ACCOUNTS 2020

ENGINEERING

Annual Accounts 2020

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 34,095,537.11 fully paid-in

ENGINEERING

Shareholders' Meeting Call

To the Sole Shareholder

Centurion Bidco S.p.A.

To the members of the Board of Directors

Paolo Pandozy
Michele Cinaglia
Fabio Cosmo Domenico Canè
Armando Iorio
Stefano Bontempelli
Luca Bassi
Giovanni Camera
Gent Stuart James Ashley
Jacobs Van Merlen Christophe Patrick M.
Riccardo Bruno
Pietro Galli
Vito Cozzoli
Aurelio Regina

To the members of the Board of Statutory Auditors

Maurizio Salom
Domenico Muratori
Stefano Roberto Tronconi

By email

Rome, April 20th , 2021

It is hereby notified that, the Board of Directors in its meeting of March 23th 2021, has called the General Meeting for:

Thursday 29th April, 2021 at 9:00 AM. 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 2020. 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 2020. Related and consequent resolutions
2. Notice by the Chairman. Waiver of actions against directors and discharge of liability except for actions carried out with willful misconduct (*dolo*). Related and consequent resolutions

The provisions of the law and of the Articles of Association shall apply for the valid attendance to the Shareholders' Meeting. Pursuant to article 106, paragraph 2, of Italian Legislative Decree no. 18 of 17 March 2020, published in the Official Journal no. 70 of 17 March 2020, and by way of derogation to the provisions of the Articles of Association currently in force, participation and attendance at the Shareholders' Meeting by all attendees may also take place exclusively by means of telecommunications provided that the identification of participants, their participation and the exercise of voting rights is ensured, and in any case without the need for the Chairman and Secretary of the meeting to be located in the same place.

Instructions for attendance to the meeting of the Shareholders' Meeting by means of remote telecommunications will be notified separately, in good time for the proper conduct of the meeting.

Best regards.

The Chairman of the Board of Directors

Paolo Pandozy

Consolidated Financial Statements

ENGINEERING GROUP

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

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

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

REPORT ON THE AUDIT OF THE 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 of December 31, 2020, the consolidated income statement and the comprehensive income statement, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement 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, 2020, 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.

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

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

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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.

Deloitte.

- 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.

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

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Engineering Ingegneria Informatica Group as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the 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 13, 2021

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

Directors’ report on the Consolidated Financial Statements as of 31 December 2020

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 23 July 2020, after the resolution of the Company’s Ordinary Shareholders’ Meeting and following the resolution of the Board of Directors held on the same day, a new Board of Directors and a new Board of Statutory Auditors were elected and will remain in office until the approval of the financial statements as of 31 December 2022. On 2 March 2021, Aurelio Regina was appointed by the Board of Directors as an additional director.

The current composition of Corporate Bodies is as follows:

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

BOARD OF STATUTORY AUDITORS

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

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Paolo Pandozy

SUPERVISORY BODY

Roberto Fiore	Chairman
Annalisa Quintavalle	Member
Spartaco Pichi	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

II. Introduction and consolidation scope

INTRODUCTION

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

On 23 July 2020, following the obtainment of the authorisations from the competent Regulatory Authorities, Bain Capital Private Equity (“Bain Capital”) and NB Renaissance Partners (“NBRP”), a company part of Neuberger Berman dedicated to private equity investments in Italy, completed the acquisition of Engineering Ingegneria Informatica S.p.A. In the transaction NBRP and Bain Capital invest with a 50% equal share. As part of the transaction, the former shareholders, i.e. NBRP and the funds managed by Apax Partners, sold all of their equity investments. NBRP re-invested in the Company together with Bain Capital, through new capital from different funds. The share capital of Engineering Ingegneria Informatica S.p.A. is 100% owned by Centurion Bidco S.p.A. as Sole Shareholder.

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. 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 are compared with that at the end of the previous year.

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

ALTERNATIVE PERFORMANCE MEASURES

The detailed description of the accounting standards, assumptions and estimates adopted is provided in the Explanatory Notes to the Engineering Group consolidated financial statements as of 31 December 2020, to which reference should be made. This report uses a number of alternative performance measures (APMs) not envisaged by IFRS accounting standards. Albeit they do not replace those envisaged by the International Accounting Standards, these indicators are the tools that facilitate the Directors in identifying operational trends, as well as make decisions on investments, allocation of resources and other operating decisions, and permit a better comparability over time of corresponding results.

In particular, the following is highlighted:

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

- **Pro-forma adjusted EBITDA:** alternative performance measures (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 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, exchange gains and losses), 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 section 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.

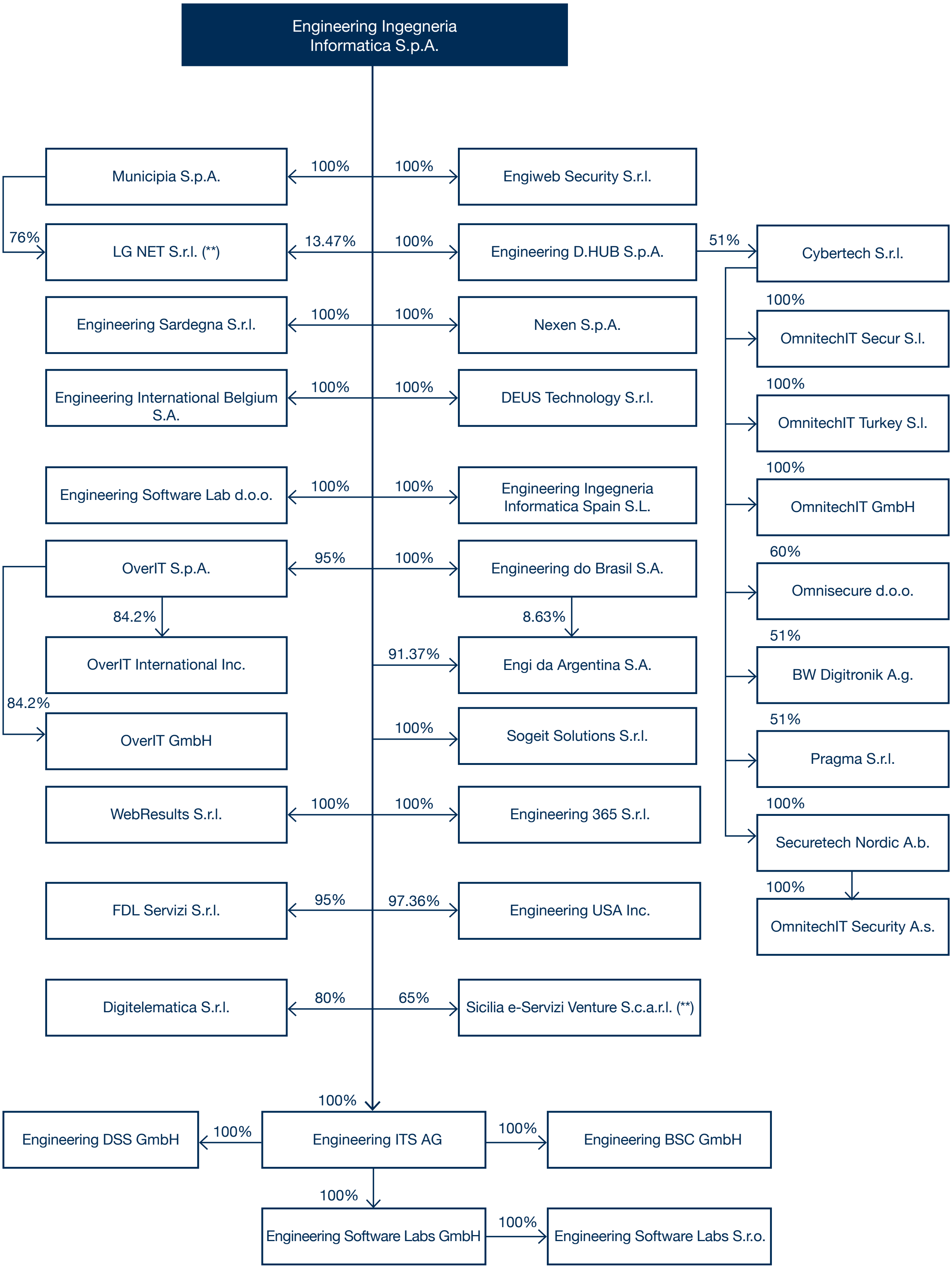
- **ROI (Return on Investment):** operating profitability index, which is a measure of the return on capital invested in the company by way of debt or risk. It is given by the ratio between operating profit (EBIT) and net capital employed, for the composition of which reference should be made to the specific statement 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 2020 follows the implementation of a careful acquisition policy and subsequent integration processes which have resulted in the Group consisting of thirty-six companies, in addition to the Parent Company, thirty-four of which are in operation and one in liquidation (Sicilia e-Servizi Venture S.c.a.r.l.). It should be noted that the company Sofiter Tech S.r.l. was consolidated solely for economic purposes until 30 November 2021. 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 2020



