suspended and released, corresponding to the transfer of control of the goods/services to the customer.

In addition to the above, new provisions set out in IFRS 15 define all the costs that, for their type and nature, cannot be used for the course of the contract as, despite the fact that they are specifically referable to the contract and considered as recoverable, they do not generate or improve the resources that will be used to fulfil the contract performance obligation, or contribute to transfer the control of goods and/or services to customers.

4.12 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. Consequently, they are initially recognised at transaction price, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method (i.e. the rate that equalise the current value of expected cash flows and the carrying amount at the time of initial recognition), suitably adjusted to take account of any write-downs, by recording a doubtful debt provision. Trade receivables are included in current assets, with the exception of those falling due more than twelve months after the reporting date, which are classified as non-current assets.

At each reporting date, financial assets, with the exception of those measured at fair value with a contra-entry recognised in the income statement, are analysed to assess the existence of any possible impairment indicators.

IFRS 9 requires the application of a model based on expected losses on receivables. The Company applies the simplified approach to estimate expected losses along the receivable useful life and takes into account its historical experience of losses on receivables, adjusted to reflect current conditions and estimates of future economic conditions. The model of expected losses on receivables requires the immediate recognition of expected losses over the useful life of the receivable, since it is not necessary for a trigger event to occur for the recognition of losses.

For trade receivables recorded at amortised cost, when an impairment has been identified, its value is measured as the difference between the asset book value and the present value of expected future cash flows, discounted at the original effective interest rate. This value is recognised in the income statement.

Receivables factored through non-recourse factoring transactions, according to which the final transfer to the transferee was carried out in relation to risks and benefits of factored receivables, were derecognized 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.

4.13 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 3 months and current account overdrafts. The latter, in the preparation of the statement of financial position, are included under “financial liabilities”. Cash and cash equivalents are recognised at fair value.

4.14 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 were discontinued at the beginning of the comparative period.

4.15 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.

4.16 RESERVES

The reserves consist of specific capital reserves.

4.17 RETAINED EARNINGS/(LOSSES CARRIED FORWARD)

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.

4.18 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.

4.19 TREATMENT OF THE PUT OPTIONS ON SUBSIDIARY SHARES

IAS 32 establishes that a contract that contains an obligation for an entity to acquire shares in cash or against other financial assets, gives rise to a financial liability for the current value of the option exercise price.
Therefore, the liability must be recognised unless the entity has the unconditional right to avoid the delivery of cash or other financial instruments upon the exercise of the put option on subsidiary shares.
The Group shall recognise, as a contra-entry to equity reserves, the liability arising from the obligation and subsequent changes in the liability related to the unwinding of the discount in the income statement account.

4.20 EMPLOYEE BENEFITS

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

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

Defined benefit plans
Post-employment benefits represent a plan of defined benefits which are certain in terms of their existence and sum but uncertain in terms of the vesting of the post-employment benefits accrued as of 31 December 2006. The liability is determined as the current value of the benefit obligation defined at the date of reporting, in compliance

with Italian regulations in force, and adjusted in order to take actuarial profits/losses into account. The amount of the defined obligation is calculated and certified annually by an independent actuary based on the "Projected Unit Credit" method.
Actuarial profits 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 Group companies participated in defined contribution pension plans by means of the payment of contributions to publicly or privately managed programmes; 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.

4.21 PROVISIONS FOR RISKS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

According to IAS 37 provisions for risks concern the probable liabilities of uncertain amount and/or maturity relating to past events whose fulfilment will necessitate the use of resources.
Allocations are recognised when: a) there is a current legal or implicit obligation, which originates from a past event; b) it is probable that fulfilment of the obligation will be onerous; c) the amount of the obligation can be reliably estimated.

The amount represents the best estimates in relation to resources required for fulfilling the obligation, including legal defence charges. Where the effect of the current amount of the payment is significant, the amount of the provision is represented by the value of resources considered necessary to satisfy the obligation on maturity discounted at a nominal rate without risks. The contingent assets and liabilities (possible assets and liabilities or not recorded as the amount may not be reliably estimated) are not recorded in the financial statements. Information in this regard is provided however.

4.22 REVENUES AND COSTS

Revenues
The Group recognises revenues deriving from contracts with customers and the related effects 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 Group has transferred control of the goods or services to the customer, in the following ways:
a) over time;
b) at a point in time.

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

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

Deliverable-based contracts
Deliverable-based contracts typically include fixed price projects (e.g.: system integration or design and development of customized IT systems and related processes, the engineering of industrial processes and the distribution and storage of energy and water, online ticketing).
Contract terms typically range from 1 to 2 years.
Contract prices might be subject to incentives and penalties, based on achievement of specified performance targets or level of benefits delivered to the customer.
For deliverable-based contracts, revenue is generally recognized over time, because at least one of the following conditions is met:
(i) the Group's performance enhances or creates an asset that the customer controls as the Group performs; or
(ii) the Group builds an asset that has no alternative use (e.g. it is customer-specific) and the Group has an enforceable right to payment for performance to date in case of termination by the customer.

The Group 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 Group earns contractually the right to bill upon achievement of specified milestones or upon customer acceptance of work performed.

The difference between the revenue recognized and the billing already carried out to certify the progress of the work is recorded as "Contract assets".
Any up-front fees (non-refundable) received are recognized 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 recognized based on working hours (or days spent) finalized for the fulfillment of the service.
Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services.
The services are priced based on the number of working hours/working days spent on the contract. 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 recognized over time based on the working hours spent/working days valued on the basis of defined prices.

Service-based contracts
The Group supplies goods (e.g. software) and services (e.g. installation, tax collection etc.) to customers. These revenues are recognised at a point in time, when the control of the goods have passed to the customer and when all the benefits deriving from the performance have been transferred to the customer.
In particular, as far as Public Administration and tax collection are concerned, the revenue is recognized 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 recognized, up to the moment the obligation is fulfilled, among the "Deferred contractual costs".
Any up-front fees (non-refundable) received are recognized over the duration of the service.

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

In addition, the need to assess the probability of obtaining/collecting the economic benefits linked to the income is highlighted, as regards the recognition of revenues. As regards the customer contract assets (i.e. contractual activities), the requirement to proceed with the recognition of revenues is introduced, also taking into account any discounting effect deriving from over time collections, as explained in the Note 13.

Costs
Interest is recorded at the effective rate based on the accruals principle.
Costs relating to the acquisition of new knowledge or discoveries, to the study of alternative products or processes, of new techniques or models, to the design and construction of prototypes or incurred for other scientific research activities or technological development are generally considered current costs and recorded to the income statement in the year in which they are incurred. These costs are almost entirely attributable to personnel costs.

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.

4.23 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.

4.24 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.

4.25 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 functional currency of the Parent Company is the Euro, which is the presentation currency of the consolidated financial statements.

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

Conversion of financial statements of foreign operations
A foreign operation is an entity that is a subsidiary, associated company or joint venture of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. The statement of financial position and income statement figures expressed in the functional currency of foreign operations are converted into the presentation currency of the consolidated financial statements at the exchange rate at year-end for assets and liabilities and at the exchange rate in force at the date of the related transactions for revenues and costs in the income statement or the comprehensive income statement. These latter are converted at the average exchange rate in the period when such approximates the exchange rate at the date of the respective operations. Exchange differences deriving from such conversions and from the conversion of the opening shareholders' equity at the closing exchange rate are recognised in the comprehensive income statement. The total amount of the exchange differences is presented as a separate shareholders' equity item until the divestment of the foreign operation.

4.26 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 paragraph.

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

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

4.27 FINANCIAL RISK AND CAPITAL MANAGEMENT

As in all businesses, risk factors, which may affect the Group 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 Group activities.
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.

4.27.1 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.
The allocations for doubtful debts provisions carried out by Group companies reflect the expected credit losses.
The Group 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 Group and in this sense, the type of business and the payment instruments activated guarantee a limited credit risk overall.

The Group recognises a loss allowance 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 Group 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 Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

4.27.2 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 Group 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 Group 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 paragraphs 20 and 25 hereof.

4.27.3 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 Group'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 Group's economic result, indirectly influencing the costs and returns of financing and investment transactions. The interest rate risk to which the Group is exposed derives from bank loans.
The Group constantly monitors the trend in interest rates to mitigate this risk and, when deemed appropriate, possibly 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.

4.28 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 senior executives and their related parties do not appear to be any more favourable than those applied, or which may have been reasonably applied, in the event of similar transactions under normal market conditions with executives without strategic responsibility of the same entities.

4.29 NEW IFRS AND IFRIC INTERPRETATIONS

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

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

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

- **IFRS 16 "Leases"**

Impacts deriving from the adoption of IFRS 16

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

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

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

It should be noted that leased assets recognised in application of IFRS 16 "Leases" have been shown under "Rights of use and leased assets" in the consolidated statement of financial position as of 31 December 2019, and are detailed in the table in Note 8.

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

(in millions of Euros)

Assets	Impacts at the transaction date (01.01.2019)
Non-current assets	
Rights of use land and buildings	145
Rights of use other assets	10
Rights of use plant and machinery	0
Rights of use industrial and commercial equipment	7
Total	**162**
Shareholders' equity and liabilities	
Shareholders' equity	**0**
Shareholders' equity	0
Non-current liabilities	
Financial liabilities for non-current leases	148
Current liabilities	
Financial liabilities for current leases	14
Total	**162**

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

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

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

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

- Buildings
- Vehicles
- HW and SW

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

- HW and SW

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

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

- use of a single discount rate for lease portfolios with reasonably similar characteristics;
- use of the assessment carried out at 31 December 2018 according to the rules of IAS 37 Provisions,

Contingent Liabilities and Contingent Assets in relation to the accounting of onerous contracts as an alternative to the application of the impairment test pursuant to IAS 36 on the value of the right of use on 1 January 2019;
- classification of contracts that expire within 12 months from the transition date as a short term lease. For these contracts, lease payments are recorded in the income statement on a linear basis;
- exclusion of the initial direct costs from the measurement of the right of use on 1 January 2019;
- use of the information present on the transition date for the determination of the lease term, with particular reference to the exercise of extension and early closing options.

Reconciliation of lease commitments

To better understand the impact of first-time adoption of the standard, the following table provides a reconciliation between future commitments relating to lease contracts, as disclosed in paragraph 4.29 of the consolidated financial statements as of 31 December 2018, and the impact of the adoption of IFRS 16 on 1 January 2019.

(in millions of Euros)

Reconciliation of lease commitments	01.01.2019
Commitments for operating leases as of 31.12.2018	**147**
Minimum payments on finance lease liabilities as of 31.12.2018	7
Short term lease instalments (exemption)	(4)
Low-value lease instalments (exemption)	0
Non-lease components amount included in the liability	(4)
Instalments per extension period	46
Other changes	0
Undiscounted financial liability for leases as of 01.01.2019	**192**
Discounting effect	(23)
Financial liabilities for leases as of 01.01.2019	**169**
Current value of financial lease liabilities (ex IAS 17) as of 31.12.2018	(7)
Financial liability for additional leases due to the transition to IFRS 16 as of 01.01.2019	**162**

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

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

- **"Annual Improvements to IFRSs: 2015-2017 Cycle"**
  On 12 December 2017, the IASB published the document **"Annual Improvements to IFRSs: 2015-2017 Cycle"**, which includes the amendments to the standards within the annual improvement process. The main amendments involve:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements;
  - IAS 12 Income Taxes;
  - IAS 23 Borrowing Costs.

- **"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"**
  On 7 February 2018, the IASB published the document **"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"**. The adoption of these amendments had no impact on the Group consolidated financial statements.

- **"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**
  On 12 October 2017, the IASB published the document **"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**.
  With the exception of that illustrated in the IFRS 16 "Leases" paragraph, the adoption of these amendments did not have an impact on the Group consolidated financial statements.

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

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

- On 18 May 2017, the IASB published **IFRS 17 - Insurance Contracts**, which is intended to replace IFRS 4 - Insurance Contracts.
  The standard is applicable as from 1 January 2021 but early application is permitted only for entities applying IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors deem that the adoption of this standard will not have a significant effect on the Group consolidated financial statements.

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

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

- On 11 September 2014, the IASB published an amendment to **IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"**. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- Amendments to **"References to the Conceptual Framework in IFRS Standards"** (Conceptual Framework). Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued amendments to **"References to the Conceptual Framework in IFRS Standards"**. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

4.30 SEASONALITY OF GROUP TRANSACTIONS

The activities of the Group are not subject to seasonality.

5 Segment information

The management considers the Group as six operating segments under IFRS 8.

Information reported to Group's Chief Executive (the Chief Operating Decision Maker - CODM) for the purposes of resource allocation and assessment of segment performance is focused on the skills and reference market and reflect the business model which is currently split in 6 industries:

- Finance refers to the IT services provided to banks, insurance companies and financial institutions;
- Public Administration refers to the IT services provided to central and local public administration;
- Health refers to the IT services provided to healthcare;
- Industry & Services refers to the IT services provided to large and medium-sized corporations;
- Telco & Media refers to the IT services provided to telecommunication companies and other media corporations;
- Energy & Utilities refers to the IT services provided to players in the energy and utilities markets.

The accounting policies of operating segments are the same as the Group's accounting policies described in Note 4. Adjusted EBITDA represents the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.
Revenues and direct costs are allocated in relation to the related industry. The other income and operating expenses, not specifically attributable to segment, have been attributed in relation to their contribution margins, that represents the most appropriate driver to allocate them.

The following is an analysis of the Group's revenue by operating segment.

(in Euros)

Description	2019		2018	
Revenues				
Finance	274,620,191	22.0%	239,738,776	20.8%
Public Administration	267,615,676	21.4%	233,552,552	20.2%
Health	70,391,104	5.6%	63,851,276	5.5%
Industry & Services	280,226,500	22.4%	252,981,213	21.9%
Telco & Media	160,039,488	12.8%	181,461,499	15.7%
Energy & Utilities	197,989,172	15.8%	183,306,856	15.9%
Total revenues	**1,250,882,131**	**100.0%**	**1,154,892,172**	**100.0%**

There are not any intersegment revenues.

The Group's revenues from its major service lines are disclosed in Note 34.

The following is an analysis of the Group's Adjusted EBITDA by operating segment:

(in Euros)

Description	2019		2018	
Adjusted EBITDA				
Finance	60,842,357	+33.8%	49,837,683	+33.9%
% of revenues	+22.2%		+20.8%	
Public Administration	35,065,556	+19.5%	25,430,639	+17.3%
% of revenues	+13.1%		+10.9%	
Health	12,600,331	+7.0%	10,792,376	+7.3%
% of revenues	+17.9%		+16.9%	
Industry & Services	23,521,745	+13.1%	17,868,524	+12.1%
% of revenues	+8.4%		+7.1%	
Telco & Media	19,740,558	+11.0%	16,338,323	+11.1%
% of revenues	+12.3%		+9.0%	
Energy & Utilities	28,221,133	+15.7%	26,911,984	+18.3%
% of revenues	+14.3%		+14.7%	
Total adjusted EBITDA	**179,991,680**	**+100.0%**	**147,179,528**	**+100.0%**
% of revenues	+14.4%		+12.7%	

(in millions of Euros)

Adjusted EBITDA Reconciliation	31.12.2019	31.12.2018
Adjusted EBITDA	**180.0**	**147.0**
Stock Option costs	(10.0)	(9.9)
Retirement incentives	(3.2)	0.0
Costs associated with the relocation of headquarters office	(1.6)	0.0
Corporate strategic assessment expenses	(1.2)	0.0
Tax assessment costs	(2.9)	0.0
Depreciation of PP&E	(8.0)	(8.0)
Depreciation of right of use	(20.0)	N/A
Amortisation	(32.0)	(35.5)
Provision	(40.0)	(15.8)
Financial income	8.4	15.6
Income from investments	3.2	0.0
Financial expenses (excluding interest on lease liabilities)	(9.4)	(11.9)
Interest on lease liabilities	(1.5)	N/A
Profit before taxes	**62.0**	**82.0**

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the intangible assets and goodwill attributable to each segment.