(**) in liquidation

ENGINEERING GROUP

III. Group activities and operations

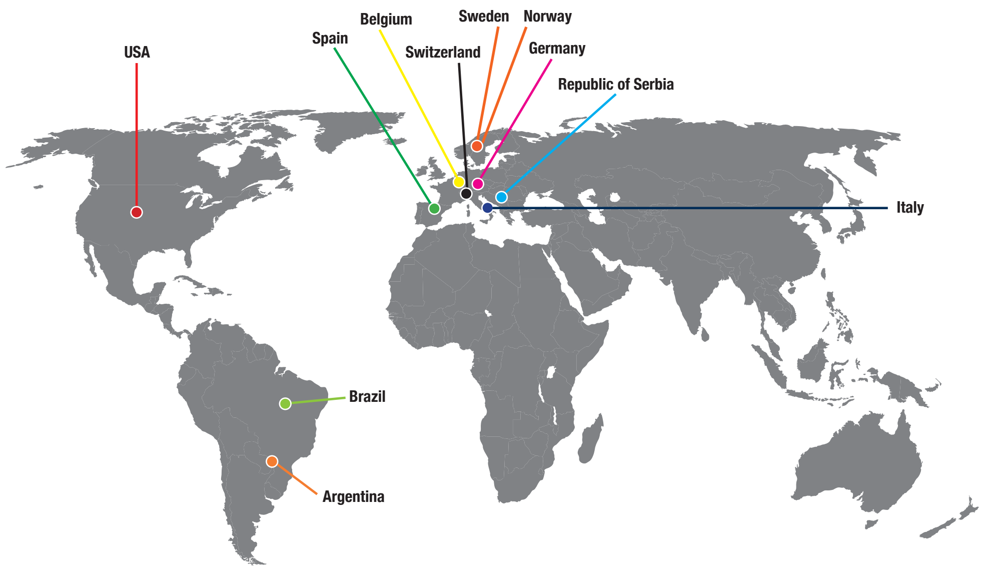
The company Engineering Ingegneria Informatica S.p.A. was established in Padua on 6 June 1980 and leads a Group operating in Software and IT Services. Engineering is the leading Italian player of Digital Transformation.

Established on 6 June 1980

1st Italian IT operator

ICT services, products and consultancy

Present on all markets



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

11,632 employees

over 40 offices

20 countries served

14% foreign revenues

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

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

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

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

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

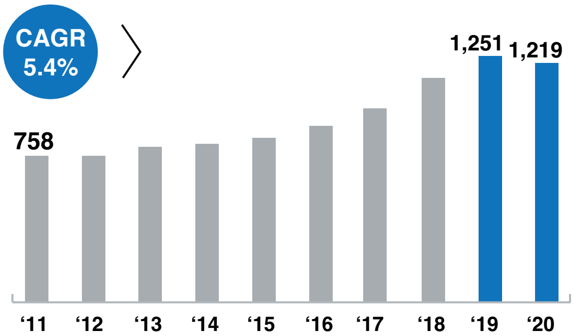
- management of risk and bank compliance (GRACE);
- credit management (ELISE);
- corporate banking (INBIZ);
- bank insurance (EBAAS);
- billing and CRM for Utilities (Net@SUITE);
- integrated solutions in the Health segment (AREAS);
- management system for documents and procedures (AURIGA);
- administration,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

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

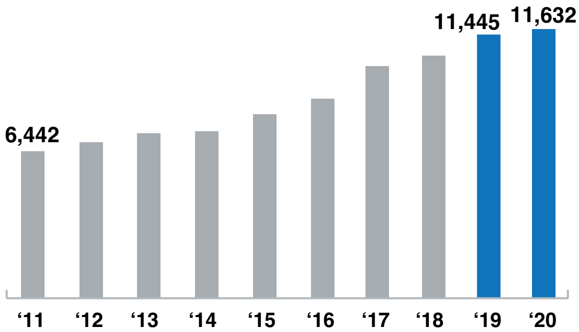
The products are available under usage licences or service modalities based on Engineering's Cloud platform. This strong presence of proprietary solutions permits Engineering to stand out in the market and this is one of the main strong points with respect to competitors.

HIGHLIGHTS OVER THE LAST 10 YEARS

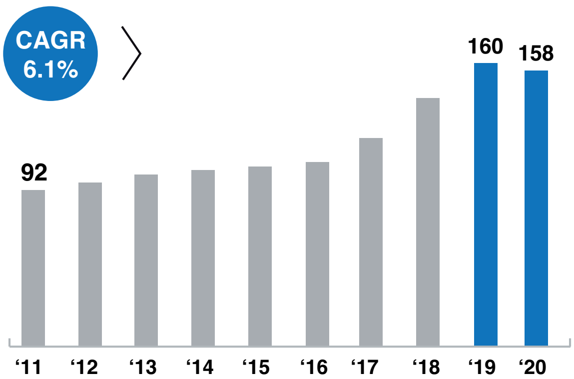
Revenues
(Amounts in millions of Euro)



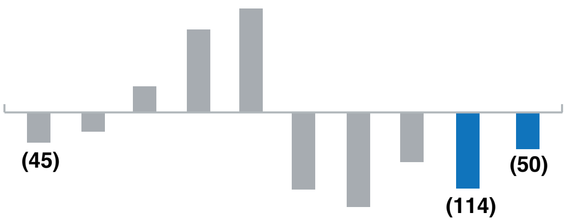
Employees
(Units)



Pro-forma adjusted EBITDA
(Amounts in millions of Euro)



Pro-forma net financial position
(Amounts in millions of Euro)



IV. Market overview

ECONOMIC OVERVIEW

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

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

THE ITALIAN ECONOMY

In Italy, after a contraction of GDP in 2020 (-8.9%), a partial recovery is expected in 2021 (+4%) (source ISTAT).

Currently, macro-economic forecasts are uncertain and are linked to the different speeds of recovery by sector and by country.

THE IT SECTOR

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

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

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

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

If we consider, with the utmost prudence, the effects that the Recovery Fund will have on our economy, for the Italian digital market an overall growth of 3.4% is expected in 2021, with a value of approximately Euro 73 billion, and of 3.3% in 2022, when it will exceed Euro 75 billion. In detail, ICT services will grow more in the next year, which will increase by 7.8% in 2021 and 7.2% in 2022, and software and solutions, for which +7.6% is expected in 2021 and +6.4% in 2022. A positive trend which, according to the report, is due to the resumption of infrastructural modernisation projects, the restart of applications and consumer purchases.

V. Operational overview

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

RESEARCH AND INNOVATION ACTIVITY

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

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

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

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

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

MARKET PERFORMANCE

FINANCE

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

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

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

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

PUBLIC ADMINISTRATION AND MUNICIPALITIES

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

CENTRAL PUBLIC ADMINISTRATION (PAC)

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

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

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

The adoption of new technologies is becoming increasingly important in current projects. All the new contracts (Criminal Proceedings for the Ministry of Justice, Register of Deputies in the Chamber of Deputies, etc.) are characterised by the adoption of micro-service architectures, multi-cloud approach, Agile Development and Design Thinking.

LOCAL PUBLIC ADMINISTRATION (PAL)

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

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

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

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

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

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

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 2020 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.

HEALTH

The pandemic phenomenon severely challenged the Health sector and IT played a key role in supporting national healthcare structures. Despite the emergency, the production cycle has continued uninterrupted and the services to customers have been provided without interruptions, albeit with considerable efforts in terms of commitment, explicitly recognised by several customers.

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

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

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

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

INDUSTRY & SERVICES

AUTOMOTIVE AND INDUSTRIAL AUTOMATION DEPARTMENT

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

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

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

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

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

- with reference to the Transportation segment, during the year important negotiations were finalised that saw us in collaboration with major vendors and integrators at global level, and that allowed us to be awarded projects such as the metropolitan network of Lima, in Peru, Hurontario in Canada, Riyadh in the Middle East, while we started the pre-offer planning phase for similar projects in Ethiopia, Panama and Europe;
- the automation structure has been able to further increase, at international level, the ability to support our large customers in their needs all over the world, especially large foreign groups to whom we provide services not only in Italy;
- lastly, the creation of an integrated structure between the different Engineering entities operating in the automation segment, with the creation of “Industries Excellence Global”, an organisation that integrates and enhances the skills and references of the Italian structure, with that present in the USA and with activities carried out in Brazil.
  The project at the basis of Industries Excellence Global aims to create an international entity, which in terms of quality and economic values can effectively represent a reference player in the automation market. The foundations have already been laid for an upcoming expansion of the structure, which we would like to see soon in Mexico, Germany and Spain, in addition to a further growth in the areas where it is already present.

TRANSPORTATION AND INFRASTRUCTURES DEPARTMENT

The Transportation market was the one most penalised by the onset of the pandemic. The development plans targeted at the beginning of 2020 suffered a sharp slowdown due to the fall in revenues in the sector, a decrease that in some cases was close to 90%.
Customers in the area not only stopped investments but in some cases also revised the commitments already set for 2020. The pandemic therefore stopped the positive trend reported by the Department and resulting from a strategic actions aimed at enlarging the market (diversification of customer portfolio), as well as verticalising skills in the Infrastructures and Transportation sector.
On the other hand, the good result obtained through the winning of tenders in partnership with important players in the sector, has significantly balanced the Covid effect, allowing to end the year with a positive result.

INDUSTRY DEPARTMENT

In such a difficult year, the choices dictated by our strategic vision of the requirements for the current decade of the industrial world, large-scale distribution and services proved to be decisive.
Together with the offer, the international vocation of the division was further consolidated with more than 50% of the volumes durably generated by foreign activities and with international companies, with a multi-year presence in Europe, USA, Latin America, China, India and Malaysia. The most advanced collaborative technologies available have allowed the Management, as well as all the work teams, to provide uninterrupted services and business development actions.

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

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

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

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

In the Pharma and Life Sciences market, the pandemic situation has certainly strengthened our presence in the world of operations and industry 4.0, where important works have been launched on issues related to efficiency improvement and monitoring at production sites, as well as consolidation of customer infrastructures also at international level, laying solid foundations to strengthen existing contracts with a view to multi-year extension.
The Consumer market, in particular the Food & Beverage world, was characterised by a very fragmented and vibrant demand for optimisation activities on the systems and services already present. On the one hand, the market of our customers was the one that benefited most from the Covid effect, on the other, it has slowed down or moved more strategic initiatives. In fact, Engineering was able to respond reactively to all requests in terms of managed operations, system integration and digital solutions, benefiting from significant growth in terms of both volumes and positioning. One case above all is Ferrero, which confirmed and in fact exceeded the revenue volume for 2019.

TELCO & MEDIA

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

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

- growth of more than 10% in application management & transformation and Managed Operations services;
- a very strong drop in “Revenue Share” services related to Mobile Payment and Centro Stella. This decrease was due to the adoption of new control and safety measures for the process of customer acquisition required by operators and Agicom. The decline in revenues from these services had already started in 2019, but in 2020 it reached an all-time low with a reduction of around 80% compared to the previous year.

ENERGY & UTILITIES

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

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

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

In the System Integration area, Engineering confirmed itself as major player and partner of the leading Energy & Utilities companies operating in Italy and expanding its business abroad. Engineering's offering continues to evolve towards all market sectors (Oil, Power, Gas, Extra Commodity, Water and Waste), with solutions and assistance on the entire operational chain, from production to sale, in partnership with the main market solution providers (SAP S/4 Hana, SAP SCP, Big Data Cloudera, CRM Salesforce, Amazon Cloud, Microsoft Azure, etc.).

Some of the primary commercial successes achieved are described hereunder:

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

During 2020, on the Spanish market and also during the Covid-19 emergency, in a context of necessary teleworking, the process of consolidation of the ENDESA and ACCIONA projects continued. The market prospecting activity continued both directly and through partners for the dissemination of our solutions.

FOREIGN COMPANIES

ENGINEERING DO BRASIL

In 2020, Engineering continues its path of transformation and consolidation in Brazil, (over 700 direct employees), as a partner in the digital transformation of customers.

The achievement of the highest levels of partnerships with Google/apigee (premium partner) and Kong (Gold partner), world leaders in AI and API, are in this direction.
The domain of innovative AI and API technologies has led Engineering in Brazil to be called upon as a leading player, qualifying itself as a techCompany (mention should be made of the projects for Viavarejo, MadeiraMadeira, AfferoLab, etc.) as well as clearly characterising most of the innovative projects in the important customer base (Sabesp, TIM, Angoloamerican, Claro, Vale, Enel, etc.).

Undoubtedly among the most important projects is the TIM DIGI1 project for the creation of a completely new digital consumer stack of TIM (Catalogue, Ordering, E-commerce and agile integration platform with microservices), the APIGEE project by Claro, the largest implementation project of the UMA Google API Governance platform of Latin America.

In 2020 Engineering in Brazil obtained the prestigious GPTW (great place to work) award.

ENGINEERING USA

The core business of Engineering in the USA is focused on the creation of digital solutions for the industry with special attention to the manufacturing and transport sectors. Engineering USA provides Fortune 500 companies with high added value consultancy and solutions according to Industry 4.0 guidelines. Leveraging on its unique experience in the implementation and integration of the entire offer of digital tools, the Engineering USA team facilitates the adoption, implementation, integration and digital transformation process in various industrial sectors at global level. A growing number of companies today look at Engineering USA solutions in order to improve their processes, the quality of products or services, and increase the flexibility of the systems.

Engineering USA's proposal is mainly made up of the implementation and realisation of the extended Digital Twin. The digital twin proposed by Engineering USA is a representation not only of the product, but also of the engineering processes and production activities (such as those of the factory). In fact, Engineering USA Digital Twins are used throughout the product life cycle to simulate, support, predict and optimise products and processes.

With a strong consulting approach, more than 14 years of experience in the supply and production of technology, specialised personnel with a deep knowledge of specific industry standards, Engineering USA operates in the Aerospace & Defence, Chemical, Automotive, Food, Oil & Gas, Pharmaceutical sectors, and more.

During the year, Engineering USA also invested in the implementation of projects in the transport sector, supported the growth of the business in new geographical areas of North America such as Mexico and Canada, and laid the foundations for further growth of the manufacturing sector towards innovative digital tools. Enabling technologies such as Internet Of Things (IoT), Low Code, Machine Learning and Data Science applied to manufacturing and logistics processes today represent the foundations on which the entire portfolio of Engineering USA solutions is developed.

VI. Personnel

As of 31 December 2020, the Group workforce with indefinite-term contracts numbered 11,632, of which 1,311 abroad (they were 11,445 and 1,203, respectively, as of 31 December 2019).
The number of employees therefore grew by 187 (+1.6%) individuals compared to December 2019, with an increase of 79 individuals in Italy and 108 individuals abroad.

During 2020, the pandemic health emergency had a direct and negative impact on the various activities carried out by the Group Company: this impact made it necessary to request the intervention of the redundancy fund (CIG) for the Covid-19 emergency, which it involved, in the spring period of maximum pandemic peak, the placement in CIG of more than 1,000 people (both with total and partial suspension of work); this situation, starting from the summer, has slowly recovered, with about 200 people in CIG at the end of the year for about 100 FTEs.

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

Despite the difficulties highlighted above, the policy of hiring young graduates and high school graduates continued in 2020, with the hiring of around 700 people.

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

- graduated people total 58.10%;
- women totalling 31.2%;
- the average age is 43;
- the number of executives was equal to 3.7%;
- employees with Super Management/Management qualifications total around 19%.

TRAINING

With regard to the training activities provided by the School of IT & Management Engineering "Enrico Della Valle", the health emergency has determined the need to completely and quickly review the teaching methodology and the contents of all courses, as well as the organisational processes of the School (for example, enrolment methods, course planning, management of funding, reporting of attendance, analysis of results, etc.).
Nonetheless, the School managed to guarantee the continuity of the training processes, making available, already in April, to all Group colleagues a first remote e-learning training Catalogue, consisting of 75 training and professional certification courses and a usage platform based on Microsoft Teams to allow attendance at courses.

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

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

The training initiatives undertaken in 2020 include:

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

VII. Outlook

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

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

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

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

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

VIII. Financial highlights

MAIN FINANCIAL DATA

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

(in millions of Euros)

Description	2020	2019	Change % YoY
Total revenues	**1,241.5**	**1,274.0**	**-2.6**
Revenues	**1,218.5**	**1,250.9**	**-2.6**
Pro-forma adjusted EBITDA (*)	**157.7**	**159.7**	**-1.3**
% of revenues	+12.9	+12.8	
Adjusted EBITDA	**177.4**	**180.0**	**-1.5**
% of revenues	+14.6	+14.4	
EBIT	**90.1**	**61.2**	**+47.3**
% of revenues	+7.4	+4.9	
Consolidated profit for the year	**190.8**	**43.8**	**+335.2**
% of revenues	+15.7	+3.5	
Shareholders' equity	**836.8**	**611.0**	**+37.0**
Pro-forma net financial position	**(49.5)**	**(113.7)**	**-56.5**
ROE % (N.P./N.E.)	**+22.8**	**+7.2**	**+217.8**
ROI % (EBIT/N.C.E.)	**+8.6**	**+6.8**	**+27.0**
No. of employees	**11,632**	**11,445**	**+1.6**

(*) Pro-forma adjusted EBITDA means EBITDA gross of extraordinary items (Stock Options, IFRS 16 and Extraordinary charges).

The Engineering Group ended the year 2020 with an increase in profitability in percentage terms on all the main indicators, despite the decline in absolute values.

In detail:

- total revenues came to Euro 1,242 million, a 2.6% decrease compared to 2019;
- pro-forma adjusted EBITDA was Euro 157.7 million, in line with the budget, down by 1.3% compared to the previous year, but with a percentage of net revenues up to 12.9%;
- adjusted EBITDA amounted to Euro 177.4 million, down by 1.5% compared to the previous year, but with a percentage increase of 14.6% on net revenues;
- EBIT amounted to Euro 90.1 million (Euro 61.2 million in 2019) with a percentage profitability of approximately 7.4%; essentially due to lower provisions compared to 2019;
- consolidated profit for the year amounted to Euro 190.8 million, up +335.2% compared to the same period of the previous year, mainly due to the realignment between higher book values as of 31 December 2019 and lower values tax values, details of which can be found in paragraph 1.1 of the Explanatory Notes;
- the Group recorded a pro-forma net financial debt of Euro -49.5 million compared to Euro -113.7 million as of 31 December 2019.