The following is an analysis of the Group's intangible assets and goodwill by operating segment:

(in Euros)

Description	2019					2018				
	Customer list	Corporate intangible assets	Total intangible assets	Goodwill	Total	Customer list	Corporate intangible assets	Total intangible assets	Goodwill	Total
Finance	34,555,332	0	34,555,332	46,889,553	81,444,885	49,498,462	0	49,498,462	16,755,508	66,253,970
Public Administration	2,003,263	0	2,003,263	17,193,490	19,196,753	2,791,169	0	2,791,169	13,050,598	15,841,767
Health	0	0	0	6,739,383	6,739,383	0	0	0	6,739,383	6,739,383
Industry & Services	21,671,142	0	21,671,142	15,131,000	36,802,142	22,097,288	0	22,097,288	8,918,782	31,016,071
Telco & Media	0	0	0	10,384,415	10,384,415	601,537	0	601,537	10,384,415	10,985,952
Energy & Utilities	0	0	0	11,516,629	11,516,629	0	0	0	11,516,629	11,516,629
Total segment assets	**58,229,737**	**0**	**58,229,737**	**107,854,469**	**166,084,206**	**74,988,456**	**0**	**74,988,456**	**67,365,314**	**142,353,771**
Unallocated assets	**0**	**475,270,867**	**475,270,867**	**0**	**475,270,867**	**0**	**470,312,352**	**470,312,352**	**0**	**470,312,352**
Consolidated total assets	**58,229,737**	**475,270,867**	**533,500,604**	**107,854,469**	**641,355,073**	**74,988,456**	**470,312,352**	**545,300,808**	**67,365,314**	**612,666,122**

A) Non-current assets

6 Property, plant and equipment

(in Euros)

Description	31.12.2019	31.12.2018	Change
Property, plant and equipment	29,792,652	37,467,016	(7,674,364)

(in Euros)

Description	Land and buildings	Plant and machinery	Ind. and comm. equipment	Other assets	Leasehold improv.	Total
Historical cost as of 31.12.2018	19,255,889	6,517,937	27,814,809	5,534,919	1,172,674	60,296,274
Accum. deprec. as of 31.12.2018	1,416,900	2,542,929	16,065,084	2,056,777	747,567	22,829,258
Balance as of 31.12.2018	**17,838,989**	**3,975,008**	**11,749,725**	**3,478,142**	**425,107**	**37,467,016**
Historical cost as of 31.12.2019	9,003,069	6,827,563	29,353,782	7,151,908	848,195	53,184,563
Accum. deprec. as of 31.12.2019	993,535	3,164,562	16,654,832	2,394,794	184,188	23,391,911
Balance as of 31.12.2019	**8,009,534**	**3,663,001**	**12,698,951**	**4,757,114**	**664,006**	**29,792,652**

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

(in Euros)

Description	Land and buildings	Plant and machinery	Ind. and comm. equipment	Other assets	Leasehold improv.	Total
Balance as of 01.01.2018	**18,376,338**	**4,373,981**	**12,137,447**	**2,848,359**	**568,144**	**38,304,315**
Exchange difference effect	(493,515)	(10,252)	(24,641)	(11,476)	(18,660)	(558,544)
Increase	582,724	620,638	4,969,777	1,498,409	146,376	7,817,923
Disposal	195,882	(19,219)	(172,990)	13,161	(99,143)	(82,308)
Depreciation	(626,558)	(1,000,334)	(5,164,046)	(957,628)	(171,610)	(7,920,177)
Business combination	(195,882)	10,194	11,702	79,793	0	(94,193)
Balance as of 31.12.2018	**17,838,989**	**3,975,008**	**11,757,249**	**3,470,618**	**425,107**	**37,467,016**
Exchange difference effect	(190,517)	(1,921)	(7,512)	(1,245)	(9,900)	(211,095)
Increase	144,077	711,948	6,310,900	2,604,383	447,047	10,218,355
Reclass	(9,155,000)	0	0	0	0	(9,155,000)
Disposal	(292,257)	(5,226)	(45,425)	(338,789)	(16,696)	(698,394)
Depreciation	(335,758)	(1,112,298)	(5,318,447)	(1,092,221)	(181,551)	(8,040,276)
Business combination	0	95,491	2,186	114,369	0	212,046
Balance as of 31.12.2019	**8,009,534**	**3,663,001**	**12,698,951**	**4,757,114**	**664,006**	**29,792,652**

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

- "Land and buildings" increased by Euro 144 thousand as a result of the redevelopment of the property in Ferentino.
  The reclass of Euro 9,155 thousand, gross of accumulated depreciation, primarily refers to the reclassification in financial leases (formerly IAS 17) to "Rights of use and leased assets" in accordance with IFRS 16.
- "Plant and machinery" increased by Euro 712 thousand due to the installation of new air conditioning, telecommunications and security systems in a number of Company offices.
- The addition in "Industrial and commercial equipment", equal to Euro 6,311 thousand, relates to the purchase of computers for internal use while the decreases, equal to Euro 45 thousand (net of the related depreciation fund), are due to the disposal and/or donation of obsolete computers.

The addition in "Other assets" refers to the purchase of furniture and fittings.

7 Intangible assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Intangible assets	533,500,604	545,300,808	(11,800,204)

(in Euros)

Description	Development costs	Ind. patents ind. op. prop.	Conc., licences and trademarks	Assets in progress	Customer relation value	Total
Historical cost as of 31.12.2018	7,882,026	39,865,674	453,061,619	4,347,694	138,799,793	643,956,805
Accum. amortis. as of 31.12.2018	2,546,745	32,280,867	17,448	0	63,810,936	98,655,997
Balance as of 31.12.2018	**5,335,280**	**7,584,807**	**453,044,171**	**4,347,694**	**74,988,856**	**545,300,808**
Historical cost as of 31.12.2019	10,537,560	23,000,004	453,087,872	7,303,758	138,353,731	632,282,925
Accum. amortis. as of 31.12.2019	4,764,392	13,861,054	32,880	0	80,123,994	98,782,321
Balance as of 31.12.2019	**5,773,168**	**9,138,950**	**453,054,991**	**7,303,758**	**58,229,737**	**533,500,604**

The changes in intangible assets are detailed as follows:

(in Euros)

Description	Development costs	Ind. patents ind. op. prop.	Conc., licences and trademarks	Assets in progress	Customer relation value	Total
Balance as of 01.01.2018	**1,336,636**	**8,010,274**	**453,050,775**	**6,288,879**	**100,582,122**	**569,268,687**
Business combination	(3,769)	8,885	0	0	0	5,116
Exchange difference effect	(318)	(189,308)	14	0	(278,146)	(467,759)
Increase	5,391,584	4,889,034	913	3,432,172	6,587,969	20,301,672
Disposal	0	(132,897)	0	(5,373,358)	(2,756,707)	(8,262,962)
Amortisation	(1,388,853)	(5,001,181)	(7,531)	0	(29,146,381)	(35,543,946)
Balance as of 31.12.2018	**5,335,280**	**7,584,807**	**453,044,171**	**4,347,694**	**74,988,856**	**545,300,808**
Business combination	264,830	3,234,825	4,272	0	8,350,715	11,854,641
Exchange difference effect	(3,307)	(11,159)	7	0	(401,124)	(415,582)
Increase	153,604	4,287,408	16,670	5,115,899	0	9,573,581
Reclass	2,159,835	0	0	(2,159,835)	0	0
Disposal	108,138	(525,336)	2,090	0	0	(415,108)
Amortisation	(2,245,213)	(5,431,594)	(12,219)	0	(24,708,710)	(32,397,735)
Balance as of 31.12.2019	**5,773,168**	**9,138,950**	**453,054,991**	**7,303,758**	**58,229,737**	**533,500,604**

Intangible assets reported a total addition of Euro 9.6 million, mainly due to:

- the increase of “Development costs” and the reclass from “Asset in progress” in the item “Development costs” amount to Euro 2.3 million mainly refers to the following:
  - for Euro 2 million to the product known as “Net@2A”, of the Energy & Utilities area relating to the management of the Integrated Water Service and the Environmental Hygiene service in view of a Cloud Service, created internally, in use since 1 January 2019, and whose amortisation period is 5 years;
- “Industrial patents and intellectual property” increased by Euro 4.3 million, including Euro 1.4 million for the purchase of software programs and Euro 2.7 million for the purchase of licenses for internal use;
- “Assets in progress” increased by Euro 5.1 million due to internal investments in new solutions:
  - in the Health area, the development of the product known as “Cartella clinica elettronica” (Electronic Medical Record) and the “Percorso Diagnostico Terapeutico Assistenziale” (Diagnostic Therapeutic Care Diagnostic Path) product continued. The total value is Euro 1.3 million of which Euro 0.7 million incurred in 2019. Amortisation will be initiated in 2020 for 5 years;
  - in the Finance area, the product known as “Soluzione collocamento prodotti” (Product placement solution) is being developed. The project has a total cost of Euro 2 million over two years. Completion is expected in 2020. The costs incurred in 2019 amounted to Euro 1,7 million;

- in the Utilities area, the NET@4SETTLEMENT module was created for an investment of Euro 0.9 million, amortisation will initiate in 2020 for 5 years, in addition to a module known as "Upstram" which will end in 2020, costs incurred in the year amount to approximately Euro 0.1 million;
- to the capitalisation of development costs for the "Jente" project and the "Data Retention System" for Euro 0.7 million.

The item "Concessions, licences and trademarks" includes the trademark, amounting to Euro 453 million, referring to the Engineering brand. This value was recognized in 2017 upon completion of allocation of the purchase price for the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries, by Mic Bidco S.p.A. and subsequent reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A..

(in Euros)

Description	As of 31.12.2018	Change in consolidation scope	Write-downs	As of 31.12.2019
Gross value - trademark	453,039,362	0	0	453,039,362
Acc. impairment losses	-	-	-	-
Net value - trademark	**453,039,362**	**0**	**0**	**453,039,362**

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

The trademark is a right, which is legally protected through the registration at the competent Authorities. By reason of the fact that this right has no legal, contract, competitive or economic term which limits its useful life, the same is classified as an indefinite life intangible asset and therefore it is not amortised but it is subject to impairment loss when tested for impairment, as provided for by IAS 36. The impairment test carried out as of 31 December 2019 had confirmed that there was no need to write down the value of the trademark with an indefinite useful life expressed in the consolidated financial statements.

The "Other assets" item mainly consists of the "Contract Portfolio" and the "Customer Relation Value" recorded as a result of the business combination carried out by Engineering in previous years. During the period, "Other fixed assets" recorded an overall increase of Euro 8.3 million, mainly due to the identification and measurement of the fair values, in accordance with the IFRS 3 standard, of the assets and liabilities of the following companies:

- the allocation process, at the acquisition date of control, of the purchase price for the acquisition of control of Cybertech S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of Cybertech S.r.l. resulted in the identification of the "Contract Portfolio" and "Customer Relationship Value", as per income assessment discounted (WACC 9.4%) by the prospective residual margins resulting from such orders. The amount determined at the acquisition date is Euro 1,038 thousand and Euro 4,930 thousand, respectively. The residual period of amortisation is 5 years.

8 Rights of use

(in Euros)

Description	31.12.2019	31.12.2018	Change
Right of use and leased assets	173,372,063	0	173,372,063

(in Euros)

Description	Land and building IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Patent rights IFRS 16	Total
Historical cost as of 31.12.2019	173,528,494	273,674	8,894,658	14,115,977	97,330	196,910,133
Accum. amort. as of 31.12.2019	(15,886,117)	(104,703)	(3,234,962)	(4,279,471)	(32,817)	(23,538,071)
Balance as of 31.12.2019	**157,642,377**	**168,971**	**5,659,695**	**9,836,506**	**64,513**	**173,372,063**

(in Euros)

Description	Land and building IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Patent rights IFRS 16	Total
Beginning balance of lease assets	154,592,144	277,799	7,385,524	9,604,347	23,636	171,883,451
Exchange difference effect	(28,705)	(2)	11,650	(8,662)	0	(25,719)
Increase	25,363,152	72,505	2,192,866	5,390,725	97,330	33,116,578
Decrease	(9,219,317)	(76,628)	(683,732)	(890,956)	(23,636)	(10,894,269)
Decrease/(increase) acc. amortization/depreciation	1,091,434	73,468	413,744	598,330	23,636	2,200,613
Amortization and depreciation	(16,162,086)	(178,172)	(3,660,357)	(4,871,411)	(56,454)	(24,928,479)
Change in consolidation scope	2,005,755	0	0	14,133	0	2,019,888
Balance as of 31.12.2019	**157,642,377**	**168,971**	**5,659,695**	**9,836,506**	**64,513**	**173,372,063**

The Group has several assets including buildings, cars and IT equipment identified as leases. The average life is 6, 3 and 2 years respectively.
The lease contracts do not have any further significant extension option respect to lease term considered to determine the lease liability. Lease contracts do not have any significant variable lease payments, any restrictions nor covenants and no sale and leaseback transactions were occurred during the period.

The item “Beginning balance of lease assets” provides the data concerning lease contracts entered into before 1 January 2019, which was subject to evaluation for the First Time Adoption of IFRS 16, it also includes the reclassification of Euro 9,155 in financial lease (formerly IAS 17) relating to properties in Turin, already recorded in the previous year under “Land and buildings”, as explained in Note 6.

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

Note 4.29 of these financial statements summarises the impacts deriving from the adoption of IFRS 16 at the transition date.

The following table highlights the impact of IFRS 16 on profit and loss.

(in Euros)

Description	31.12.2019
Depreciation of right of use	24,853,924
Interest expenses on leasing	1,637,691
Expenses of short term agreements	1,720,460
Expenses of lease agreements with a value < 5 thousand	280,156
Impact on P&L	28,492,231

9 Goodwill

(in Euros)

Description	31.12.2019	31.12.2018	Change
Goodwill	107,854,469	67,365,314	40,489,155

Changes in goodwill, compared to the previous year, divided by Cash Generating Units, is as follows.

(in Euros)

Description	31.12.2018	Change in consolidation scope	Exch. rate difference	31.12.2019
Goodwill - Finance	16,344,694			16,344,694
Goodwill - Energy & Utilities	9,662,147			9,662,147
Goodwill - Telco & Media	6,819,242			6,819,242
Goodwill - PAL and Taxes	12,450,598			12,450,598
Goodwill - Health	6,739,383			6,739,383
Goodwill - Municipia mobilità	0	4,142,891		4,142,891
Goodwill - Cybertech	0	2,923,548		2,923,548
Goodwill - Deus Technology	0	30,134,045		30,134,045
Goodwill - Digitelematica	0	3,299,428		3,299,428
Goodwill - Other	15,349,250		(10,758)	15,338,492
Total	**67,365,314**	**40,499,912**	**(10,758)**	**107,854,469**

The value of goodwill as of 31 December 2019 recorded in the Engineering Group's consolidated statement of financial position amounts to Euro 107,854,469.

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

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

The impairment test carried out as of 31 December 2019 on the goodwill allocated to the Cash Generating Units (CGUs) to which it relates confirmed that there is no need to write-downs the value disclosed in the financial statements.

Based on the impairment test carried out according to the requirements of IAS 36 and IFRS 3 and to the methods described above and according to special modalities described hereunder, the aggregate value of the goodwill tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows.
There is no evidence at the present date for the Company to proceed with any impairment.