ALTERNATIVE PERFORMANCE MEASURES

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

(in millions of Euros)

Description	Note	2020	2019
Consolidated profit for the year		**190.8**	**43.8**
Income taxes		(101)	18.1
Income/(expenses) from investments		(8.7)	(3.2)
Financial income		(7.3)	(8.4)
Interest expense (excluding interest on leases)	(1)	14.4	9.4
Interest on leases		1.5	1.5
Depreciation of property, plant and equipment		8.2	8.0
Depreciation of right-of-use assets	(1)	19.6	20.0
Amortisation of intangible assets		33.3	32.3
Provisions and write-downs		8.7	39.5
Stock Option costs	(2)	10.0	10.0
Leaving incentives	(3)	3.8	3.2
Audit firm costs	(4)	3.6	0.0
Costs for transfer of registered office		0.0	1.6
Charges related to the corporate strategic valuation process		0.0	1.2
Tax charges related to tax assessment of Tax Authorities		0.0	2.9
Adjusted EBITDA		**177.4**	**180.0**
IFRS 16 standardisation	(5)	(19.6)	(20.3)
Pro-forma adjusted EBITDA	**(5)**	**157.7**	**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.

(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, exceeding already existing provisions.

(4) Audit firm costs.

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

Pursuant to IFRS 8, the details of revenues and 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 different markets, were allocated in relation to their net revenues.

(in millions of Euros)

Description	31.12.2020	%	31.12.2019	%
Revenues				
Finance	274.6	+22.54	274.6	+22.0
Public Administration	277.4	+22.76	267.6	+21.4
Health	78.3	+6.43	70.4	+5.6
Industry & Services	261.1	+21.43	280.2	+22.4
Telco & Media	130.7	+10.73	160.0	+12.8
Energy & Utilities	196.3	+16.11	198.0	+15.8
Total revenues	**1,218.5**	**+100.0**	**1,250.9**	**+100.0**
Other revenues	23.0		23.1	
Total revenues	**1,241.5**		**1,274**	

(in millions of Euros)

Description	31.12.2020	%	31.12.2019	%
Adjusted EBITDA				
Finance	63.4	+35.8	60.8	+33.8
% of revenues	+23.1		+22.16	
Public Administration	33.1	+18.7	35.1	+19.5
% of revenues	+11.9		+13.1	
Health	16.3	+9.2	12.6	+7.0
% of revenues	+20.9		+17.9	
Industry & Services	24.3	+13.7	23.5	+13.1
% of revenues	+9.3		+8.4	
Telco & Media	10.9	+6.1	19.7	+11.0
% of revenues	+8.3		+12.3	
Energy & Utilities	29.3	+16.5	28.2	+15.7
% of revenues	+14.9		+14.3	
Total adjusted EBITDA	**177.4**	**+100.0**	**180.0**	**+100.0**
% of revenues	+14.6		+14.4	

OPERATING EXPENSES

Operating expenses decreased overall by Euro 61.5 million, compared to 2019.

Following an analysis of the decrease in absolute values, the primary affected items were as follows:

- the cost of personnel, despite the increase of approximately 190 units, remained substantially unchanged (-0.3%) thanks to the effects of the rejuvenation undertaken in recent years and the disposal of holidays accrued during the year;
- the cost of services with a decrease of Euro 31.7 million (-7.5%);
- the cost of amortisation, depreciation and provisions, which decreased by Euro 29.9 million (-30.0%).

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

The cost increase in raw materials is strictly linked to resale activities of HW material.

The item “Amortisation/depreciation and provisions” recorded a decrease of around Euro 30.0 million, mainly due to lower allocations made to the doubtful debt provision and to the provisions for risks that are better specified in the following paragraphs hereof.

EBIT AND CONSOLIDATED PROFIT FOR THE YEAR

Consolidated profit for the year totalled Euro 190.8 million, an increase of 335.2% compared to 2019. The increase is mainly due to the realignment between higher book values as of 31 December 2019 and lower tax values, details of which can be found in paragraph 1.1 of the Explanatory Notes.

(in Euros)

Description	31.12.2020	31.12.2019	Change %
EBIT	**90,119,902**	**61,179,269**	**+47.3**
Financial income (expenses)	(8,696,779)	(2,469,376)	+232.3
Income (expenses) from equity investments	8,684,421	3,240,594	+1.7
Profit before taxes	**90,107,544**	**61,950,487**	**+45.5**
% on revenues	+7.4%	+5.0%	
Income taxes	(100,648,452)	18,121,308	-655.4
Tax rate	-111.7%	+29.3%	
Consolidated profit for the year	**190,755,997**	**43,829,179**	**+335.2**
% on revenues	+15.7%	+3.5%	
of which:			
Engineering Group	190,603,374	51,900,485	+267.2
Non-controlling interest	152,623	(8,071,306)	-1.0

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 decreased by around Euro 50 million and stood at around Euro 141.2 million as of 31 December 2020. In fact, the cash flow from operating activities (Euro +67.2 million) entirely covered investment requirements for the period (Euro -35.4 million), but not financing activities (Euro -81.6 million), mainly due to the balance between the disbursement of loans and the repayments of the credit lines used, only partially offset by share capital changes. These transactions are both linked to the closing activities of the corporate handover to new shareholders.

(in Euros)

	Description	2020	2019
	Cash collected from the sales of products/services - third parties	1,308,055,394	1,365,626,560
	Cash paid for goods and services - third parties	(593,201,247)	(572,354,399)
	Personnel costs	(598,705,414)	(644,790,358)
	Interest received	96,790	82,845
	Interest paid for operating activities	(845,442)	(260,394)
	Exchange rate differences	374,129	(90,146)
	Income tax payments and reimbursements	(48,577,140)	(61,831,821)
A)	**Total cash flow from operating activities**	**67,197,071**	**86,382,287**
	Sale of property, plant and equipment	359,408	341,786
	Purchase of property, plant and equipment	(8,676,352)	(7,248,105)
	Sale of intangible assets	50,264	0
	Purchase of intangible assets	(6,814,573)	(5,873,828)
	Consideration paid for acquisition of businesses	(20,947,472)	(31,083,495)
	Disposal of subsidiaries	597,800	6,457
	Purchase of other investments and securities	0	(288,956)
	Sale of other investments and securities	29,169	330,371
	Dividends received	0	25,000
B)	**Total cash flow from investing activities**	**(35,401,754)**	**(43,790,769)**
	New loans	327,552,907	92,167,759
	Repayment of loans	(421,360,678)	(57,833,653)
	Dividends distribution	0	(39,650,442)
	Acquisition of non-controlling interest and reserves	32,870,799	(3,211,750)
	Interest paid for financing activities	(3,489,103)	(3,981,924)
	Repayment of lease liabilities	(17,209,849)	(16,003,627)
C)	**Total cash flow from financing activities**	**(81,635,924)**	**(28,513,636)**
D)	**= (A + B + C) change in cash and cash equivalents**	**(49,840,607)**	**14,077,881**
E)	**Cash and cash equivalents at beginning of year**	**191,870,292**	**177,502,797**
F)	**Cash and cash equivalents held for shareholders' distribution/from merger**	**(810,146)**	**289,613**
G)	**= (D + E + F) cash and cash equivalents at end of year**	**141,219,539**	**191,870,292**

NET FINANCIAL POSITION

The pro-forma net financial position (not including lease liabilities - IFRS 16) described hereunder stood at Euro -49.5 million, up compared to the end of 2019 (Euro -113.7 million). In fact, generated cash flows (down compared to 2019) supported the reduction of both current and non-current financial indebtedness.

(in Euros)

Description	31.12.2020	31.12.2019
Cash and cash equivalents	23,573	56,323
Bank and postal deposits	141,195,966	191,813,969
A) Cash and cash equivalents	**141,219,539**	**191,870,292**
B) Current financial receivables	**0**	**0**
Bank overdrafts (bank overdrafts of bank accounts)	(164,316)	(5,852,080)
Short-term bank loans	(46,424,342)	(80,630,715)
Other current financial liabilities	(12,412,724)	(21,602,459)
C) Current borrowing	**(59,001,381)**	**(108,085,253)**
D) Net current financial position	**82,218,158**	**83,785,039**
Non-current financial liabilities	(124,907,564)	(183,630,387)
Other non-current financial liabilities	(6,822,868)	(13,855,500)
E) Non-current borrowing	**(131,730,432)**	**(197,485,888)**
F) Pro-forma net financial position	**(49,512,274)**	**(113,700,849)**

(in Euros)

Description	31.12.2020	31.12.2019
Cash and cash equivalents	23,573	56,323
Bank and postal deposits	141,195,966	191,813,969
A) Cash and cash equivalents	**141,219,539**	**191,870,292**
B) Current financial receivables	**0**	**0**
Bank overdrafts (bank overdrafts of bank accounts)	(164,316)	(5,852,080)
Short-term bank loans	(46,424,342)	(80,630,715)
Current lease liabilities	(18,113,441)	(19,465,493)
Other current financial liabilities	(12,412,724)	(22,853,336)
C) Current borrowing	**(77,114,823)**	**(128,801,623)**
D) Net current financial position	**64,104,716**	**63,068,669**
Non-current financial liabilities	(124,907,564)	(183,630,387)
Non-current lease liabilities	(139,282,197)	(148,460,022)
Other non-current financial liabilities	(6,822,868)	(19,525,620)
E) Non-current borrowing	**(271,012,629)**	**(351,616,029)**
F) Net financial position	**(206,907,913)**	**(288,547,361)**

CENTRALISED TREASURY

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

The companies adhering to cash pooling managed by the Parent Company have, from time to time, used this instrument to meet their financial commitments when the latter were higher than their own liquidity. The other companies have financed themselves or, in special cases, they benefited from loans granted directly by the Parent Company or their holding company. In all cases they had easy access to the financial resources managed by the Parent Company, both in-house and from external sources, at rates they would not have been able to obtain independently on the market, also given the particular circumstances. The Group's rating and ongoing dialogue and discussion with the various banks permitted to take advantage of the best conditions offered based on real needs. The above resulted in the optimal allocation of financial resources within the Group and maximised efficiency in managing the working capital, thereby limiting financial charges.

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

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

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

NET WORKING CAPITAL

The net working capital increased by Euro 35.6 million compared to 2019 (+11.7%), amounting to Euro 340.9 million. The trend in net working capital is the result of the increase in trade receivables and the decrease in trade payables. The ratio of net working capital to revenues increased from 24.0% in 2019 to 27.5% in 2020.

(in Euros)

Description	31.12.2020	31.12.2019	Change	
			Absolute	%
Current assets				
Customer contract assets	185,329,656	200,871,073	(15,541,417)	-7.7
Deferred contract costs	20,238,017	22,172,850	(1,934,833)	-8.7
Trade receivables	617,545,173	590,500,354	27,044,819	+4.6
Other current assets	46,788,557	52,037,321	(5,248,764)	-10.1
Total	**869,901,403**	**865,581,598**	**4,319,804**	**+0.5**
Current liabilities				
Trade payables	(343,529,300)	(367,537,070)	24,007,770	-6.5
Other current liabilities	(185,511,776)	(192,824,011)	7,312,235	-3.8
Total	**(529,041,077)**	**(560,361,081)**	**31,320,005**	**-5.6**
Net working capital	**340,860,326**	**305,220,517**	**35,639,809**	**+11.7**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The balance sheet of the Group shows a very solid structure and is well represented thanks to a ratio of 1.0x shareholders' equity/fixed assets, up compared to the previous year.

(in Euros)

Description	31.12.2020	31.12.2019	Change	
			Absolute	%
Real estate property	26,406,285	29,792,652	(3,386,367)	-11.4
Right of use	152,281,026	173,372,063	(21,091,037)	-12.2
Intangible assets	526,664,548	533,500,604	(6,836,056)	-1.3
Goodwill	100,921,606	107,854,469	(6,932,863)	-6.4
Equity investments	14,818	54,818	(40,000)	-73.0
Fixed assets	**806,288,282**	**844,574,605**	**(38,286,323)**	**-4.5**
Short-term assets	869,901,403	865,581,598	4,319,804	+0.5
Short-term liabilities	(529,041,077)	(560,361,081)	31,320,005	-5.6
Net working capital	**340,860,326**	**305,220,517**	**35,639,809**	**+11.7**
Other non-current assets	31,555,344	30,696,715	858,628	+2.8
Assets/(Liabilities) held for sale	(1,085,728)	0	(1,085,728)	
Post-employment benefits	(71,966,156)	(74,412,000)	2,445,843	-3.3
Other non-current liabilities	(61,916,731)	(206,551,716)	144,634,985	-70.0
Net capital employed	**1,043,735,337**	**899,528,122**	**144,207,215**	**+16.0**
Group shareholders' equity	846,790,177	617,089,361	229,700,817	+37.2
Non-controlling interests shareholders' equity	(9,962,753)	(6,108,599)	(3,854,154)	+63.1
D - Shareholders' equity	**836,827,424**	**610,980,762**	**225,846,663**	**+37.0**
(Availab.)/fin. indebtedness	**206,907,913**	**288,547,361**	**(81,639,448)**	**-28.3**
Total sources	**1,043,735,337**	**899,528,122**	**144,207,215**	**+16.0**

RECONCILIATION

The reconciliation between the financial statements as of 31 December 2020 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 the year	Shareholders' equity
Net profit and shareholders' equity of Engineering Ingegneria Informatica S.p.A.	165,887,199	808,190,577
Net profit and shareholders' equity of consolidated companies	29,147,025	185,792,151
Total	**195,034,224**	**993,982,728**
Elimination of the net book value of equity investments in consolidated subsidiaries and any intercompany dividend	0	(189,922,579)
Other adjustments	(4,278,227)	32,767,275
Total consolidated net profit and shareholders' equity	**190,755,997**	**836,827,424**
of which non-controlling interests net profit/(loss) and shareholders' equity	152,623	(9,962,753)
Group consolidated net profit and shareholders' equity	**190,603,374**	**846,790,177**

X. Significant events during the year

The significant events are detailed below:

- on 7 February 2020, Engineering Ingegneria Informatica S.p.A. purchased 95% of interests in FDL Servizi S.r.l., which operates in the IT sector in the software market for the integrated management of Energy Services, Heat Management and District Heating Networks, with registered office in Breno (BS);

- 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. On 3 February 2021, the company was cancelled from the Register of Companies;

- on 28 April 2020, Engineering Ingegneria Informatica S.p.A., formerly a shareholder of Engineering USA Inc., a company established and existing under US law, acquired additional shares of the same, reaching 81.84% of the share capital;

- on 23 July 2020, the purchase and sale of 100% of the share capital of the company Engineering Ingegneria Informatica S.p.A. by Centurion Bidco S.p.A., a Sole Shareholder company, with registered office in Milan, at Viale Bianca Maria no. 25, Tax Code and enrolment in the Register of Companies no. 11230560960 and VAT No. 11230560960, was finalised. By virtue of the aforementioned transaction, the share capital of Engineering Ingegneria Informatica S.p.A. of Euro 34,095,537.11 fully paid-up, divided into no. 13,003,677 ordinary shares with no nominal value is fully held by the Sole Shareholder Centurion Bidco S.p.A.;

- as from 28 July 2020, Engineering was configured as a company subject to management and coordination by Centurion Holdco S.à r.l. (which indirectly controls Centurion Bidco S.p.A.) pursuant to Article 2497-bis of the Italian Civil Code;

- on 13 October 2020, Engineering Ingegneria Informatica S.p.A., formerly a shareholder of Engineering USA Inc., a company established and existing under US law, acquired additional shares of the same, reaching 97.36% of the share capital;

- on 16 November 2020, the Shareholders' Meeting of the investee Terram S.r.l., in which Engineering held 40% of the shares, was held. During the meeting, the final liquidation financial statements were approved. The company was cancelled from the Register of Companies;

- on 18 November 2020, Engineering Ingegneria Informatica S.p.A. completed the acquisition of an additional 49% of the share capital of Engineering ITS AG, with registered office in Germany, in which it already held a majority stake of 51%, becoming its Sole Shareholder;

- on 9 December 2020, the entire shareholding in the share capital of Sofiter Tech S.r.l., of which Engineering had acquired the majority control through subscription in 2017 of the paid share capital increase resolved by the company, was sold;

- on 30 December 2020, the Extraordinary Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved to approve the demerger plan for the assignment of part of its share capital to the company Centurion Bidco 1 S.r.l. (with Sole Shareholder and registered office in Milan, Viale Bianca Maria 25) through the assignment of no. 285,000 ordinary shares with a nominal value of Euro 1.00 each, representing 95% of the share capital of the company OverIT S.p.A. (with registered office in Fiume Veneto);

- on 31 December 2020, Cybertech S.r.l. sold the investee OmnitechIT Turkey Bilisim Sistemleri Danismanlik Sanayi Ve Ticaret LTD with registered office in Istanbul (Turkey).

XI. Shareholders and treasury shares

SHAREHOLDERS

The whole share capital of Engineering Ingegneria Informatica S.p.A. is held by Centurion Bidco S.p.A., as Sole Shareholder. With respect to provisions set out by Article 2497-bis, paragraph 5, of the Italian Civil Code, it is underlined that, during the year, the Company had no business relations with Centurion Bidco S.p.A..

TREASURY SHARES

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

XII. Subsequent events to the year-end

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

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

- on 12 March 2021, the Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved to proceed with the distribution, in favour of the Sole Shareholder, of the merger reserve including earnings for an amount equal to Euro 17,000,000.00 (seventeen million/00);

- on 16 March 2021, the Merger Deed was signed concerning the German companies Engineering Software Labs, Engineering Dss GmbH, Engineering Bsc GmbH in Engineering ITS, with registered office in Stuttgart, Germany. The accounting effects of the merger are retrospective as of 1 January 2021;

- on 29 March 2021, Sogeit Solutions S.r.l. acquired a business unit from Livebox S.r.l., including an important innovative product, vDesk, a smart working and collaboration platform for enterprise companies.