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

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

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

Description	Growth rate Terminal Value	WACC* post-tax 2019
Finance	0.50%	6.10%
Energy & Utilities	0.50%	6.09%
Telco & Media	0.50%	6.09%
PAL and Taxes	0.50%	6.04%
Health	0.50%	6.06%
Cybertech S.r.l.	0.50%	3.28%
Deus Technology S.r.l.	0.50%	2.23%
Other:		
OverIT S.p.A.	0.50%	5.11%
Nexen S.p.A.	0.50%	7.08%
Engineering Excellence Center S.r.l.	0.50%	5.07%
ITS Engineering AG	0.50%	4.53%
Sogeit Solutions S.r.l.	0.50%	7.11%
Engineering USA Inc.	0.50%	7.34%
Dynpro Systemas S.A.	0.50%	8.95%

* *Weighted Average Cost of Capital.*

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

- Risk free rate equal to the average rate of 2019 equal to approx. 2%;
- Equity Risk Premium, equal to the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities; the benchmark rate used for the measurement is that for 2019, equal to approx. 5%;
- Debt cost, equal to the average indebtedness cost (long and short term) of the Group equal to 1%;
- 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 1% on discount rate. This analysis highlighted no impairment losses. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a “g rate” growth rate equal to 0%.

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.

CGU	2019 Breakdown WACC
Finance	28.03%
Energy & Utilities	18.44%
Telco & Media	11.24%
PAL and Taxes	17.47%
Health	17.60%
OverIT S.p.A.	8.86%
Nexen S.p.A.	19.67%
XC	12.87%
ITS Engineering AG	11.53%
Sogeit Solutions S.r.l.	27.19%
Engineering USA Inc.	54.41%
Deus Technology S.r.l.	12.95%
Cybertech S.r.l.	45.07%

10 Equity investments

Investment in associated companies measured at equity

The book value and portions of shareholders' equity related to investments in associated companies are shown hereunder. The data is taken from statutory financial statements approved by the Boards of the related companies.

(in Euros)

Description	31.12.2019	31.12.2018	Change
Equity investments	54,818	150,975	(96,157)

Changes in investments:

(in Euros)

Equity investments	Value as of 31.12.2018	Initial change from merger	Change in consolidation scope	Increase	Decrease	Write-downs	Value as of 31.12.2019
Associated companies	150,975			41,093	(125,000)	(12,250)	54,818
Total	**150,975**		**0**	**41,093**	**(125,000)**	**(12,250)**	**54,818**

Associated companies

Investments in associated companies is as follows:

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2018	%
SI Lab – Calabria S.c.a.r.l.	Rende	38,379	25,557	30,000	19,822	13,652	(7,135)	7,200	+24
SI Lab – Sicilia S.c.a.r.l.	Palermo	35,845	2,410	30,000	33,435	15,944	1,150	3,525	+24
Consorzio Sanimed Group	Terni	n/a	n/a	n/a	n/a	n/a	n/a	3,000	+25
Engineering DSS GmbH	Stuttgart	24,263	60	25,000	24,203	0	(797)	12,250	+49
Unimatica S.p.A.	Bologna	4,282,043	3,280,773	500,000	1,001,270	5,158,769	74,166	125,000	+25
Total								**150,975**	

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2019	%
SI Lab – Calabria S.c.a.r.l.	Rende	16,795	11,349	30,000	5,446	1	(7,375)	8,293	+24
SI Lab – Sicilia S.c.a.r.l.	Palermo	37,737	2,316	30,000	35,421	14,751	1,985	3,525	+24
Consorzio Sanimed Group	Terni	n/a	n/a	n/a	n/a	n/a	n/a	3,000	+25
DST IT Services GmbH	Stuttgart	1,494,703	10,478,582	25,000	(9,967,470)	3,604,749	(1,518,221)	0	+49
Terram S.r.l.	Verona	n/a	n/a	n/a	n/a	n/a	n/a	40,000	+40
Total								**54,818**	

The data of the associated companies did not record movements during the year.

Terram S.r.l. is a newly incorporated company, therefore accounting data are not available.

11 Deferred tax assets

Deferred tax assets were recognised among assets both in the current period and in the previous period in so far, as their realisation as tax income is considered probable in the year in which these deferred tax assets will be reversed in the income statement. These concern the temporary differences between the book values and the tax recognised values of some financial statement items.

(in Euros)

Description	31.12.2019	31.12.2018	Change
Deferred tax assets	24,859,040	23,186,256	1,672,785

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 and recorded in the entries shown in the table hereunder:

(in Euros)

Description	31.12.2019		31.12.2018	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Property, plant and equipment and intangibles assets - IAS amortisation	2,650,894	472,636	3,075,787	571,971
Goodwill	309,384	86,318	433,717	120,249
Other current liabilites - Directors' fees	1,133,680	272,213	998,460	239,630
Bad debt reserve	41,162,456	9,974,706	26,644,264	6,491,885
Provisions for risks	11,917,229	3,820,157	12,581,592	3,726,019
Current provision for risk and charges - leaving incentives	9,863,995	2,367,359	17,966,563	4,557,980
Financial leases	44,419	12,393	44,419	12,393
Tax losses	4,430,161	475,268	3,656,803	1,023,112
Adjustments for IFRS FTA	3,422,217	949,222	3,245,204	905,412
Post employment benefits - adjustments for IAS 19	20,014,736	4,803,537	15,056,437	3,613,545
Deferred contract costs - adjustments for IFRS 15	2,370,179	661,280	3,472,869	958,293
Other	2,977,648	963,951	2,922,934	965,767
Total	**100,296,999**	**24,859,040**	**90,099,049**	**23,186,256**

The “Other” item relates essentially to the tax impact on provisions for invoices to be issued and to be received relating to the subsidiary company Engineering do Brasil S.A., which will produce effects at statutory financial statement level on their relative payment according to tax regulations in force in Brazil.

In the absence of a tax consolidation contract between the Engineering Group’s companies, considering the trend of tax losses realized in previous years and the uncertainty related to the existence future taxable profits against which unused tax losses can be utilised, the Directors did not recognize deferred taxes assets in relation to the carry-forward unused tax losses of subsidiary Engineering D.HUB S.p.A..

The decrease in deferred tax assets is mainly due to the release of the provision for charges relating to the non-competition agreement.

The following tables provide details of tax assets.

(in Euros)

Description	Doubtful debt provision	Tax credit Mic Bidco S.p.A.	Adjustments for IFRS	Other temporary differences	Total
Balance as of 01.01.2018	**9,131,062**	**6,277,912**	**4,105,323**	**12,737,372**	**32,251,669**
Change from merger			129,569		129,569
Impact on the income statement	(2,639,177)	(6,277,912)	1,371,927	(2,118,371)	(9,663,533)
Impact on the comprehensive income statement			468,951		468,951
Balance as of 31.12.2018	**6,491,885**		**6,075,370**	**10,619,001**	**23,186,256**
Change from merger				848	848
Impact on the income statement	3,482,822	0	(2,366,246)	(539,052)	577,524
Impact on the comprehensive income statement			1,094,413		1,094,413
Balance as of 31.12.2019	**9,974,706**		**4,803,537**	**10,080,797**	**24,859,040**

12 Other non-current assets and other current assets

Other non-current assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other non-current assets	5,837,675	5,560,690	276,985

As better described later on, the item, reporting a positive change for the period of Euro 276,985, includes investments in other companies where the Group has neither control or significant influence, non-current financial assets and residual assets, as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Investments in other companies	3,240,170	2,960,207	279,963
Other non-current assets	2,597,505	2,600,483	(2,978)
Total	**5,837,675**	**5,560,690**	**276,985**

a) Investments in other companies

Changes in the investments in other non-controlled companies

The changes in investments in other non-controlling companies are broken down as follows:

(in Euros)

	Value as of 31.12.2018	Increase	Decrease	Change in consolidation scope	Value as of 31.12.2019
Banca Popolare di Credito e Servizi	7,747				7,747
Banca Credito Cooperativo Roma	1,033				1,033
Global Riviera	1,314				1,314
Tecnoalimenti S.c.p.a.	65,832				65,832
Dhitech Distretto Tecnologico High-Tech S.c.a.r.l.	237,404				237,404
Distretto Tecnol. Micro e Nanosistemi S.c.r.l.	34,683				34,683
Wimatica S.c.a.r.l. (Da Esel)	6,000				6,000
Consorzio Cefriel	191,595				191,595
Consorzio Abi Lab	1,000				1,000
Equity investment in Ce.R.T.A.	360				360
Consorzio Arechi Ricerca	5,000				5,000
Investments in other companies	9,000	0	(14,100)	5,100	0
EHealthnet S.c.a.r.l.	10,800				10,800
Distretto Tecnologico Campania Bioscience S.c.a.r.l.	20,000				20,000
Caf Italia 2000 S.r.l.	260				260
M2Q S.c.a.r.l.	3,000				3,000
SedApta S.r.l.	750,000				750,000
Consel S.r.l.	382,486				382,486
Istella S.r.l.	750,000	250,000			1,000,000
Equity investment in Novito Acque S.r.l.	100,000				100,000
Ekovision	300,000				300,000
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
Consorzio Veso		5,000			5,000
Total	**2,960,207**	**288,963**	**(14,100)**	**5,100**	**3,240,170**

b) Other non-current assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Tax receivables and taxes paid abroad	1,599,654	1,820,819	(221,165)
Security deposits	987,851	769,664	218,187
Others	10,000	10,000	0
Total	**2,597,505**	**2,600,483**	**(2,978)**

Other non-current assets relate to:

- receivables for taxes paid abroad refer to taxes paid abroad in relation to assets invoiced and fiscally recoverable;
- security deposits are on rented real estate properties and sundry utilities;
- the item “Others” includes loans to other companies and receivables from the Inland Revenue office.

Other current assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other current assets	52,037,321	60,314,237	(8,276,916)

Other current assets are broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other assets and tax receivables	13,236,421	16,828,709	(3,592,288)
Others	38,800,900	43,485,528	(4,684,628)
Total	**52,037,321**	**60,314,237**	**(8,276,916)**

a) Other assets and tax receivables

Other assets and tax receivables are broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Tax receivables	11,421,510	13,894,361	(2,472,851)
Social security institutions	1,689,838	2,783,304	(1,093,466)
Other	125,074	151,044	(25,971)
Total	**13,236,421**	**16,828,709**	**(3,592,288)**

The tax receivables substantially relate to:

- Euro 6.3 million for IRES and IRAP receivables. The amount is the difference between advanced payments and withholdings applied, and tax provisions calculated as of 31 December 2019;
- Euro 0.5 million relating to receivables for taxes paid abroad;
- Euro 3.8 million relating to receivables from the Inland Revenue Office for recoverable VAT;
- Euro 1.3 million in tax refunds receivable.

Receivables from social security institutions related to the payment of the INAIL advance payment for 2019 and INPS receivables to be recovered over subsequent years.

b) Others

"Others" item includes:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Applied research grants	33,580,767	33,919,906	(339,139)
Prepaid expenses	1,298,063	1,343,222	(45,159)
Others	3,922,070	8,222,400	(4,300,330)
Total	**38,800,900**	**43,485,528**	**(4,684,628)**

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

C) Current assets

13 Inventory

(in Euros)

Description	31.12.2019	31.12.2018	Change
Inventories	90,514	55,440	35,074

Inventories include goods and product usage licences purchased and held for resale.

14 Customer contract assets

(in Euros)

Description	31.12.2019	31.12.2018	Change
Customer contract assets	200,780,560	167,359,263	33,421,297

Customer contract assets, recorded net of advances, is broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Customer contract assets	167,359,263	150,323,955	17,035,309
Exchange difference	(388,142)	(2,308,856)	1,920,714
Acquisitions	230,243		230,243
Adjustments and changes customer contract assets	1,526,724	2,448,554	(921,829)
Amount of costs incurred increased by profits recorded	570,762,656	497,817,744	72,944,911
Inv. actual progress customer contract assets	(538,710,184)	(480,922,134)	(57,788,050)
Total	**200,780,560**	**167,359,263**	**33,421,297**

Customer contract assets concern 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. At 31 December 2019, there are not any indicator of expected credit loss for this caption.
The variation of period refers mainly to the increase of volumes shown on revenues and due to the acquisition of period. During this period, there were not any changes on contractual conditions.

15 Deferred contract costs

(in Euros)

Description	31.12.2019	31.12.2018	Change
Deferred contract costs	22,172,850	23,333,398	(1,160,548)

The Group recognised deferred contract costs in relation to obtaining the contract represented by the so-called transition and start-up costs for Euro 8,013 thousand. These are costs directly associated with the performance of the service offered and, in particular, refer to the costs incurred for the taking over of orders (transition cost) or costs for specific training of personnel preparatory to the execution of a particular order (start-up cost). These costs are realised in the normal operating cycle.

The Group has also recorded contract costs in relation to the fulfilment of the contract for Euro 14,159 thousand. These are direct costs charged to orders, which include the purchase of materials from third parties, outside labour and the cost of employees.

The portions of cost released pertaining to 2019, determined on the basis of the ratio between the revenues accrued for the activities carried out at the reporting date and the total estimated revenues until the end of the contracts, amount to Euro 498 thousand for the so-called transition costs and start-up costs and Euro 16,348 thousand for the costs for the fulfilment of the contract.

16 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.

The type of Group operations justifies the high amounts of receivables such as the proportion due from Public Administration, contractual durations, the nature of the entity and the events such as the testing of projects. Trade receivables are all due within twelve months.

(in Euros)

Description	31.12.2019	31.12.2018	Change
Trade receivables	590,500,354	568,087,727	22,412,627

The breakdown is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Customers	574,773,098	556,694,403	18,078,695
Others	15,727,256	11,393,324	4,333,932
Total	**590,500,354**	**568,087,727**	**22,412,627**

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

In order to determine the expected credit loss, trade receivables were initially grouped by counterparty (third parties and Public Administration) and subsequently, for receivables from third parties only, by days past due. Customer 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 Group has therefore concluded that the expected credit loss for trade receivables represents a reasonable approximation of the losses on customer contract assets. The expected credit loss rates are based on the collection times over a period of 545 days prior to 1 January 2018, and the corresponding losses on historical receivables during that period. Historical loss rates are adjusted to reflect current and future macroeconomic conditions affecting customers' ability to repay loans. The Company has identified the average default rate of Italian companies for the two-year period 2018-2019 as a relevant factor for receivables from third parties, while it has identified the country risk of Italy as the main factor for receivables from the Public Administration. These factors were used to adjust the historical loss rates recorded.

On this basis, the doubtful debt provision to be subject to collective impairment as of 1 January 2018, was determined as follows. It should be noted that, on the basis of the model described above, there are no significant impacts such as to have to adjust the doubtful debt provision as of 31 December 2019, with reference to the expected credit loss.

(in Euros)

Description	Not overdue	Overdue					31.12.2018
		0-30 days	30-60 days	60-90 days	90-120 days	over 120 days	
Trade receivables	252,999,282	57,440,346	24,578,503	7,254,452	4,226,609	122,575,150	469,074,342
Expected credit loss rate	0.02%	0.02%	0.08%	0.08%	0.18%	0.40%	
Doubtful debt provision	**50,600**	**11,488**	**19,663**	**5,804**	**7,608**	**490,301**	**585,463**

(in Euros)

Description	Not overdue	Overdue					31.12.2019
		0-30 days	30-60 days	60-90 days	90-120 days	over 120 days	
Trade receivables	299,428,232	56,376,078	17,841,994	6,797,655	5,966,719	101,025,130	487,435,809
Expected credit loss rate	0.02%	0.02%	0.08%	0.08%	0.18%	0.40%	
Doubtful debt provision	**59,886**	**11,275**	**14,274**	**5,438**	**10,740**	**404,101**	**505,713**

a) Customers

(in Euros)

Description	31.12.2019	31.12.2018	Change
Receivables on invoices issued	487,435,809	469,074,342	18,361,467
of which overdue	188,007,577	216,075,060	(28,067,483)
Invoices to be issued	178,577,326	169,880,983	8,696,343
Credit notes to be issued	(675,079)	(374,939)	(300,140)
Doubtful debt provision	(54,407,508)	(39,322,655)	(15,084,853)
Provision for interest in arrears	(36,157,450)	(42,563,328)	6,405,878
Total	**574,773,098**	**556,694,403**	**18,078,695**

The "Receivables from customers" item is equal to Euro 574,773,098, net of a doubtful debt provision amounting to Euro 54,407,508, sufficient to cover any future losses, in addition to allocations made as provision for interest in arrears (Euro 36,157,450) to cover any possible future losses related to the aforesaid entry.