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

Engineering adopts specific procedures for the management of risk factors that might affect the Company's results. As in all companies, risk factors which may affect the Company's results exist and for this purpose numerous preventative actions have been put in place.
These procedures are the result of a management that has always aimed at maximising value for its shareholders by taking all necessary measures to prevent the risks inherent in the Group activities.
The internal control system and procedures referred to in this document are consistent with applicable guidelines prepared by relevant industry associations and international best practices.
These were fully and transparently implemented and with a sense of responsibility concerning internal and external relations, offering sufficient guarantees for correct and efficient management.
The risk factors described below should be read together with other information present in the financial statements.

EXTERNAL RISKS

A. Risks connected with the general economic conditions
Europe is still in the grip of the Coronavirus pandemic. The new increase in the number of infection cases and the appearance of new, more contagious strains of the Coronavirus have forced many Member States to reintroduce or tighten containment measures. At the same time, the launch of immunisation programs across the EU gives rise to cautious optimism.
As we have already said, the demand for IT services should grow in the course of 2021, avoiding potential negative economic and financial impacts on 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 crisis resulting from the spread of the Covid-19 pandemic is not just a health crisis. The response of the production sector has been towards an acceleration in the use of information technology. In this context, technological risks are mainly represented by the widening of the digital inclusion barriers, the so-called "digital divide", but also by the exponential rise in cyber attacks that increase the cybersecurity risk.
The 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
According to the 10th Allianz Risk Barometer 2021, the pandemic breaks the mould and places the interruption of activities in the first place among the greatest risks perceived by companies for 2021. In particular, in the Italian scenario, for the first time ever, IT incidents are classified as the most important risk for companies at local level. The interruption of activities is in second place and remains a fundamental challenge, while the pandemic enters directly in third place this year. Our 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 continue to grow, even with the use of mobile technologies, social media and cloud-based services, the potential risk of security breaches and cyber attacks increases. Such breaches could result in the shutdown or interruption of systems and potential

unauthorised disclosure of sensitive or confidential information, including personal data. In the above cases, the Group could be exposed to potential liabilities, litigations and legal or other actions, as well as to loss of existing or potential customers, damage to brand and reputation, and other financial losses. Moreover, costs and operating consequences to tackle these breaches, and the implementation of correction measures, might be significant. To date, no IT security attacks have had a material 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. Engineering is also endowed with Executive Managers, who play a key role in the management of the Group’s activities, as well as a management structure able to ensure continuity in the management of corporate activities even in the event that key persons to be adequately replaced leave immediately.

B1. Risks related to dependence on customers

The 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 therefore signed insurance policies deemed as an adequate hedging against risks from third-party and contractual liability, for an annual ceiling of Euro 15 million and Euro 10 million per claim. In addition to the above coverage, additional policies are taken out for significant economic/financial projects to avoid negative impacts on the 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 14% 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. In particular, as regards exchange rate risks, reference is made to the following paragraph.
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.

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.

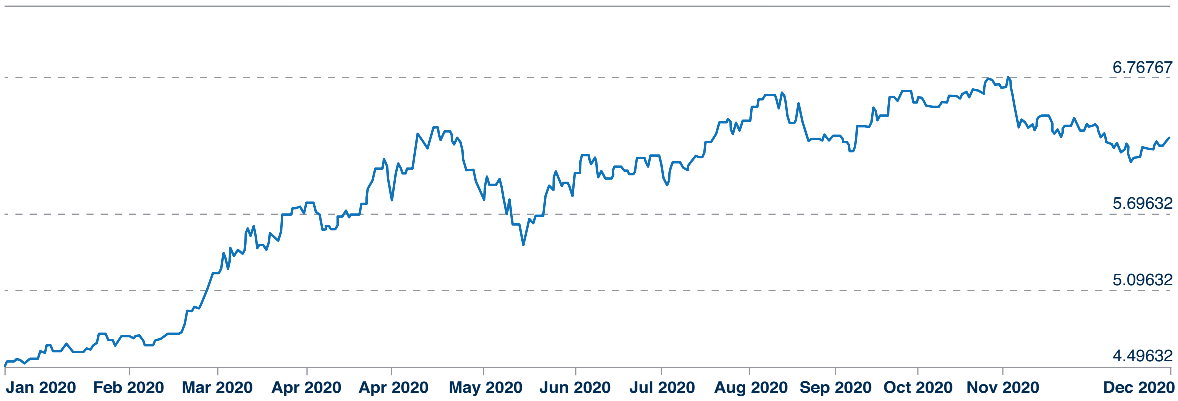
C2. Exchange rate risk
Exchange rate risk is defined as the risk of the value of a financial instrument changes following exchange rate movements. 90% of transactions are carried out in the Euro area; therefore, exposure to exchange rate risks deriving from operations in currencies other than the function 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



Today it is very difficult to make market forecasts, especially due to the second wave of Coronavirus and all the problems and uncertainties related to the end of the pandemic directly affect market forecasts, the economy and the return again to normal living.

Today the exchange rate of the Dollar is $ 5.69 and the Euro is $ 6.87 against the Real, or today the difference between the Dollar and the Euro in Brazil is around 20%.

The Central Bank and the main Brazilian private banks only make forecasts on the Dollar and not on the Euro, therefore in the underlying forecasts we will maintain a difference of around 20% between these two rates.

	USD vs REAIS projections		
Source Brazilian Banks	**2021**	**2022**	**2023**
January 2021	**5.05**	**5.00**	**4.96**

By keeping the EUR vs USD parity constant at around 20%, the forecast in Euro would be

	EUR vs REAIS projections		
Source Brazilian Banks	**2021**	**2022**	**2023**
January 2021	**6.06**	**6.00**	**5.95**

Important national and international factors that directly influence or may directly influence exchange rate changes over 2021 are the following:

National factors
- Coronavirus – obviously the Coronavirus problem in the world, even more so with this second more intense wave and the possible variants of the virus, creates greater uncertainties in the financial market. Although the vaccine is already in place, its effectiveness has yet to be seen, especially with reference to new virus variants. However, the market should react throughout 2021 and also recover at an economic level, suggesting that the year 2021 will be much better than the year 2020.
- Tax reform and administrative reform of Brazil – Due to the economic paralysis in 2020, mainly due to the Coronavirus pandemic, the federal government was not able to negotiate with the National Congress the important administrative and tax reforms, in order to create better scenarios for Brazil's return to investing. In this year 2021, after the change of command at the National Congress and the National Senate, there is a better scenario to discuss and finally approve these reforms during the year. The presidents of the Chamber of Deputies and the Federal Senate are now allies of the President of Brazil, which increases the chances that these important reforms will be approved.
  The expectation is to have more international investors here and therefore reduce the inflation with a consequent decrease in exchange rates.

D2. Interest rate risk
Exposure to interest rate risk arises from the need to finance the Group's operating activities. Changes in interest rates can have a negative or positive impact on the Company's economic result, indirectly influencing costs and returns of the operations carried out.

E2. Market risk
Market risk is defined as the risk that the value of a financial instrument may change due to fluctuations in market prices. The 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

In December 2016, the company Enginering.IT (merged into Engineering Ingegneria Informatica S.p.A. in 2013) was served with an assessment notice related to VAT for transactions undergone with Banca Antonveneta first, and then with Consorzio Operativo Gruppo Monte Paschi, in the 2011-2013 period. This audit resulted from the report sent by the Tuscany Regional Authority after the tax audit on Consorzio Operativo Gruppo Monte Paschi, carried out by the Italian Tax Police that objected the VAT exemption. Engineering Ingegneria Informatica S.p.A. filed an appeal at the Tax Commission: with reference to 2011-2012, both the first and second instance judgements have acknowledged the grounds put forward by the Company and the reasons given in the appeal and the judgement has become final due to the failure of the Valle d'Aosta Regional Authority to appeal it to the

Court of Cassation. With reference to the year 2013, the competence of which passed to the Lazio Regional Authority as a result of the merger, the first instance ruling issued in November 2020 acknowledged the reasons put forward by the Company to be justified and we are waiting to know whether the Inland Revenue Office intends to appeal to the Central Tax Commission.