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

(in Euros)

Trade receivables	31.12.2019
Doubtful debt provision as of 31.12.2018	(39,322,655)
Provision for the period	(32,687,843)
Write-off of receivables considered non-recoverable	17,602,990
Doubtful debt provision as of 31.12.2019	**(54,407,508)**

It is noted that, as of 31 December 2019, the Group factored trade receivables for the total amount of Euro 155.2 million (Euro 155.8 million as of 31 December 2018). The transfer was non-recourse, so risks and benefits related to receivables were transferred to the transferee; receivables were therefore written off from the assets in the consolidated statement of financial position, according to the consideration received by factoring companies.

Receivables include the exposure as of 31 December 2019, with respect to Sicilia Digitale S.p.A. equal to Euro 107,873,475 (including the related doubtful debt provision amounting to Euro 27,377,522), of which Euro 14,526,757 of customer contract assets, were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A.) and Sicilia e-Servizi Venture S.c.r.l. in liquidation on 21 May 2007 and expired on 22 December 2013.

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

As regards Sicilia Digitale S.p.A.'s judgement of opposition to the first order decree, deposited on 3 September 2013, obtained in the amount of approximately Euro 30,052 thousand, the Judge ordered Office Technical Experts, to evaluate, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the order of payment. On 17 December 2016, the Office Technical Experts, designated for the assessment of the actual performance by Venture of services that are related to the invoicing object of the payment order, transmitted to the parties a first draft of the expertise where a total amount receivable of Euro 28,068 thousand was assessed in favour of Venture; therefore, almost the entire amount claimed in Court was assessed by experts (taking account that in the arrears some payments were received by Venture 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" by 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 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 gave the last forecast data expected on 1 May 2020. In addition, the transaction provides that the failure to comply with any time scans for the payment so agreed is provided, 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 fulfillment under penalty of termination of the transaction. However, to date, no further payment has been received, in so that it is being considered to proceed with the dissolution of the settlement agreement and the enforcement of the judgement for the hiegher amount indicated therein.

In addition to what has just been illustrated, on 18 February 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of receivables (around Euro 79,675 thousand, including the works recognised in the financial statements to complete the amount already requested with an appeal for an order of payment) as the company deems, as already stated, that these amounts were correctly originated and are correctly payable, also pursuant to provisions contained in the trilateral agreement signed on 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 expertises.

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 a request and assigned the parties a deadline until 30 September 2018, to communicate their observations to the expertise, assigning the experts a further deadline until 30 October 2018, to file the final report together with the observations of the parties and setting a hearing on 8 November 2018, for the continuation of the case. The aforementioned final report shows (i) a receivable assessed by SISEV for only Euro 4,198 thousand against a claim of Euro 79,675 thousand and (ii) provides the Judge, as a possible alternative assessment criterion, with a second calculation certifying a total receivable of Euro 26,157 thousand from Venture. The case was adjourned to the hearing of 12 December 2019, for examination by the expertise.

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

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

The Directors, considering the legitimacy of the credit lines carried out and the correct execution of the services, assessed the appraisal delivered by the Office Technical Experts as part of the summons to obtain payment of an amount of their receivables equal to approximately Euro 79,675 thousand, as seriously omissive and erroneous consider the receivable from Sicilia Digitale S.p.A. to SISEV to be collectable.

In any case, considering the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement, in view of a 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 (around Euro 5.0 million) in the income statement and under financial income, in addition to the amount already recognised until 31 December 2018 (for a total amount of around Euro 35.3 million), and accrued a bed debt provision for Euro 26.8 million, in addition of the previous accruals, for a total doubtful debt provision of approximately Euro 62.7 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.

The Directors have explained that this determination is the result of a prognostic judgement formulated on the basis of a careful reflection of all existing available information.

Overdue receivables by sector are shown in the following table:

(in Euros)

Description	Days falling due					Total as of 31.12.2018
	30	60	90	120	over 120	
Public Administration	12,219,887	5,238,880	4,688,750	553,648	84,115,694	106,816,860
Finance	5,652,414	4,368,519	471,317	1,153,515	8,863,391	20,509,156
Industry & Services	21,991,226	10,186,024	1,374,385	1,846,572	21,793,417	57,191,624
Telco & Utilities	17,576,819	4,785,080	719,999	672,874	7,802,647	31,557,419
Total	**57,440,346**	**24,578,503**	**7,254,452**	**4,226,609**	**122,575,150**	**216,075,060**

(in Euros)

Description	Days falling due					Total as of 31.12.2019
	30	60	90	120	over 120	
Public Administration	8,416,982	6,009,524	2,660,371	1,596,853	58,703,400	77,387,130
Finance	10,635,657	1,952,727	1,127,215	861,842	11,559,707	26,137,148
Industry & Services	17,944,305	7,706,385	2,047,807	1,862,845	22,825,511	52,386,854
Telco & Utilities	19,379,134	2,173,357	962,263	1,645,179	7,936,511	32,096,444
Total	**56,376,078**	**17,841,994**	**6,797,655**	**5,966,719**	**101,025,130**	**188,007,577**

Receivables for overdue invoices decreased overall by approximately Euro 28 million compared with the previous year. Essentially due to the Public Administration.

b) Others

(in Euros)

Description	31.12.2019	31.12.2018	Change
Prepayments	1,563,158	1,935,586	(372,428)
Others	14,164,099	9,457,738	4,706,360
Total	**15,727,256**	**11,393,324**	**4,333,932**

Other receivables principally relate to prepayments for short-term leases, insurance policies, software package, maintenance costs, usage licenses and others.

17 Cash and cash equivalents

(in Euros)

Description	31.12.2019	31.12.2018	Change
Cash and cash equivalents	191,870,292	177,502,797	14,367,495

The balance includes cash and cash equivalents and bank current accounts.

Cash and cash equivalents consist of the following:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Bank and postal deposits	191,813,969	177,465,956	14,348,013
Cash and cash equivalents	56,323	36,841	19,482
Total	**191,870,292**	**177,502,797**	**14,367,495**

As of 31 December 2019, the item “Cash and cash equivalents” amounts to Euro 191.8 million, up Euro 14.0 million compared to 31 December 2018 and corresponds to cash and cash equivalents relating to current accounts and readily available funds.
For further information, please refer to the cash flow statement.

D) Shareholders' equity

18 Information on shareholders' equity

(in Euros)

Description	31.12.2019	31.12.2018	Change
Shareholders' equity	610,980,762	615,824,211	(4,843,449)

The changes are shown in the table below:

(in Euros)

Shareholders' equity	Value as of 31.12.2019	Value as of 31.12.2018
Share capital	31,875,000	31,875,000
Total share capital	**31,875,000**	**31,875,000**
Legal reserve	6,375,000	6,375,000
Merger reserve	504,437,886	504,437,886
Exchange translation reserve	(4,272,133)	(3,936,332)
Other reserves	(8,313,615)	(9,611,794)
Total reserves	**498,227,139**	**497,264,761**
Prior years' undistributed profits	51,058,947	39,170,026
First-time application of IAS/IFRS	(819,853)	(688,337)
IAS 19 actuarial gains/(losses)	(15,152,356)	(11,718,499)
Retained earnings/(losses carried forward)	**35,086,737**	**26,763,190**
Profit/(loss) for the year	**51,900,485**	**55,211,805**
Total Group shareholders' equity	**617,089,361**	**611,114,756**
Capital and reserves of minority interests	**1,962,707**	**2,228,300**
Profit/(loss) for the year of minority interests	**(8,071,306)**	**2,481,155**
Total shareholders' equity	**610,980,762**	**615,824,211**

19 Share capital

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

20 Reserves

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

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

- Merger reserve:
  the merger reserve totalled Euro 504,437,886 and it is broken down as follows:
  - Euro 116,044,240 relate to mergers of subsidiaries, occurred from 2003 to 2013; the reserve substantially 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.

- Other reserves:
  other Reserves (negative) of Euro 8,313,615 relate to:
  - Special Egov research reserve, of Euro 72,000, is neither available nor distributable;
  - Special Erp Light research reserve, of Euro 168,000, is neither available nor distributable;
  - Special research reserve applied to the PIA Project, of Euro 1,080,000, is neither available nor distributable;
  - Stock Option Reserve, this reserve, amounting to Euro 29,349,420, is for the assignment of Stock Options, as per the share incentive plan and the extraordinary plan addressed to employees and approved by the Board of Directors on 28 June 2017;
  - Forward contract reserve, amounting to Euro (37,391,655) on shares of subsidiaries (i.e. Non-Controlling Interest) whose counterpart liability is represented in paragraph 20 above.

- Exchange translation reserve:
  at the reporting date, it amounted to Euro (4,272,133) and is neither available nor distributable.

21 Retained earnings

Retained earnings are equal to Euro 35,086,737 and include:

- Prior years' undistributed profits:
  at the reporting date, they amounted to Euro 51,058,947 and are neither available nor distributable. The increase for the year amounts to Euro 55,211,805 and is due to the allocation of the previous year's result, while the decrease of Euro (43,322,884) is essentially due to distribution of dividends.

- First-time application of IAS/IFRS reserve:
  at the reporting date, it amounted to Euro (819,853) and is neither available nor distributable.

- Actuarial gains/(losses) reserve - IAS 19:
  at the reporting date, it amounted to Euro (15,153,356) and is neither available nor distributable.

E) Non-current liabilities

22 Non-current financial liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Non-current financial liabilities	197,485,888	177,939,035	19,546,853

Non-current financial liabilities relate to “Bank loans” and “Other non-current financial liabilities”, broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Bank loans	185,536,742	171,045,154	14,491,588
Other non-current financial liabilities	13,855,500	10,317,470	3,538,030
Value of financial debt at amortised cost	(1,906,355)	(3,423,590)	1,517,235
Total	**197,485,888**	**177,939,035**	**19,546,853**

The bank loans as of 31 December 2019 is shown in the table below, including the portion due within 12 months, with indication of the lender and the interest rate.

(in Euros)

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Of which over 5 years
Medium/long-term loans	2020	8.96	4,577	1,533,883	
Medium/long-term loans	2021	2.57	6,948	5,307	
Banca Intesa Sanpaolo loan	2020	3.91	8,963		
Banca Carige 60	2022	2.65	40,148	76,423	
Imprebanca 1-602-2251	2021	4.25	66,666	50,000	
Banca IFIS 3060	2021	4.50	67,643	46,844	
BCC Roma 006/728505/35	2022	3.50	82,081	143,378	
Iccrea Banca D'impresa	2023	2.50	79,535	236,506	
Intesa Sanpaolo Fin. 83817	2020	Euribeur 363m+0.85000	8,312,500		
Bei/Serapis N. 84744	2022	Euribeur 363m+1.06000	9,090,909	13,636,363	
Banca IMI - Pool of banks	2021	0.9000000	24,700,000	59,150,000	
MIUR Pr. 248064 Safe&Smart	2024	0.2500000	46,451	328,428	
Banco BPM	2020	-	150,000		
Banco BPM	2023	1.2500000	13,644,444	40,933,333	
Banco BPM	2024	0.8770000	500,000	9,250,000	
Bei/Serapis N. 88682	2026	1.3390000		40,000,000	13,333,333
Bei/Serapis N. 88682	2026	1.3060000		20,000,000	6,666,666
MISE/Mcc Summit	2028	0.1700000	9,685	146,272	68,492
Total			**56,810,556**	**185,536,742**	**20,068,492**

The Group’s main long-term financial payables include Parent Company commitments for mortgages with maturity over 12 months, mainly attributable to the Parent Company and equal to Euro 183,444,398.

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

- to support research and development activities the European Investment Bank (EIB) granted one direct credit line of Euro 50 million, disbursed on 8 January 2016;
- the loan granted by Banca Intesa Sanpaolo S.p.A. was supplied in two instalments, of which the first of Euro 31.5 million on 30 December 2015 and the second of 38.5 million on 30 June 2016. The first tranche of Euro 31.5 million was used to repay a previous loan, originally Euro 35 million, granted by the European Investment Bank (EIB) through Unicredit S.p.A.. The loan will expire in March 2020;
- following the reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., on 26 May 2017, a loan of Euro 130 million was supplied in favour of Engineering Ingegneria Informatica S.p.A. by a pool of banks through Banca IMI. This loan was used to redeem another loan of Euro 290 million granted by the same pool of banks, again through Banca IMI S.p.A., to Mic Bidco S.p.A., which had used it to acquire the entire share capital of Engineering Ingegneria Informatica S.p.A. against the OPA launched in May 2016;
- on 27 December 2017, a 6-year loan was also granted by Banco BPM, for the amount of Euro 61.4 million, in relation to the acquisition of Infogroup S.p.A.;
- on 2 July 2019, Banco BPM granted a loan of Euro 10 million for a 5.5 year period to support the financial restructuring of Cybertech S.r.l.;
- on 6 June 2019, a new loan contract for Euro 60 million was signed, granted directly by the European Investment Bank (EIB) in support of research and technological development activities. On 16 July 2019, the first tranche of Euro 40 million was disbursed at a fixed rate of 1.339%, while on 20 September 2019, the second and last tranche of Euro 20 million was disbursed at a fixed rate of 1.306%.

Covenants

All financial loans, except for the Euro 60 million loan granted by the EIB, are at variable rate.

The following loans envisage the respect of some covenants:

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

The financial parameters are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report. All parameters envisaged in the contracts have been fulfilled.
As regards the instalment of Euro 31.5 million supplied by Banca Intesa Sanpaolo S.p.A., the rate swap contract was confirmed to hedge against rate fluctuations, which was entered into on 1 July 2014, with Unicredit S.p.A., to hedge the loan supplied by the same bank on behalf of the European Investment Bank (EIB) and redeemed on 30 December 2015. This changes the variable portion of the rate, 3-month Euribor, 360 days, into a fixed rate equal to 0.56% for the entire duration of the loan instalment redemption. This hedging will expire in March 2020 at the same time as the last repayment instalment of the Banca Intesa loan.
As regards the loan granted by Banca IMI S.p.A./Pool of Banks on 23 July 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate set at 0.15% expired on 21 October 2019 and was never activated.

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

The "Other non-current financial liabilities" item is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Derivative (cash flow hedge)	8,413	67,643	(59,230)
Security deposits	726,133	747,185	(21,052)
Amounts due for finance lease	470,954	5,887,784	(5,416,831)
Contingent consideration for business combinations	12,650,000	3,614,858	9,035,142
Total	**13,855,500**	**10,317,470**	**3,538,030**

The "Other current liabilities" item mainly includes:

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

The following table represents the movement of financial liabilities:

(in Euros)

Description	December 2017	Cash flows			Non cash changes	December 2018
		New loans	Repayment	Reclass.	Other movements	
Non-current financial liabilities	232,425,051	63,408,184	(39,919,919)	(74,122,200)	(3,852,081)	177,939,035
Current financial liabilities	115,355,058		(115,355,058)	74,122,200	0	74,122,200
Total	**347,780,109**	**63,408,184**	**(155,274,977)**	**0**	**(3,852,081)**	**252,061,234**

(in Euros)

Description	December 2018	Cash flows			Non cash changes	December 2019
		New loans	Repayment	Reclass.	Other movements	
Non-current financial liabilities	177,939,035	92,167,759		(86,518,499)	13,897,593	197,485,888
Non-current financial liabilities for right of use	0			(14,828,586)	168,958,728	154,130,142
Current financial liabilities	74,122,200		(57,833,653)	79,263,883	12,532,824	108,085,253
Current financial liabilities for right of use	0		(16,003,627)	22,083,202	14,636,795	20,716,370
Total	**252,061,234**	**92,167,759**	**(73,837,280)**	**0**	**210,025,939**	**480,417,653**

The other movements of non-current and current financial liabilities for right of use, amounting to Euro 168.9 million and Euro 14.6 million respectively are related to the effect of application of IFRS 16.
The reclassification of non current financial liabilities, amounting to Euro 86.5 million, represents the reclassification of the short-term portion of the loan.

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

(in Euros)

Description	31.12.2019	31.12.2018
Cash and cash equivalent	56,323	36,841
Bank and postal deposits	191,813,969	177,465,956
A) Cash and cash equivalents	**191,870,292**	**177,502,797**
B) Current financial receivables	**0**	**4,700,000**
Bank overdrafts (bank overdrafts of bank accounts)	(5,852,080)	(4,263,099)
Short term bank loans	(80,630,715)	(55,519,222)
Current financial liabilities for right of use	(20,716,370)	0
Other current financial liabililities	(21,602,459)	(14,339,879)
C) Current borrowing	**(128,801,623)**	**(74,122,200)**
D) Net current financial position	**63,068,669**	**108,080,598**
Non-current financial liabilities	(183,630,387)	(167,621,564)
Non-current financial liabilities for right of use	(154,130,142)	0
Other non-current financial liabilities	(13,855,500)	(10,317,470)
E) Non-current borrowing	**(351,616,029)**	**(177,939,035)**
F) Net financial position	**(288,547,361)**	**(69,858,437)**

23 Non-current lease liabilities IFRS 16

(in Euros)

Description	31.12.2019	31.12.2018	Change
Non-current lease liabilities IFRS16	154,130,142	0	154,130,142

With regard to the portion due within 12 months of lease payables, amounting to Euro 20,716,370, please refer to the paragraph on current payables for leases IFRS 16.

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

(in Euros)

Description	Within 1 year	Between 1-5 years	Over 5 years
Amounts due for finance lease (IAS17)	1,329,126	4,561,144	48,646
Payables for lease offices and branches	13,044,214	140,374,111	84,955,084
Payables for vehicle financing	4,134,834	5,139,318	
Payables for hardware and software lease	2,079,531	3,952,979	
Other lease liabilities	128,665	102,588	
Total	**20,716,370**	**154,130,141**	**85,003,730**

Lease liabilities are monitored within the Group's treasury function.

24 Deferred tax liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Deferred tax liabilities	162,880,181	167,646,133	(4,765,952)

Deferred tax liabilities have been calculated on the following items:

(in Euros)

Description	31.12.2019		31.12.2018	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Properties, plant and equipment - tax depreciations	115,790	33,006	0	0
Goodwill	14,635,784	4,083,385	29,330,922	8,737,445
Intangibles - trademark	453,029,362	126,395,192	453,029,362	126,395,192
Other revenues - research grants	1,213,527	298,444	1,406,717	344,810
Other revenues - research grants taxed in 5 years	67,067,529	16,096,207	66,123,982	15,869,756
Doubtful debt provision	20,666	4,960	20,666	4,960
IFRS adjustments FTA	2,050,703	572,146	2,159,879	602,606
IFRS - IAS 8 adjustments	1,031	328	1,031	328
Customer relationship - allocation of goodwill	53,237,761	15,385,821	56,201,952	15,680,344
Other	44,555	10,693	44,555	10,693
Total	**591,416,706**	**162,880,181**	**608,319,065**	**167,646,134**

The following tables show details of deferred tax liabilities recognised in the income statement:

(in Euros)

Description	Doubtful debt provision	Trademark	Allocation of goodwill	R&D grants	Other temporary differences	Total
Balance as of 01.01.2018	**4,960**	**126,395,192**	**26,919,571**	**16,448,959**	**4,940,934**	**174,709,616**
Impact on the income statement			(11,239,227)	(234,393)	4,410,138	(7,063,482)
Impact on the statement of comprehensive income						
Balance as of 31.12.2018	**4,960**	**126,395,192**	**15,680,344**	**16,214,566**	**9,351,071**	**167,646,133**
Change from merger						0
Impact on the income statement	0	0	(294,523)	180,086	(4,651,515)	(4,765,952)
Impact on the statement of comprehensive income						0
Balance as of 31.12.2019	**4,960**	**126,395,192**	**15,385,821**	**16,394,651**	**4,699,556**	**162,880,181**

25 Non-current provisions for risks and charges

(in Euros)

Description	31.12.2019	31.12.2018	Change
Non-current provisions for risks and charges	4,686,023	4,015,264	670,759

The provision for risk refers to litigations with customers for Euro 4.0 million and labour litigations for Euro 0.7 million.

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2018	**3,894,900**
Exchange difference effect	(429,662)
Increase	550,026
Balance as of 31.12.2018	**4,015,264**
Exchange difference effect	(80,780)
Increase	751,539
Balance as of 31.12.2019	**4,686,023**

26 Other non-current liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other non-current liabilities	38,985,512	37,459,457	1,526,055

Other non-current liabilities include:

- for Euro 36.9 million the measurement of payables – based on provisions set out by IAS 32 – for put options granted to non-controlling. The fair value of liabilities, which represents a reasonable estimate of the exercise price for the option, was determined based on contract terms set out in the related contract, by using the parameters that are inferable from the 2019-2021 plan of the subsidiary involved;
- for Euro 1 million the payables for a non-competition agreement signed with the top management.

27 Post-employment benefits

(in Euros)

Description	31.12.2019	31.12.2018	Change
Post-employment benefits	74,412,000	69,768,374	4,643,625

Due to the introduction of Italian Law no. 296 of 27 December 2006 and subsequent decrees and regulations issued at the beginning of 2007, post-employment benefits from 1 January 2007 changed from a “defined benefit plan” to a “defined contribution plan” as a consequence of the application of differing accounting treatment of post-employment benefits accrued before or after 31 December 2006.
Post-employment benefits, accrued after 1 January 2007, represent a “defined contribution plan”. Periodically, the Company pays post-employment benefits accrued to a separate entity (e.g. INPS and/or a Fund) with the payment fulfilling obligations toward employees. For accounting purposes, it is included under other contributions, therefore the post-employment benefit matured is recorded as a cost in the period with the payable recognised under short-term payables.

Post-employment benefits accrued up to 31 December 2006 continue to represent a “defined benefit plan” which is more certain in terms of their existence and sum, but uncertain in terms of manifestation.
The total amount of the benefit obligation is calculated and certified on an annual basis by an independent actuary by using the “Projected Unit Credit” method.

A summary of the actuarial assumptions adopted in measuring post-employment benefits is provided below.

Financial assumptions:

- future annual rates of inflation were set according to the average rates of inflation in Italy in recent years, based on ISTAT data;
- future annual revaluation rates of existing provisions and subsequent payments fixed, as established by regulations at 75% of the inflation rate plus 1.50% net of taxes;
- the annual discount rate was established as variable from 0.0000% to 0.6997% and was deducted adopting a rate curve combining the effective yield rates movements of the Euro Bonds of primary companies with AA rating or higher.

Demographic assumptions:

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

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

(in Euros)

Engineering Group		Discounting				
		-10%		**100%**		**10%**
	-10%	**74,120,459**	168,017	**73,952,442**	(166,691)	**73,785,751**
		(459,482)	(289,278)	(459,557)	(623,986)	(455,132)
Infla	100%	**74,579,941**	170,203	**74,411,999**	(168,855)	**74,240,883**
		463,678	633,880	459,198	290,409	459,264
	+10%	**75,043,619**	172,422	**74,871,197**	(171,050)	**74,700,147**

Engineering Group		Discounting				
		-10%		**100%**		**10%**
	-10%	**+99.61%**	+0.22%	**+99.39%**	-0.23%	**+99.16%**
		-0.62%	-0.39%	-0.61%	-0.84%	-0.61%
Infla	100%	**+100.23%**	+0.23%	**+100.00%**	-0.23%	**+99.77%**
		+0.62%	+0.85%	+0.62%	+0.39%	+0.62%
	+10%	**+100.85%**	+0.23%	**+100.62%**	-0.23%	**+100.39%**

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

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2018	**67,709,886**
Change in opening balance for merger	4,882
Provisions	25,888,258
Amounts paid to social security institutions + INPS	(23,930,990)
Actuarial gains/(losses)	1,953,964
Benefits paid	(2,845,726)
Indemnities on acquisition of Group business units/subsidiaries	982,457
Transfer payables of Group business units/subsidiaries	(97,909)
Post-empl. benefits, consolidated companies	235,270
Post-empl. benefits, companies not in consolidation scope	(131,719)
Balance as of 31.12.2018	**69,768,374**
Provisions	28,041,488
Amounts paid to social security institutions + INPS	(25,943,367)
Actuarial gains/(losses)	4,560,052
Benefits paid	(3,814,963)
Indemnities on acquisition of Group business units/subsidiaries	1,595,554
Transfer payables of Group business units/subsidiaries	(688,463)
Post-empl. benefits, consolidated companies	893,324
Balance as of 31.12.2019	**74,411,999**

The “Provisions” item comprises the interest cost for an amount equal to Euro 105,009.

F) Current liabilities

28 Current financial liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current financial liabilities	108,085,253	74,122,200	33,963,054

Current financial liabilities relate to payables to lenders, banks and other current financial liabilities as reported below:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Bank loans	80,630,715	55,519,222	25,111,492
Bank overdrafts	5,852,080	4,263,099	1,588,981
Other current financial liabilities	21,602,459	14,339,879	7,262,580
Total	**108,085,253**	**74,122,200**	**33,963,054**

Bank loans

As of 31 December 2019, short-term loans totalled Euro 80,630,715 and relate to the short-term portion of bank loans for which reference is made to paragraph 20 “Non-current financial liabilities” and for Euro 23,820 thousand relate to short term loans with a duration lower than six months.

Bank overdrafts

(in Euros)

Description	31.12.2019	31.12.2018	Change
Payables for advances on invoices	0	78,643	(78,643)
Bank overdrafts	5,852,080	4,184,456	1,667,624
Total	**5,852,080**	**4,263,099**	**1,588,981**

Other current financial liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other grants	18,735,699	10,836,827	7,898,872
Payables for lease	0	1,366,832	(1,366,832)
Contingent consideration for business combinations	2,866,760	2,136,220	730,540
Total	**21,602,459**	**14,339,879**	**7,262,580**

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

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

29 Current financial liabilities for right of use

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current liabilities for right of use	20,716,370	0	20,716,370

"Current liabilities for right of use" relate to the short-term portion of leases described in Note 23 "Non-current lease liabilities IFRS 16" paragraph.

30 Current tax payables

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current tax payables	5,496,524	4,080,474	1,416,050

The balance as of 31 December 2019 primarily includes current tax payables.

The breakdown is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
IRES	3,974,505	3,395,991	578,514
IRAP	531,947	674,007	(142,060)
Substitute tax	268,943	10,475	258,468
Other tax payables	721,127		721,127
Total	**5,496,524**	**4,080,474**	**1,416,050**

31 Current provisions for risks and charges

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current provisions for risks and charges	15,087,070	17,144,424	(2,057,354)

Current provisions for risks and charges are broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Provision for risks and charges	10,776,406	11,305,512	(529,106)
Provision for losses on projects	4,310,664	5,838,912	(1,528,248)
Total	**15,087,070**	**17,144,424**	**(2,057,354)**

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

- Euro 6,552 thousand regarding the restructuring plan linked to the measure provided for in the 2019 Finance Package "Quota 100", which provides for early retirement with respect to the law in force;
- Euro 2,300 thousand for the provision made in the previous year for leaving and restructuring incentives;
- Euro 1,109 thousand relating to legal disputes and the risk of penalties with customer contracts;
- Euro 240 thousand to cover losses of the subsidiary company Engi da Argentina S.A..

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

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

(in Euros)

Description	
Balance as of 01.01.2018	**20,270,005**
Increase	9,343,732
Decrease	(12,465,495)
Change in consolidation scope	(3,818)
Balance as of 31.12.2018	**17,144,424**
Increase	6,385,707
Decrease	(8,423,201)
Change in consolidation scope	(19,859)
Balance as of 31.12.2019	**15,087,070**

32 Other current liabilities

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other current liabilities	172,240,417	170,068,831	2,171,586

This item is broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Directors and Statutory Auditors	1,384,038	1,134,066	249,971
Consultants	40,790	132,720	(91,929)
Acquisition of business unit	0	548,080	(548,080)
Withholding taxes	1,070,921	1,158,227	(87,306)
Tax payables	27,799,627	31,201,074	(3,401,447)
Due to RTI partners	3,532,317	3,309,836	222,481
Social security institutions	23,665,319	21,506,869	2,158,450
Others	9,816,817	11,347,156	(1,530,339)
Employees	98,765,218	91,277,770	7,487,448
Partners for research projects	5,475,778	7,828,320	(2,352,543)
Accrued m/l loan interest	397,425	269,840	127,586
Other accruals	6,416	50	6,366
Other deferred income	285,751	354,823	(69,072)
Total	**172,240,417**	**170,068,831**	**2,171,586**

Tax payables are broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
VAT	8,329,536	13,130,412	(4,800,876)
Suspended VAT	1,222,550	1,427,637	(205,087)
IRPEF	16,088,655	15,246,413	842,242
Other	2,158,886	1,396,612	762,274
Total	**27,799,627**	**31,201,074**	**(3,401,447)**

33 Trade payables

(in Euros)

Description	31.12.2019	31.12.2018	Change
Trade payables	367,537,070	337,615,519	29,921,551

Trade payables refer to current payables to suppliers for goods and services.

The balance as of 31 December 2019 is broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Suppliers	312,721,040	291,805,320	20,915,720
Associated companies	51,821	256	51,565
Others	54,764,208	45,809,942	8,954,266
Total	**367,537,070**	**337,615,519**	**29,921,551**

a) Suppliers

(in Euros)

Description	31.12.2019	31.12.2018	Change
Due to suppliers	212,818,963	177,584,373	35,234,590
Due to foreign suppliers	9,850,701	19,150,066	(9,299,365)
Invoices to be received	91,204,153	95,908,093	(4,703,940)
Credit notes to be received	(1,152,778)	(837,212)	(315,565)
Total	**312,721,040**	**291,805,320**	**20,915,720**

b) Payables to associates

(in Euros)

Description	31.12.2019	31.12.2018	Change
Invoices received	51,821	256	51,565
Total	**51,821**	**256**	**51,565**

c) Others

(in Euros)

Description	31.12.2019	31.12.2018	Change
Advances for future work	54,764,208	45,809,942	8,954,266
Total	**54,764,208**	**45,809,942**	**8,954,266**

The amounts due to others relate to net advances made by customers that exceed the value of inventories.

Income statement

A) Total revenues

(in Euros)

Description	31.12.2019	31.12.2018	Change
Total revenues	1,273,989,560	1,177,547,877	96,441,683

The breakdown of total revenues is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Revenues from sales and service	1,250,882,131	1,154,892,172	95,989,959
Other revenues	23,107,429	22,655,704	451,725
Total	**1,273,989,560**	**1,177,547,876**	**96,441,684**

34 Revenues

(in Euros)

Description	31.12.2019	31.12.2018	Change
Revenues from sales and service	1,218,794,585	1,138,138,861	80,655,725
Cgs. finished products and construction contracts	32,087,546	16,753,312	15,334,234
Total	**1,250,882,131**	**1,154,892,172**	**95,989,959**

Changes finished products and construction contracts refers to the variation of the period of customer contract assets. For further information please refers to Note 14.