In February 2020 the company OmnitechIT, the transferee of the branch in the subsidiary Cybertech, underwent a “targeted tax audit” on the 2017 tax period in order to verify compliance with the tax obligations in relation to the origin and entitlement of the tax receivable for “Research and Development” as per Article 3 of Legislative Decree no. 145/2013 and subsequent amendments. The Inland Revenue Office - Provincial Authority II of Rome challenged the undue use of the receivable in question, which took place in offsetting through F24, deeming the expenses incurred in R&D not eligible. Moreover, considering the receivable as non-existent, it extended joint and several liability to the transferee Cybertech, applying paragraph 4 of Article 14 of Legislative Decree 472/1997. To date, the Company, after filing its briefs, has not received any assessment deed.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Euros)

Statement of Financial Position - Assets	Note	31.12.2020	31.12.2019 Restated
A) Non-current assets			
Property, plant and equipment	6	26,406,285	29,792,652
Intangible assets	7	526,664,548	545,306,947
Right of use	8	152,281,026	173,372,063
Goodwill	9	100,921,606	99,042,113
Equity investments	10	14,818	54,818
Deferred tax assets	11	26,052,988	24,859,040
Other non-current assets	12	5,502,356	5,837,675
Total non-current assets		**837,843,626**	**878,265,308**
B) Current assets			
Inventory	13	66,192	90,514
Customer contract assets	14	185,263,464	200,780,560
Deferred contract costs	15	20,238,017	22,172,850
Trade receivables	16	617,545,173	590,500,354
Other current assets	17	46,788,557	52,037,321
Cash and cash equivalents	18	141,219,539	191,870,292
Total current assets		**1,011,120,942**	**1,057,451,890**
C) Assets held for sale and held for shareholders' distribution	**19**	**14,165,431**	
Total assets (A + B + C)		**1,863,129,998**	**1,935,717,198**

Statement of Financial Position - Liabilities	Note	31.12.2020	31.12.2019 Restated
D) Shareholders' equity			
Share capital	21	34,095,537	31,875,000
Reserves	22	514,617,549	498,227,139
Retained earnings	23	107,473,717	35,086,737
Profit/(loss) for the year		190,603,374	51,212,082
Group shareholders' equity		**846,790,177**	**616,400,957**
Capital and reserves of non-controlling interests		(10,115,376)	2,308,525
Profit/(loss) for the year of non-controlling interests		152,623	(8,028,702)
Total shareholders' equity	**20**	**836,827,424**	**610,680,780**
E) Non-current liabilities			
Non-current financial liabilities	24	131,730,432	197,485,888
Non-current lease liabilities	25	139,282,197	154,130,142
Deferred tax liabilities	26	27,486,025	166,174,150
Non-current provisions for risks and charges	27	3,322,111	4,686,023
Other non-current liabilities	28	31,108,595	38,985,512
Post-employment benefits	29	71,966,156	74,412,000
Total non-current liabilities		**404,895,516**	**635,873,715**
F) Current liabilities			
Current financial liabilities	30	59,001,381	108,085,253
Current lease liabilities	31	18,113,441	20,716,370
Current tax payables	32	14,480,091	5,496,524
Current provisions for risks and charges	33	7,224,187	15,087,070
Other current liabilities	34	163,807,498	172,240,417
Trade payables	35	343,529,300	367,537,070
Total current liabilities		**606,155,899**	**689,162,704**
G) Total liabilities (E + F)		**1,011,051,416**	**1,325,036,419**
H) Liabilities held for sale and held for shareholders' distribution	**36**	**15,251,158**	
Total liabilities and shareholders' equity (D + G + H)		**1,863,129,998**	**1,935,717,198**

CONSOLIDATED INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

(in Euros)

Income Statement	Note	31.12.2020	31.12.2019 Restated
A) Total revenues			
Revenues	37	1,218,456,399	1,250,882,131
Other revenues	38	23,000,945	23,107,429
Total revenues		**1,241,457,345**	**1,273,989,560**
B) Operating expenses			
Raw materials and consumables	41	39,553,638	33,729,702
Service costs	42	393,620,417	425,332,941
Personnel costs	43	637,809,828	639,924,808
Amortisation and depreciation	44	61,124,908	61,191,788
Provisions	45	8,700,300	39,450,458
Other costs	46	10,528,351	14,076,295
Total operating expenses	**40**	**1,151,337,443**	**1,213,705,991**
C) Operating profit (A - B)		**90,119,902**	**60,283,569**
Financial income		7,266,192	8,428,172
Financial expenses		15,962,971	10,897,549
D) Net financial income (expenses)	**47**	**(8,696,779)**	**(2,469,376)**
Total income/(expenses) from equity investments	**48**	**8,684,421**	**3,240,594**
F) Profit before taxes (C + D + E)		**90,107,544**	**61,054,786**
G) Income taxes	49	(100,648,452)	17,871,407
H) Consolidated profit for the year (F + G)		**190,755,997**	**43,183,379**
I) Profit/(loss) from discontinued operations, net of tax effect			
L) Consolidated profit/(loss) for the year (H + I)		**190,755,997**	**43,183,379**
Non-controlling interest		152,623	(8,028,702)
Attributable to shareholders of the Parent		190,603,374	51,212,082

(in Euros)

Comprehensive Income Statement	Note	31.12.2020	31.12.2019 Restated
L) Income for the year		**190,755,997**	**43,829,179**
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		103,137	(4,560,052)
Tax effect related to other income/(loss) which will not be reclassified in income/(loss) for the year		(24,753)	1,094,413
Total other comprehensive income/(loss) which will not be reclassified in income/(loss) for the year, net of tax effect		**78,384**	**(3,465,640)**
N) Total other comprehensive income/(loss) which will be reclassified in income/(loss) for the year:			
Exchange gains/losses on non Euro accounts		(3,130,372,87)	(335,801)
Total other comprehensive income/(loss) which will be reclassified in income/(loss) for the year, net of tax effect		**(3,130,373)**	**(335,801)**
Total other comprehensive income/(loss), net of tax effect		**(3,051,989)**	**(3,801,441)**
O) Total comprehensive income for the year (L + M + N)		**187,704,008**	**40,027,738**
Non-controlling interest		108,927	(8,153,047)
Attributable to shareholders of the Parent		187,595,081	48,180,786

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euros)

Description	Share capital	Reserves	Retained earnings	Profit for the year	Group shareholders' equity	Non-controlling interests shareholders' equity	Total Group shareholders' equity and non-controlling interests shareholders' equity
	Group shareholders' equity						
Note	**21**	**22**	**23**				**20**
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	-	-	-	51,212,082	51,212,082	(8,028,702)	43,183,379
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)**	**51,212,082**	**47,492,382**	**(8,110,444)**	**39,381,938**
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	(2,319,189)	(1,097,030)
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)**	**(2,319,189)**	**(44,525,370)**
Balance as of 31.12.2019	**31,875,000**	**498,227,139**	**35,086,737**	**51,212,082**	**616,400,957**	**(5,720,178)**	**610,680,780**
Net profit for the year	-	-	-	190,603,374	190,603,374	152,623	190,755,997
Other net comprehensive items	-	(3,130,373)	122,080	-	(3,008,293)	(43,695)	(3,051,989)
Comprehensive income for the year	**-**	**(3,130,373)**	**122,080**	**190,603,374**	**187,595,081**	**108,927**	**187,704,008**
Allocation of the residual result of the previous year to retained earnings	-	-	51,212,082	(51,212,082)	-	-	-
Share-based compensation plans	-	(29,349,421)	39,349,421	-	10,000,000	-	10,000,000
Put/Call option detection	-	18,219,943	(18,487,070)	-	(267,127)	-	(267,127)
Change in interests in subsidiaries and scope of consolidation	-	-	1,195,503	-	1,195,503	(4,351,503)	(3,156,000)
Share premium reserve	2,220,537	30,650,262	-	-	32,870,799	-	32,870,799
Other changes	-	-	(1,005,036)	-	(1,005,036)	-	(1,005,036)
Transactions with shareholders and other movements	**2,220,537**	**19,520,784**	**72,264,900**	**(51,212,082)**	**42,794,139**	**(4,351,503)**	**38,442,636**
Balance as of 31.12.2020	**34,095,537**	**514,617,550**	**107,473,717**	**190,603,374**	**846,790,177**	**(9,962,753)**	**836,827,424**

CONSOLIDATED CASH FLOW STATEMENT

(in Euros)

Description		2020	2019
	Cash collected from the sales of products/services - third parties	1,308,055,394	1,365,626,560
	Cash paid for goods and/services - third parties	(593,201,247)	(572,354,399)
	Personnel costs	(598,705,414)	(644,790,358)
	Interest received	96,790	82,845
	Interest paid for operating activities	(845,442)	(260,394)
	Exchange differences	374,129	(90,146)
	Income tax payments and reimbursements	(48,577,140)	(61,831,821)
A)	**Total cash flow from operating activities**	**67,197,071**	**86,382,287**
	Sale of property, plant and equipment	359,408	341,786
	Purchase of property, plant and equipment	(8,676,352)	(7,248,105)
	Sale of intangible assets	50,264	0
	Purchase of intangible assets	(6,814,573)	(5,873,828)
	Consideration paid for acquisition of businesses	(20,947,472)	(31,083,495)
	Disposal of subsidiaries	597,800	6,457
	Purchase of other investments and securities	0	(288,956)
	Sale of other investments and securities	29,169	330,371
	Dividends received	0	25,000
B)	**Total cash flow from investing activities**	**(35,401,754)**	**(43,790,769)**
	New loans	327,552,907	92,167,759
	Repayment of loans	(421,360,678)	(57,833,653)
	Dividends distribution	0	(39,650,442)
	Acquisition of non-controlling interest and reserves	32,870,799	(3,211,750)
	Interest paid for financing activities	(3,489,103)	(3,981,924)
	Repayment of lease liabilities	(17,209,849)	(16,003,627)
C)	**Total cash flow from financing activities**	**(81,635,924)**	**(28,513,636)**
D)	**= (A + B + C) change in cash and cash equivalents**	**(49,840,607)**	**14,077,881**
E)	**Cash and cash equivalents at beginning of year**	**191,870,292**	**177,502,797**
F)	**Cash and cash equivalents held for shareholders' distribution/from merger**	**(810,146)**	**289,613**
G)	**= (D + E + F) cash and cash equivalents at end of year**	**141,219,539**	**191,870,292**

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 June1980.