The Group 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 good of services				
	Deliverable-based contracts	Resource-based contracts	Services-based contracts	Assistance and maintanance based contracts	Total
At a point in time	n/a	n/a	295,449,965	n/a	295,449,965
Over time	584,057,637	121,711,355	n/a	249,663,174	955,432,166
Total	**584,057,637**	**121,711,355**	**295,449,965**	**249,663,174**	**1,250,882,131**

For further information of revenue streams please refers to Note 4.22.

35 Other revenues

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other revenues	23,107,429	22,655,704	451,725

The breakdown of other revenues is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Grants	17,212,578	15,681,287	1,531,291
Other income	5,894,851	6,974,418	(1,079,566)
Total	**23,107,429**	**22,655,704**	**451,725**

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community.

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

As required by Italian Law no. 124 of 2017, information is provided below on 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 Group has made use of the possibility of not providing information on benefits received of less than Euro 10,000 in the period considered.

(in Euros)

Project title	Project description	Lender	Collection date	Total
SUNRISE PROJECT - Development of technologies for proximity services and the mobility in smart territories - SUNRISE	The objective of the SUNRISE project is the analysis of the state-of-the-art technological components of the market and the definition and design of a modular and open HW and SW environment aimed at developing an integrated ecosystem of innovative services, such as proximity and location-based services with high added value as: Infomobility, Tourist info, Smartparking, M-payment, Reservation. The project will offer an innovative, modular and open solution, based on integration and collaboration among the various proximity technologies (and other IoT technologies), capable of enabling an end-to-end ecosystem of proximity services.	Tuscany Region	18.06.2019 **Total**	45,000.00 **45,000.00**
"SiMonA" - Advanced Monitoring Systems of Production Lines	The SiMonA project provides tools for the control and monitoring of WSN, a data analytics system based on Big Data Analytics, Machine Learning and rule-based semantic reasoning techniques, localization and energy saving services, as well as real-time communication modules between human operators and machine tools.	Piedmont Region (through FinPiemonte)	03.04.2019 31.10.2019 **Total**	127,131.74 157,518.38 **284,650.12**
BA2Know - Business Analytics to Know	The activities of the BA2KNOW project (concluded) were aimed at designing and setting up a multidisciplinary, dynamic, flexible and creative collaborative on-line environment, with a strong focus on the state-of-the art advancement in the field of techniques, models and methods of automatic analysis of large data banks, in order to realise business analytics services focused on service innovation and IT and knowledge innovative management.	MIUR	15.03.2019 02.05.2019 **Total**	988,891.99 269,583.37 **1,258,475.36**
eHealthLEARN ICT for healthcare	eHealthNet - TRAINING: the aim was to train highly professional figures on the following topics: interoperability in the healthcare field, necessary to make existing structures and data communicate and to interconnect them, while guaranteeing security, privacy and confidentiality; technologies for telemonitoring and telemedicine; knowledge technologies to support healthcare processes of diagnosis, therapy and rehabilitation for the rationalisation and control of healthcare spending; technologies for predictive medicine, aimed at early diagnosis on a genetic basis.	MIUR	11.07.2019 **Total**	7,498.00 **7,498.00**
eHealthNET - Software Ecosystem for electronic health	Research, modelling and development of innovative computer applications within the eHealth (eHealthNet project).	MIUR	09.10.2019 **Total**	576,731.91 **576,731.91**
Training of new smart professionals for the security of agri-food supply chains	The aim was to train new smart professionals for the quality and safety of the food supply chains. In particular, these figures have carried out researches on the issues of traceability and integrity for the supply chain, institutional policies on agri-food, sustainability of production systems for some specific food chains such as cereal and dried fruit, dairy and Grana Padano cheese.	MIUR	01.07.2019 16.12.2019 **Total**	20,467.39 19,128.61 **39,596.00**
FRASI - Framework for Agent-based Semantic-aware Interoperability	The objective of the FRASI project is the creation of "a reference architecture for the definition of dynamic and collaborative software systems, which are modular and specially configurable, with introspective capabilities, based on agents for the management and smart use of information and services in a global and integrated way". More generally, the aim of the project is to investigate the adoption of smart systems that are distributed to support the technological development of SMEs and to enable their e-business processes.	MIUR	24.05.2019 **Total**	185,000.00 **185,000.00**
ICOSAF - Integrated and collaborative systems for the Smart Factory	Analysis and development of tools, technologies and systems aimed at fostering greater integration of factory operators according to the concepts of Industry 4.0, such as interconnected automation, and Industry 5.0 with the humanization and reuse of resources. Activities focus, in particular, on the development of smart and interactive technologies for high human density processes, simulation models and validation methods dedicated to these new "cooperative factory" technologies.	MIUR	11.11.2019 **Total**	225,000.00 **225,000.00**
Innovations for data processing in the field of Cultural Heritage (IDEHA)	Analysis and development of tools and technologies to obtain an open IT platform for Cultural Heritage able to offer services for the management of digital contents (such as HBIM, images, text) coming from traditional repositories and able to disclose information generated in real time by users or environmental sensors (e.g. temperature, humidity, etc.). The activities focus in particular on the development of technologies that allow for the management, through an advanced content management system, of both text/multimedia descriptions in HTML5 and 360 video contents with possible addition of information tags. Besides the management system, the development will also cover applications that allow for the use of contents, also immersive, for both expert and non-expert users - (IDEHA project).	MIUR	22.05.2019 **Total**	485,322.08 **485,322.08**
Mobile Continuous Connected Comprehensive - Care - Integrated platform to record, synchronise and share data and access health and lifestyle information as well as the Mobility Health System (MC3CARE)	The research activities of the MC3CARE project are aimed at acquiring new knowledge and techniques related to Mobile Health and aimed at the realisation of health services (eHealth). These activities will involve the Engineering Group and people committed in activities of requirements collection, scenario description, technological scouting, design and development with particular emphasis on security and privacy aspects that are essential and mandatory, especially in eHealth issues. Engineering will also be involved as a leader in the analysis of the regulatory context and the reference market.	MIUR	18.04.2019 12.09.2019 **Total**	842,825.13 149,546.47 **992,371.60**

PNRM Echo System	Creation of a decision support platform for the classification of objects detected in open sea, through the analysis of acoustic signals obtained using sonar sensors.	Ministry of Defence - Navarm - Segredifesadirez. Naval Weaponry	28.03.2019 20.12.2019 **Total**	166,357.10 248,675.73 **415,032.83**
RED PROJECT	Research activities aimed at supporting the Valle d'Aosta local Authorities in the management of risks related to avalanches and rockfalls. In order to achieve this goal, an operational dashboard has been created that, using special algorithms, acquires, processes and allows to visualise territorial and environmental data, thus providing the necessary information to the Authorities for rapid and weighted assessments on the type of mitigation intervention to be adopted in an emergency or not. RED has therefore developed three projects related to two distinct operating units. The first was responsible for the modeling, monitoring and management of big data related to disruption phenomena, the second aimed at creating a software capable of returning a complete, reliable and easy to use risk scenario.	Valle D'Aosta Region RED-Risk Evaluation Dashboard	04.07.2019 **Total**	17,623.27 **17,623.27**
S.E.A. – Security for marine Environment and Aquacolture	Support activities to the design and development of innovative applications in order to create a Collaborative Work Environment (CWE), which is a Knowledge Management system based on data correlation engine and able to offer dashboards to support decision makers. Interface specifications, message format, server positioning and communication technology, control logic and functionality offered to end users will be defined, thus providing a system capable of ensuring maximum reusability and flexibility.	Puglia Region	26.06.2019 **Total**	147,805.96 **147,805.96**
SAFE&SMART - New enabling technologies for food safety and integrity of agro-food chains, within a global scenario	Within the SAFE&SMART research project, support activities for the design and development of innovative applications were carried out in order to create a Service Oriented Architecture (SOA) which is able to render different systems interoperable. The aim is to guarantee the integrity of the information exchanged within the typical processes of the agro-food chains. The project has also envisaged the creation of a prototype system to carry out the functional validation of the "smart chain".	MIUR	01.07.2019 13.12.2019 16.12.2019 **Total**	94,856.21 64,725.02 142,029.12 **301,610.35**
Smart Health 2.0 - Integration of the two projects "Smart Health" and "ODSH Cluster - SmartFSE - Staywell"	The research activities of the Smart Health project concern the analysis and prototype definition of applications focused on wellness and improvement of lifestyles.	MIUR	08.07.2019 **Total**	1,028,911.14 **1,028,911.14**
SUMMIT - Support Multiplatform for IoT Applications	Research activities aimed at conceiving, specifying, implementing and testing through real pilot applications, a configurable, adaptive and extensible IoT (Internet of Things) platform that enables the safe and reliable integration and management of smart objects (e.g. sensors, smartphones, tablets, programmable devices, robots, etc.) - SUMMIT project.	MISE	23.10.2019 **Total**	367,437.91 **367,437.91**
Grand total				**6,378,066.53**

B) Operating expenses

(in Euros)

Description	31.12.2019	31.12.2018	Change
Operating expenses	1,212,810,291	1,099,507,419	113,302,872

37 Operating expenses

The breakdown of operating expenses is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Raw materials and consumables	33,729,702	20,135,999	13,593,702
Service costs	425,332,941	421,702,199	3,630,741
Personnel costs	639,924,808	586,456,014	53,468,794
Amortisation and depreciation	60,296,088	43,464,123	16,831,965
Provisions	39,450,458	15,772,403	23,678,054
Other costs	14,076,295	11,976,680	2,099,615
Total	**1,212,810,291**	**1,099,507,419**	**113,302,872**

38 Raw materials and consumables

(in Euros)

Description	31.12.2019	31.12.2018	Change
Raw materials and consumables	33,729,702	20,135,999	13,593,702

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

(in Euros)

Description	31.12.2019	31.12.2018	Change
Hardware	6,699,174	5,994,128	705,047
Software	25,712,449	13,567,538	12,144,911
Consumables	1,318,079	574,334	743,745
Total	**33,729,702**	**20,135,999**	**13,593,702**

39 Service costs

(in Euros)

Description	31.12.2019	31.12.2018	Change
Service costs	425,332,941	421,702,199	3,630,741

Service costs comprise the following accounts:

(in Euros)

Description	31.12.2019	31.12.2018	Change
EDP purchases, services and data lines	4,769,515	4,992,883	(223,368)
Insurance	4,706,674	4,251,052	455,622
Bank commissions	2,685,699	2,900,241	(214,542)
Technical support and consultancy	301,225,432	289,408,305	11,817,127
Consultancy from associates	(9,166)		(9,166)
Legal and administrative consultancy	5,301,292	3,644,703	1,656,589
Training and refresher courses	3,565,816	3,207,263	358,553
Consultants	477,902	571,057	(93,155)
Cost of corporate bodies	3,135,743	2,751,304	384,440
Building rental	1,899,922	15,813,140	(13,913,219)
Maintenance of tang. and intang. assets	26,048,633	21,345,649	4,702,985
Canteen and other personnel costs	10,948,666	9,931,103	1,017,563
Automotive expenses	8,762,387	13,332,351	(4,569,964)
Hardware and software rental	458,900	4,760,117	(4,301,217)
Maintenance and security services	5,154,170	4,890,801	263,369
Advertising and sales rep. expenses	2,598,347	1,863,367	734,981
Travel costs	22,692,399	21,398,317	1,294,082
Postage and shipping expenses	5,664,356	4,028,861	1,635,495
Utilities	9,001,894	7,606,863	1,395,031
Other	6,244,360	5,004,824	1,239,537
Total	**425,332,941**	**421,702,199**	**3,630,741**

The item "Technical support and consultancy" refers to external professional resources services used in our operating and production cycles whose increase is therefore directly related to the growth in revenues.

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

During the year, the Group incurred costs for the transfer of the headquarters of Euro 1.6 million and charges relating to the corporate strategic assessment process for Euro 1.2 million.

The following table shows the remuneration paid in 2019 to the auditors of theses consolidated financial statements, in accordance with Article 149-duodecies of the Consolidated Law on Finance.

(in Euros)

Service	Provider	Beneficiary	Remuneration (1)	Note
Engineering Ingegneria Informatica S.p.A.				
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	332,500	
Other services	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	23,000	(2)
Other services	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	119,500	(3)
Controlled companies				
Audit	Deloitte & Touche S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	15,000	
Audit	Deloitte & Touche S.p.A.	Engineering D.HUB S.p.A.	35,000	
Other services	Deloitte & Touche S.p.A.	Engineering D.HUB S.p.A.	9,500	(2)
Audit	Deloitte & Touche S.p.A.	Municipia S.p.A.	20,000	
Other services	Deloitte & Touche S.p.A.	Municipia S.p.A.	500	(2)
Other services	Deloitte & Touche S.p.A.	Municipia S.p.A.	10,000	(4)
Audit	Deloitte & Touche S.p.A.	Engineering 365 S.r.l.	10,000	
Group total			**575,000**	

(1) Fees are expressed net of expenses.
(2) Audit activities related to expenses incurred for staff training activities.
(3) Agreed upon procedure on accounting data and information and methodological assistance service in the gap analysis on accounting standard IFRS 16.
(4) Subscription to the VAT declaration form.

40 Personnel costs

(in Euros)

Description	31.12.2019	31.12.2018	Change
Personnel costs	639,924,808	586,456,014	53,468,794

Personnel costs consist of:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Salaries and wages	479,034,316	445,472,507	33,561,809
Social security expenses	113,949,542	104,572,311	9,377,231
Post-employment benefits	27,840,903	25,694,182	2,146,721
Restructuring and reorganising personnel	3,240,192	316,500	2,923,692
Other personnel costs	15,859,855	10,400,514	5,459,341
Total	**639,924,808**	**586,456,014**	**53,468,794**

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

The item “Restructuring and reorganising personnel” contains the costs of incentives for employees leaving early during the year for Euro 3.2 million.

The “Other personnel costs” item includes:
- the reclassification of amortisation and depreciation of Euro 4,847 thousand relating to cars assigned to employees as required by IFRS 16, applied from 1 January 2019;
- the re-invoicing of fringe benefits to employees for cars;
- the cost of the Stock Option Plan of Euro 10,021 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 385 thousand. The subsidiary recognised, instead, a cost of equal amount.
During the year, 10,668 options were assigned to the beneficiaries of the Stock Options Plan, while the number of options that lapsed was (3,191).
The options become exercisable if certain time and performance objectives are achieved (so-called "vested options"). 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.
In the event that the divestment took place before December 2020, the options would all be considered 100% vested. At 31 December 2019 there was not any accelerating event.

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 0;
- 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:

	As of 31.12.2019		As of 31.12.2018	
	Average price for the exercise of the option	Number of options	Average price for the exercise of the option	Number of options
Beginning of the year		**929,994**		**911,759**
Granted during the year	42	10,668	42	18,235
Lapsed during the year				
Lapsed during the year		(3,191)		
End of period	**42**	**937,471**		**929,994**

No option is reported as overdue in the period shown in the table.

At 31 December 2019 the reserve for share-based payments amounted to Euro 29,349 thousand. The increase for the year in the income statement was Euro 9,636 thousand.

(unità)

Average number of employees	31.12.2019	31.12.2018	Change
Executives	406	388	18
Managers	2,102	1,997	106
Other employees	8,815	7,955	861
Total	**11,323**	**10,339**	**984**

The average number of employees in 2019 increased by 984 compared to the previous year, due to both organic growth and the entry of new companies into the scope of consolidation.

41 Amortisation and depreciation

(in Euros)

Description	31.12.2019	31.12.2018	Change
Amortisation and depreciation	60,296,088	43,464,123	16,831,965

The breakdown is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Depreciation of property, plant and equipment	8,003,539	7,920,177	83,362
Amortisation of intangible assets	32,285,695	35,543,946	(3,258,251)
Depreciation and amortisation IFRS 16	20,006,854		20,006,854
Total	**60,296,088**	**43,464,123**	**16,831,965**

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

42 Provisions

(in Euros)

Description	31.12.2019	31.12.2018	Change
Provisions	39,450,458	15,772,403	23,678,054

Provisions increased due to the changes reported in the following table:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Allocation to doubtful debt provision	32,687,843	7,727,142	24,960,701
Risk provision	6,762,615	7,500,995	(738,381)
Write-down of fixed assets		544,266	(544,266)
Total	**39,450,458**	**15,772,403**	**23,678,054**

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

The increase in the doubtful debt provision is mainly due to:

- the write-down of receivables due from the subsidiary Sicilia e-Servizi Venture S.c.r.l. of Euro 26.8 million;
- the write-down of financial receivables of the German subsidiary for Euro 8.4 million;
- the release of a provision for risk of previous years for Euro 3.0 million.

The other provisions for risks mainly refer to Euro 5.9 million for restructuring costs linked to the early exit of employees who meet the requirements for Quota 100 and to Euro 0.3 million to cover the losses of the subsidiary Engi da Argentina S.A..

43 Other costs

(in Euros)

Description	31.12.2019	31.12.2018	Change
Other costs	14,076,295	11,976,680	2,099,615

Other costs are broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Dues and subscriptions	776,989	804,006	(27,017)
Taxes	8,509,829	7,332,792	1,177,037
Gifts and donations	114,519	98,526	15,993
Charges for social causes	911,057	1,086,166	(175,109)
Other	3,763,901	2,655,190	1,108,711
Total	**14,076,295**	**11,976,680**	**2,099,615**

Other costs include the non-income taxes charges for Euro 2.94 million arising from an inspection of tax authorities for Euro 2,131 thousand related to non-income taxes of previous years, charges related to an inspection of tax authorities on subsidiary Infogroup S.p.A. for Euro 600 thousand and unrecoverable withholding taxes paid in foreign countries for Euro 212 thousand.

44 Net financial income/(expenses)

(in Euros)

Description	31.12.2019	31.12.2018	Change
Net financial income/(charges)	(2,469,376)	3,651,166	(6,120,543)

Financial income is broken down as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Interest income	5,034,793	8,112,864	(3,078,070)
Fair value gain (differential from derivative)	78,095	248,974	(170,879)
Gain on exchange differences	3,315,284	7,267,355	(3,952,071)
Total	**8,428,172**	**15,629,193**	**(7,201,020)**

Interest income includes interest in arrears (around Euro 5 million) related to receivables from Sicilia Digitale S.p.A./the Sicilian Region, reference of which is made to the previous paragraph 14.

The gains on exchange rate (equal to approximately Euro 3.3 million) are included in the item "Other income".

Financial expenses consist of:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Interest expense	6,585,873	5,126,310	1,459,563
Loss on exchange differences	4,311,676	6,851,716	(2,540,040)
Total	**10,897,549**	**11,978,026**	**(1,080,478)**

Interest expense refers principally to loans detailed in Explanatory Note 21 hereof.
The caption included for Euro 1.5 million refers to interest expenses on financial leases.

45 Income/(expenses) from investments

(in Euros)

Description	31.12.2019	31.12.2018	Change
Income/(charges) from investments	3,240,594	(32,549)	3,273,142

The breakdown is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Gains on equity investments	4,060,134		4,060,134
Write-down of equity investments	(828,604)	(208,080)	(620,524)
Non-recurring income (charges)	9,064	175,531	(166,467)
Total	**3,240,594**	**(32,549)**	**3,273,142**

46 Taxes

(in Euros)

Description	31.12.2019	31.12.2018	Change
Taxes	18,121,308	23,966,116	(5,844,808)

The breakdown of taxes is as follows:

(in Euros)

Description	31.12.2019	31.12.2018	Change
Current	25,192,187	21,142,445	4,049,741
Deferred	(7,070,879)	2,823,670	(9,894,549)
Total	**18,121,308**	**23,966,116**	**(5,844,808)**

Taxes for the period were estimated taking account of the result in the period and of the existing regulations and represent the best estimate of the tax charge.

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

(in Euros)

Reconciliation between theoretical and effective tax rate	31.12.2019		31.12.2018	
	Amount	%	Amount	%
Profit before taxes	61,950,487		81,659,074	
Ordinary rate applied	**14,868,117**	**+24.0%**	**19,598,177**	**+24.0%**
Tax effects deriving from:				
Income taxable in prior years	4,623,392	+7.5%	4,287,347	+5.3%
Income not taxable	(3,668,916)	-5.9%	(5,155,654)	-6.3%
Expenses not deductible	19,558,528	+31.6%	12,312,007	+15.1%
IAS differences	(365,096)	-0.6%	(365,096)	-0.4%
Other changes reducing taxable IRES	(9,910,655)	-16.0%	(8,686,006)	-10.6%
Utilisation of previous years tax losses	(2,909,704)	-4.7%	(3,270,905)	-4.0%
Effect of foreign tax rates	(2,446,563)	-3.9%	(1,264,605)	-1.5%
Total assessable IRES	**82,287,929**		**72,730,272**	
Tax/Tax rate	**19,749,103**	**+31.9%**	**17,455,266**	**+21.4%**

Deferred taxes were calculated taking into consideration the accumulated sum of all temporary differences on the basis of the average expected rate for successive tax periods when these differences will reverse.
For details of the temporary differences, which have resulted in deferred taxes, reference is made to the previous paragraphs 9 “Deferred tax assets” and 21 “Deferred tax liabilities”.

Other significant information

COMMITMENTS UNDERTAKEN

The following table summarises the commitments of the Group as of 31 December 2019.

(in Euros)

Description	31.12.2019
Third party sureties	380,677,102
Bank sureties in favour of other companies	12,010,505
Bid Bonds and Performance Bonds	62,905,976
Total commitments undertaken	**455,593,583**

Third party sureties

These relate to guarantees provided in respect of participation in tender offers, for the signing of contracts and for guarantees on office rental contracts.

Bank sureties in favour of other companies

Bank sureties essentially refer to the Parent Company and concern sureties in favour of other companies.

Bid Bonds and Performance Bonds

These types of commitments relate to guarantees given for participation in tenders.

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 Group 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 to present value, using the market interest rate curve at the reference date and the listed credit default swap curve of the counterparty and Group companies, to include the non-performance risk explicitly provided for by IFRS 13.

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

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

(in Euros)

Items as of 31.12.2019	Assets valued at amortised cost	Assets valued at FVOCI	Assets valued at FVPL
Other non-current assets		3,240,170(*)	
Trade receivables	590,500,354		
Cash and cash equivalents	191,870,292		
Total assets	**782,370,646**	**3,240,170**	**0**

(in Euros)

Items as of 31.12.2018	Assets valued at amortised cost	Assets valued at FVOCI	Assets valued at FVPL
Other non-current assets		2,960,207(*)	
Trade receivables	568,087,727		
Cash and cash equivalents	177,502,797		
Total assets	**745,590,525**	**2,960,207**	**0**

(in Euros)

Items as of 31.12.2019	Liabilities valued at amortised cost	Liabilities valued at FVOCI	Liabilities valued at FVPL
Non-current financial liabilities	197,477,475		8,413(*)
Other non-current liabilities			36,954,072(**)
Current financial liabilities	108,085,253		
Trade payables	367,537,070		
Total liabilities	**673,099,798**		**36,962,485**

(in Euros)

Items as of 31.12.2018	Liabilities valued at amortised cost	Liabilities valued at FVOCI	Liabilities valued at FVPL
Non-current financial liabilities	172,201,272		67,643(*)
Other non-current liabilities	8,790,676		28,668,781(**)
Current financial liabilities	72,871,323		
Trade payables	337,615,519		
Total liabilities	**591,478,790**		**28,736,424**

(*) The fair value reported in the table above is included in level 2 of the fair value hierarchy.
(**) The fair value reported in the table above is included in level 3 of the fair value hierarchy.

48 Transactions with related parties

Companies which directly or indirectly, through one or more intermediary companies, control, are controlled by the Parent Company and in which the company holds a shareholding such as to exercise significant influence, associated companies, as well as senior managers with strategic responsibilities of the Parent Company and the companies directly and/or indirectly controlled by it and in which the Parent Company exercises significant influence are considered related parties.

No transactions of an atypical and/or unusual nature were undertaken with related parties or outside normal business practice or such as to distort the Group financial statements. The transactions with related parties relate to normal operations in the case of each respective entity and are conducted at normal market conditions. No other transactions with related parties other than those indicated below were undertaken.

The other current liabilities include post-employment benefit payables of some senior managers of the Company, under a stability pact signed in 2009.

The following tables summarise the commercial and financial transactions undertaken at arms' length between the Group companies as of 31 December 2019, eliminated for consolidation purposes:

Description	Engineering Ingegneria Informatica S.p.A.	Engineering D.HUB S.p.A.	Municipia S.p.A.	LG-NET S.r.l.	Engineering Sardegna S.r.l.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	Engineering 365 S.r.l.	WebResults S.r.l.	Engineering do Brasil S.A.	Engi da Argentina S.A.	Engineering International Belgium S.A.	Engineering Balkan d.o.o.	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.
Engineering Ingegneria Informatica S.p.A		10,215,052.32	4,004,950.92	532.00	1,064,499.93	361,587.01	4,490,712.19	510,577.53	60,000.00	1,848,214.69	1,327,680.59	281,499.83	45,413.14	821,535.48	254,645.05	480,298.02	1,154,357.00
Engineering D.HUB S.p.A.	27,054,383.67		1,000,162.52		51,428.52			56,848.35		2,528.00	16,249.84				14,661.94		
Municipia S.p.A.	1,010,368.05	23,611.50								11,459.10							
Engineering Sardegna S.r.l.	971,526.80	468,103.49									259,967.89						
Engiweb Security S.r.l.	15,910,418.28	72,983.39	225,830.72				2,532.00				8,975.49						31,147.96
Nexen S.p.A.	1,154,590.22																
OverIT S.p.A.	33,859,399.65	97,631.63	10,000.00									554,474.18	220,419.18				
Engineering 365 S.r.l.	9,268,266.55	28,748.00			165,939.52										2,933.37	1,946.00	
WebResults S.r.l.	8,456,790.49	1,051.86								1,577.80		73,527.53	127,368.76				
Engineering do Brasil S.A.	109,020.76							304,092.00					38,051.00				
Engi da Argentina S.A.								45,625.00				0.10					
Engineering International Belgium S.A.	516,249.70		-														
Engineering Balkan d.o.o.	5,071,903.49									120,358.57							
Sofiter Tech S.r.l.	580,437.59																
Sogeit Solutions S.r.l.	4,233,203.54																
Engineering SL	787,146.33							68,713.09									
Engineering DSS GmbH	5,760.00																
Engineering BSC GmbH																	
Engineering USA Inc.	33,098.08																
EITS – Engineering ITS	10,778.00							51,728.97									
Engineering Software Labs GmbH																	
Securetech Nordic S.A.																	
OmnitechIT Secur s.l.																	
Omnisecure d.o.o.																	
OverIT GmbH								24,000.00									
Pragma																	
Cybertech	1,194,605.99	1,614,415.35			1,721.88												
Digitelematica S.r.l.	113,806.55																
Deus Technology S.r.l.	150,505.00																
Total revenues	**110,492,258.74**	**12,521,597.54**	**5,240,944.16**	**532.00**	**1,283,589.85**	**361,587.01**	**4,493,244.19**	**1,061,584.94**	**60,000.00**	**1,984,138.16**	**1,612,873.81**	**909,501.44**	**431,252.07**	**821,535.48**	**272,240.35**	**482,244.02**	**1,185,504.96**

(in Euros)

OverIT International Inc.	Engineering SL	Engineering DSS GmbH	Engineering BSC GmbH	Engineering USA Inc.	EITS – Engineering ITS	Engineering Software Labs s.r.o.	Engineering Software Labs GmbH	Securetech Nordic S.A.	OmnitechIT Secur s.l.	OmnitechIT GmbH	Omnisecure d.o.o.	BW Digitronik A.G.	OmnitechIT Security AS	OverIT GmbH	Pragma	Cybertech	Digitelematica S.r.l.	Total costs
	191,953.09			589,236.13	166,895.79		774,733.89								229.42	208,390.05	12.080,00	28,865,074.06
		32,506.54		128,740.58	205,124.00											201,789.83		28,764,423.79
																		1,045,438.65
																		1,699,598.18
	400.50																	16,252,288.34
																		1,154,590.22
802.08				-										159,786.10				34,902,512.82
																		9,467,833.44
																		8,660,316.44
				234,265.57														685,429.33
																		45,624.90
																		516,249.70
											-							5,192,262.06
																		580,437.59
																		4,233,203.54
							352,053.48											1,207,912.90
			60,527.40		156,739.90		59,192.30							13,458.00				295,677.60
		419,105.87			102,521.76	31,717.91	53,907.21											607,252.75
																		33,098.08
		915,835.69	561,339.36				611,900.40							1,394.04				2,152,976.46
		9,165.87	320,388.01			208,510.74												538,064.62
													448,303.44					448,303.44
											180.65					70,362.32		70,542.97
									173,525.00	24,760.00						619,870.00		818,155.00
																		24,000.00
																203,106.85		203,106.85
								285,241.62	152,147.61		26,199.78	83,156.42			48,878.82			3,406,367.47
																		113,806.55
																		150,505.00
802.08	**192,353.59**	**1,376,613.97**	**942,254.77**	**952,242.29**	**631,281.45**	**240,228.64**	**1,851,787.28**	**285,241.62**	**325,672.61**	**24,760.00**	**26,380.43**	**83,156.42**	**448,303.44**	**174,638.14**	**49,108.24**	**1,303,519.05**	**12,080.00**	**152,135,052.74**

(in Euros)

Description	Engineering Ingegneria Informatica S.p.A.	Municipia S.p.A.	Engineering Sardegna S.r.l.	Engiweb Security S.r.l.	Sicilia e-Servizi Venture S.c.r.l.	Engineering 365 S.r.l.	Engineering do Brasil S.A.	Engi da Argentina S.A.	Engineering International Belgium S.A.	Engineering Balkan d.o.o.	Sogeit Solutions S.r.l.	OverIT International Inc.	Engineering SL	Eits – Engineering ITS	Engineering Software Labs s.r.o.	OverIT GmbH	Cybertech	Total charges
Engineering Ingegneria Informatica S.p.A.	-	884,853.37	25,533.89	5,847.81	368.46	63,454.59	625,453.28	93,624.40	27,000.00	183.00	6,482.19		427.79	97,477.99				1,830,706.77
Engineering D.HUB S.p.A.	238,919.47																119,913.99	358,833.46
Municipia S.p.A.	618,683.13																	618,683.13
Engiweb Security S.r.l.	20,586.54																	20,586.54
Nexen S.p.A.	60,177.30																	60,177.30
OverIT S.p.A.								12,712.46				699.42				163.33		13,575.21
Engineering Software Labs GmbH															228.57			228.57
Total proceeds	**938,366.44**	**884,853.37**	**25,533.89**	**5,847.81**	**368.46**	**63,454.59**	**625,453.28**	**106,336.86**	**27,000.00**	**183.00**	**6,482.19**	**699.42**	**427.79**	**97,477.99**	**228.57**	**163.33**	**119,913.99**	**2,902,790.98**

ENGINEERING GROUP

Description	Engineering Ingegneria Informatica S.p.A.	Engineering D.HUB S.p.A.	Municipia S.p.A.	LG-NET S.r.l.	Engineering Sardegna S.r.l.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	Engineering 365 S.r.l.	WebResults S.r.l.	Engineering do Brasil S.A.	Engi da Argentina S.A.	Engineering International Belgium SA	Engineering Balkan d.o.o.	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.
Engineering Ingegneria Informatica S.p.A.	-	8,931,286.57	32,772,719.66	532.00	2,919,511.15	1,111,835.85	4,478,631.91	985,535.10	49,793,452.89	11,926,704.97	645,387.53	15,323,344.67	2,654,088.30	2,805,216.02	366,010.54	196,338.82	1,037,484.50
Engineering D.HUB S.p.A.	72,412,885.09	-	450,215.86		73,209.78	-	-	62,448.43		798.00	16,249.84	76,029.56		33.36	26,293.57		
Municipia S.p.A.	1,865,567.47	27,187.41		494.90	4,059.13	-											
Engineering Sardegna S.r.l.	912,684.11	820,309.52								84,060.48	615,204.15						
Engiweb Security S.r.l.	9,216,066.14	150,241.98	120,161.75			-	16,038.96				10,950.10						27,393.36
Nexen S.p.A.	8,397,141.17	-	-			25,964.76											
OverIT S.p.A.	24,874,543.13	180,883.50	10,000.00		-							507,245.51	254,482.33				
Sicilia e-Servizi Venture S.c.r.l.	33,295.03																
Engineering 365 S.r.l.	10,954,961.43	22,252.65	1,786.30		305,000.00										99,897.65	2,374.12	
WebResults S.r.l.	3,516,730.55	33,404.97								1,577.80	-	70,431.32	101,900.65				
Engineering do Brasil S.A.	295,848.87							145,764.12					30,147.99				
Engi da Argentina S.A.	30,851.35							39,925.00				-0.00					
Engineering International Belgium S.A.	782,654.30	33.36	4,730.00														
Engineering Balkan d.o.o.	1,209,553.26									105,671.02							
Sofiter Tech S.r.l.	577,500.47																
Sogeit Solutions S.r.l.	1,304,958.96																
Engineering SL	956,303.47							59,041.27									
Engineering DSS GmbH	24,216.34							-									
Engineering BSC GmbH																	
Engineering USA Inc.	33,199.01																
EITS – Engineering ITS	3,778.00							2,761.04									
Engineering Software Labs GmbH	160,000.00																
Securetech Nordic S.A.																	
OmnitechIT Secur s.l.																	
OmnitechIT GmbH																	
Omnisecure d.o.o.																	
Pragma																	
Cybertech	1,171,720.15	551,094.47			1,721.88												
Digitelematica S.r.l.	138,666.55																
Deus Technology S.r.l.	151,000.00																
Total assets	**139,024,124.85**	**10,716,694.43**	**33,359,613.57**	**1,026.90**	**3,303,501.94**	**1,137,800.61**	**4,494,670.87**	**1,295,474.96**	**49,793,452.89**	**12,118,812.27**	**1,287,791.62**	**15,977,051.06**	**3,040,619.27**	**2,805,249.38**	**492,201.76**	**198,712.94**	**1,064,877.86**

(in Euros)

OverIT International Inc.	Engineering SL	Euroams srb d.o.o.	Engineering DSS GmbH	Engineering BSC GmbH	Engineering USA Inc.	EITS – Engineering ITS	Engineering Software Labs s.r.o.	Engineering Software Labs GmbH	Securetech Nordic S.A.	OmnitechIT Secur s.l.	OmnitechIT GmbH	Omnisecure d.o.o.	BW digitronik A.G.	OmnitechIT Security AS	OverIT GmbH	Pragma	Cybertech	Digitelematica S.r.l.	Total passive
	598,516.41				326,946.48	4,312,663.37		1,374,895.42								7,992.22	313,062.16	14,737.60	142,896,894.14
			32,506.54		24,274.03	476,771.66											9,364,424.07		83,016,139.79
																			1,897,308.91
																			2,432,258.26
	656.03																		9,541,508.32
																			8,423,105.93
157,103.32															159,786.10				26,144,043.89
																			33,295.03
																			11,386,272.15
																			3,724,045.29
					126,858.53														598,619.51
																			70,776.35
																			787,417.66
		0.00										2,993.91							1,318,218.19
																			577,500.47
																			1,304,958.96
								6,144.26											1,021,489.00
				220,000.00		856,147.86		-							2,669.18				1,103,033.38
			336,887.81			10,960.11	8,039.99												355,887.91
																			33,199.01
			34,236.00	162,727.76				163,974.42											367,477.22
			4,589.52	76,123.39		680,000.00	110,575.50												1,031,288.41
														179,001.50					179,001.50
												180.63					562.32		742.95
												90,905.16							90,905.16
									-	139,945.00	-						87,520.00		227,465.00
																	255,608.50		255,608.50
									167,037.47	320,474.61	3,000.00	104,808.09	1,402.20			113,439.67			2,434,698.54
																			138,666.55
																			151,000.00
157,103.32	**599,172.44**	**0.00**	**408,219.87**	**458,851.15**	**478,079.04**	**6,336,543.00**	**118,615.48**	**1,545,014.10**	**167,037.47**	**460,419.61**	**3,000.00**	**198,887.80**	**1,402.20**	**179,001.50**	**162,455.28**	**121,431.89**	**10,021,177.05**	**14,737.60**	**301,542,825.98**

49 Events occurring after 31 December 2019

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

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

- on 7 February 2020, the Board of Directors of LG Net S.r.l., having ascertained the cause for the dissolution of the company pursuant to Article 2484, paragraph 1.4 of the Italian Civil Code, filed a declaration of the cause for dissolution for reduction of the capital below the legal minimum with the competent Company Register, in accordance with the provisions of the third paragraph of Article 2384 of the Italian Civil Code, declaring the company in liquidation.

COVID-19

With the recent and rapid development of the Coronavirus epidemic, many countries have imposed limitation or suspension of certain commercial activities and adopted travel restrictions and quarantine measures. The interruptions are noticeable in some sectors such as tourism, hospitality, transport, retail sales and entertainment, while in other sectors such as manufacturing there are some chain effects. The financial markets have suffered immediate effects.
The coronavirus epidemic occurred in China in December 2019 and continued to evolve gradually.
On 30 January 2020, the WHO International Emergency Standards Committee declared the epidemic a "public health emergency of international concern". Since then, more cases have been diagnosed, including in other countries.
In Italy, the pandemic initially affected the Northern regions and subsequently spread to the rest of the country. The Italian Government issued several decrees of the Presidency of the Council of Ministers, which have introduced increasingly restrictive measures for commercial activities and social aggregation in order to contain the risk of contagion. In this context, preceding the decree of the Italian Government, which came into force on 23 March 2020, and temporarily suspended all non-essential production activities, the Group 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 Group'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.
To protect the health of its employees, the Engineering Group has issued a series of stringent orders, such as the limitation of travel and access to offices, to consultants and suppliers as well, methods of conducting meetings in compliance with the decrees, internal communication methods through timely circulation of Covid-19 press releases.
For the purposes of preparing these consolidated financial statement as of 31 December 2019, the events connected to Covid-19 constitute a "non-adjusting event" of the economic and financial results and therefore the information required pursuant to IAS 10 - Events after the Reporting Period has been provided. Given the inherent uncertainties, it is not practicable at this time to provide a quantitative estimate of the impact of the current pandemic on the Group.

Business scenarios and implemented operations
In the current complex market situation we are focused on supporting our clients, the Italian Government and in particular the Italian healthcare sector, in order to best meet their needs. We believe that potential impacts will manifest in the Transportation, Retail and some areas related to manufacturing. In this context, all sectors are increasing demands for digitization, from workplace to remote maintenance, as well as using data management platforms to facilitate decisions. The topic of digital transformation was already on the policy actions list for many organizations. From what emerges from the market in these days, the current crisis has

put it at the top of that list. Companies with little or no digitization are currently at a standstill. However, it should be noted that in all markets, core processes of big companies did not stop completely. This, for the Group, which developed its core activities with big companies, suggests a continuing solid business.
From Digital Workplace to collaboration tools, all of our customers are asking us to increase digital capabilities or take the first steps of digital transformation quickly. By digitizing the business, they also increase awareness of the importance of Cybersecurity to protect the digitalization of business.
Our remote maintenance tools are receiving additional boosts of demand as it is impossible for many experienced maintainers to be present onsite.
In these weeks, we have all witnessed the ramp up of digital expenses and the difficulties in managing the increase in demand. Last year we acquired a start up with a cutting-edge e-commerce proposal, whose first data is very promising. Finally, our data management platforms are currently active in the territory to allow those who are fighting this virus to make better decisions, in less time, based on data.

Focus on contractual obligations
With the adoption of the Containment Measures, while increasing the potential risk that the obligations undertaken may not be carried out within the contractual terms or not completely fulfilled, the Group considers it highly unlikely that this risk will actually materialize. This assessment is based both on the instruction contained in the Italian Civil Code on the subject of excessive onerousness and impossibility of performance and on interpretative practices regarding force majeure events. In fact, a party may not be held liable for its failure to perform (i) if the contractually envisaged service becomes excessively onerous due to the occurrence of "extraordinary or unforeseeable events" and/or (ii) if the failure or delay in performance is due to the impossibility of performance not attributable to it, the party shall not be held liable for any such failure or delay. In this sense, it seems useful to underline Article 79 of DL 18/20 which, although with reference to the aviation sector, has recognized "(omissis) the Covid-19 epidemic is formally recognized as a natural disaster and exceptional event (omissis)".

Group financial position and liquidity
There may be a slowdown in cash collections from certain customers, who may be impacted more significantly by the Covid-19 emergency, compared to what was expected. In any case, the diversification of the sectors in which the Group's customers operate (Public Administration, Finance, Healthcare, Industry, Transportation, Telco & Media, Energy & Utilities) and the good financial condition, the availability of liquidity and credit lines already approved, are elements mitigating the potential financial and liquidity risk. Moreover, even in a context of general uncertainty related to the effects of Covid-19 at the current time the Directors did not identify critical elements to compromise the compliance with the covenants illustrated in Note 22 to the Explanatory Notes in future years. In particular, the level of available liquidity should enable the Group to face the coming months, albeit in a context of uncertainty, without recourse to additional sources of funding. The potential effects on the consolidated financial statements for the year ending 31 December 2020 are not determinable and will be subject to constant monitoring throughout the year. However, at the current stage of the Covid-19 context, the scenarios of medium-long term of the Group did not detect clear risks of impairment of the values recorded in the financial statements as at 31 December 2019.

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

Stress test – goodwill and trademark
With reference to goodwill and to the net invested capital it has been developed a stress test over growth rate of revenues for the year 2020, verifying for the main CGUs and also the trademark the break-even point (i.e. zero cover).
In the following table, the column "Break-even – % revenue reduction rate" shows the percentage limit for the reduction of revenues, compared to the estimates of the multi-year plan by the Directors in the respective years, in order that the value in use is equal to the book values and without considering any cost savings compared to what was estimated in the plan; therefore, this decrease represents a break value, below which

the impairment test would not be passed. In particular, the sensitivity mentioned above shows that revenues for the year 2020 could be lower than the revenues of 2019, (for the percentage indicated), without this leading to an impairment situation.

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

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

50 Remuneration of Key Management Personnel

The Board of Directors were appointed with the Ordinary Shareholders' Meeting of 11 April 2019 and have accrued a total amount of Euro 65 thousand during the year.
The President and the CEO, who operate in continuity with the previous mandate, continue to receive compensation for their work. The total amount accrued during the year was Euro 1,579 thousand.
The Board of Statutory Auditors was appointed with the Ordinary Shareholders' Meeting of 11 April 2019, following the resolution of the Board of Directors held on the same day. The total amount accrued during the year was Euro 44 thousand.
The Supervisory Body has accrued a total amount of Euro 30 thousand during the year.
For the Independent Auditors Deloitte & Touche S.p.A. reference is made to paragraph 39 of this document.

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

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

BOARD OF DIRECTORS

On 11 April 2019, after the resolution of the Company's Ordinary Shareholders' Meeting and following the resolution of the Board of Directors held on the same day, a new Board of Directors and a new Board of Statutory Auditors were elected and will remain in office until the approval of the financial statements as of 31 December 2021. The composition of Corporate Bodies is as follows:

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

BOARD OF STATUTORY AUDITORS

Domenico Muratori	Chairman
Patrizia Paleologo	Statutory Auditor
Massimo Porfiri	Statutory Auditor

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Paolo Pandozy

SUPERVISORY BOARD

Roberto Fiore	Chairman
Spartaco Pichi	Member
Annalisa Quintavalle	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

52 Information on share-based remuneration plan

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

As part of the plan, participants are assigned 911,759 options, granted free of charge to beneficiaries.
The options, when exercisable, entitle each to subscribe one share (of special class B), corresponding to 7.5% of the share capital before the dedicated increase. The options are divided into three pools: a first pool of 897,718 options and a second and third pool of equal number of options for the remainder.

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

The shares are made available to the beneficiary on the plan expiry date.

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

The shares subscribed by the beneficiary following the exercise of the options are available from the day following the expiry date of the plan.

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

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

Shareholders,

the consolidated financial statements at 31 December 2019 were prepared by the Directors in accordance with the law and approved by them at the meeting of the Board of Directors held on 25 March 2020.
Our checks were carried out according to the rules of conduct of the Board of Statutory Auditors set out by the National Council of Chartered Accountants and Accounting Experts.
The Group has adopted the International Accounting Standards - IFRS since 2005.

The Board reports that it has carried out the usual exchange of information, pursuant to Article 2409-septies of the Italian Civil Code, with the company in charge of the Group's statutory audit, Deloitte & Touche S.p.A..

The financial statements of the individual subsidiaries have been duly approved by the respective competent administrative bodies and subjected to auditing within the limits and according to the methods set out in the auditing plan defined by the Statutory Auditor and deemed adequate and sufficient in order to express the required professional opinion on the Company's consolidated financial statements.

We have read the consolidated financial statements of the Group as at 31 December 2019 and we have ascertained that the identification of the consolidation area and the choice of the principles of consolidation of the equity investments, as well as the procedures adopted for this purpose, comply with the legal requirements and the accounting principles applicable in this case, including, from 1 January 2019, the new IFRS 16, whose impact on the consolidated financial statements has been duly illustrated in the Explanatory Notes.

The Board of Statutory Auditors has taken note that the Statutory Auditor, Deloitte & Touche S.p.A., with its report dated 10 April 2020, also expressed an opinion with no findings, comments or emphasis of matter, on the consolidated financial statements closed on 31 December 2019.

Having regard also to the opinion expressed by the Statutory Auditor, we certify that the consolidated financial statements as at 31 December 2019 have been prepared in compliance with the provisions of Legislative Decree no. 127/1991 and subsequent amendments. The criteria adopted by the Board of Directors in the financial statement assessments and value adjustments, duly detailed in the Explanatory Notes to the consolidated financial statements, are inspired by the general and usual criteria within the perspective of business continuity.

We checked the Directors' report on the Group's management performance, which accompanies the consolidated financial statements, in order to verify compliance with the minimal content required by applicable legislation.

Based on the checks carried out, the Board believes that the Group's management report is correct and exhaustive and is consistent with the consolidated financial statements.

The Board also took note of the report approved by the Directors concerning the Impairment Test relating to intangible assets with an indefinite useful life recorded in the consolidated financial statements as at 31 December 2019, which confirmed the sustainability of the values recorded in the assets, as no evidence

emerged of lasting losses of value. Taking into account that the criteria and methods used for the test, as well as the relative results, which are duly detailed in the Explanatory Notes, the Board has no comments to make in this regard.
Considering also the results of the activity carried out by the subject in charge of the statutory audit of the accounts contained in the audit report of the consolidated financial statements issued on 10 April 2020, which is not qualified and contains no emphasis of matter, the Board believes that it has no reports to make on the consolidated financial statements.

Rome, 10 April 2020

The Board of Statutory Auditors
Domenico Muratori
Patrizia Paleologo Oriundi
Massimo Porfiri

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