With approx. 11,632 employees, around 40 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group derives approximately 14% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Banking and Public Administration sectors. It operates in the outsourcing and Cloud Computing market through an integrated network of 4 data centres located in Pont St. Martin (AO), Turin, Vicenza and Milan, which manages around 300 customers.

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, GRACE), to Billing and CRM for Utilities (Net@SUITE), to integrated diagnostics and administration solutions for Health (AREAS), WFM systems (OverIT) and mobile platforms for Telco & Utilities.

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

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

These consolidated financial statements as of 31 December 2020, were approved by the Board of Directors of Engineering Ingegneria Informatica S.p.A. during the meeting of 23 March 2021.

With the swift development of the Coronavirus epidemic, many countries have imposed limitation or suspension of certain commercial activities and adopted travel restrictions and quarantine measures (“Containment measures”).
The Coronavirus epidemic occurred in China at end December 2019 and continued to evolve gradually. On 30 January 2020, the WHO International Emergency Standards Committee declared the epidemic a “public health emergency of international concern”. Since then, more cases have been diagnosed, including in other countries.
In Italy, the pandemic initially affected the Northern regions and subsequently spread to the rest of the country. The Italian Government issued several decrees of the Presidency of the Council of Ministers, which have introduced increasingly restrictive measures for commercial activities and social aggregation sectors in order to contain the risk of contagion.
In this context, preceding the decree of the Italian Government, which came into force on 23 March 2020, and temporarily suspended all non-essential production activities, Engineering has progressively limited activities to customers and/or operating offices being able to work in smart working. Indeed, the use of cloud systems and advanced individual productivity systems have allowed a rapid reconfiguration of activities in smart working mode ensuring the safety of the Company’s employees and the continuation of the activities contracted with customers. In addition, Engineering as part of its activities is able to manage remotely the workstations of customers turning them into a “Digital Workplace”; this technology helps and supports the new way of working required in the current scenario.
In the current complex market situation, we are focused on supporting our clients, the Italian Government and in particular the Italian healthcare sector, in order to best meet their needs. We believe that the major impacts are occurring in the Transportation, Retail, Tourism sectors and some areas related to manufacturing. In this context, all sectors are increasing demands for digitisation, from Digital Workplace to remote maintenance, as well as using data management platforms to facilitate decisions.

The diversification of the sectors in which the Company's customers operate (Public Administration, Finance, Health, Industry, Transportation, Telco & Media, Energy & Utilities) and the financial position, the availability also of credit lines already approved, are elements mitigating the potential financial and liquidity risk. Moreover, although in a context of general uncertainty related to the effects that Covid-19 may have on the country's financial and economic situation, we believe that the medium and long-term scenarios are expected to be confirmed and there is no obvious risk of impairment of the values recorded in the financial statements as of 31 December 2020.

Major national and global economic disturbances were caused by the Covid-19 pandemic. Based on our current assessment of the pandemic, we do not foresee any material impact on the expected development timing or on liquidity due to the worldwide spread of the Covid-19 virus, and similarly we do not recognise any asset impairment due to Covid-19. However, the Company is closely monitoring both this situation and the possible effects on its business, results of operations and financial position, including expenses and amounts related to employees through temporary governmental subsidy programs (the so-called "Layoff Benefits"). In particular, we have introduced remote working essentially for all of our approximately 11,600 employees. Moreover, in order to manage our cost structure and avoid impacts on our liquidity in connection with the Covid-19 pandemic, we reduced our travel costs and laid off a limited number of employees related to specific projects or functions (e.g. our internal travel management structure). The impact of the Covid-19 pandemic on our supply chain is modest as our suppliers and partners are able to operate on a remote basis and our dependence on physical product deliveries is minimal.

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

As part of the criminal proceeding no. 33849/18 r.g. n.r. pending before the Public Prosecutor's Office of the Court of Milan for facts abstractly referable to Articles 319, 319-bis and 353 of the Italian Criminal Code, on 23 June 2021, the Company received a notice of investigation concerning its inclusion in the register of criminal information pursuant to Legislative Decree no. 231/2001. The Company, which has always been (and still remains) totally uninvolved in the facts that gave rise to the criminal proceeding referred to above, has not been subject to precautionary or prohibitory measures of any kind, certainly not such as to prevent the Company from contracting with the Public Administration. The Company has implemented all appropriate self-cleaning measures. The Company, having carried out the appropriate assessments, considers the risk of potential liabilities arising from the proceedings to be remote. The latter are currently still at the preliminary investigation stage.

1.1 SIGNIFICANT OPERATIONS

Realignment between higher book values as of 31 December 2019 and lower tax values

Pursuant to Law Decree no. 104 of 14 August 2020 ("August Decree"), converted into Law no. 126 of 13 October 2020 (Article 110, paragraph 8), and 2021 Budget Law - Law no. 178 of 30 December 2020 (Article 1, paragraph 83), it is possible to realign the higher value of assets and equity investments resulting from the financial statements for the year ending 31 December 2019, for entities adopting International Accounting Standards too.
These assets can be recognised, for the purposes of income taxes and of the regional income tax on production activity (IRAP), as from the year following that in which the assets was written up, i.e. the 2021 tax period, through the payment of a 3% substitute tax for both depreciable and non-depreciable assets, with the obligation to allocate a reserve in suspension of taxation for tax purposes, which may also be released in order to make the reserve available for future uses, for the amount corresponding to the higher values subject to realignment, net of the substitute tax.

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

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

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

1.2 OPERATIONS OF REORGANISATION OF CORPORATE STRUCTURE OF THE GROUP

Completion of accounting activities connected with acquisitions

Deus Technology S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. acquired 100% of the company Deus Technology S.r.l..

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Deus Technology S.r.l. by the Parent Company.

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

(in Euros)

Net assets acquired	Provisional fair value of net asset acquired	Fair value adjustments	Fair value of net asset acquired
Property, plant and equipment	106,373		106,373
Intangible assets	293,299	10,303,862	10,597,161
Right of use	2,019,888		2,019,888
Other non-current assets	134,260		134,260
Trade receivables	1,160,967		1,160,967
Cash and cash equivalents	89,828		89,828
Other current assets	312,872		312,872
Non-current financial liabilities	(1,827,970)		(1,827,970)
Other non-current liabilities	(470,955)	(2,874,778)	(3,345,733)
Current financial liabilities	(167,678)		(167,678)
Other current liabilities	(1,784,930)		(1,784,930)
Total net assets acquired	**(134,045)**	**7,429,084**	**7,295,039**
Total net assets acquired by the Group			7,295,039
Total amount			**30,000,000**
Goodwill			**22,704,961**
Cash and cash equivalents			89,828
Net outflow resulting from the acquisition			**29,910,172**

As more fully illustrated in the detailed comments on the individual items of these 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 of Euro 7.4 million emerged from at fair value adjustments, relating to the recognition of Order Backlog and Customer Relationships, Technology and Brand, for the amount of around Euro 10.3 million (gross deferred taxes for around Euro 2.9 million).

The above-mentioned adjustments also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in a provisory allocation of Euro 30.1 million as goodwill. This goodwill value will be fiscally non-deductible.
As required by IFRS 3, the goodwill that emerged following the above accounting for the transaction was allocated to CGU "Deus Technology S.r.l.".

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.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended 31 December 2019.

Digitelematica S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. acquired 80% of the company Digitelematica S.r.l..

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Digitelematica S.r.l. by the Parent Company.

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

(in Euros)

Net assets acquired	Provisional fair value of net asset acquired	Fair value adjustments	Fair value of net asset acquired
Property, plant and equipment	40,884		40,884
Intangible assets	10,307	2,398,182	2,408,489
Other non-current assets	22,883		22,883
Trade receivables	694,286		694,286
Cash and cash equivalents	425,778		425,778
Other current assets	171,674		171,674
Non-current financial liabilities	(13,393)		(13,393)
Other non-current liabilities	(126,356)	(669,093)	(795,449)
Other current liabilities	(766,908)		(766,908)
Total net assets acquired	**459,156**	**1,729,090**	**2,188,245**
Non-controlling interests			437,649
Total net assets acquired by the Group			1,750,596
Total amount			**3,666,753**
Goodwill			**1,916,157**
Cash and cash equivalents			425,778
Net outflow resulting from the acquisition			**3,240,975**

As more fully illustrated in the detailed comments on the individual items of these 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 of Euro 1.7 million emerged from at fair value adjustments, relating to the recognition of Order Backlog and Customer Relationships and Technology, for the amount of around Euro 2.4 million (gross deferred taxes for around Euro 0.7 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 3.3 million as goodwill.

As required by IFRS 3, the goodwill that emerged following the above accounting for the transaction was allocated to CGU “Digitelematica S.r.l.”.

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.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended 31 December 2019.

FDL Servizi S.r.l.

On 7 February 2020, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 95% of the company FDL Servizi S.r.l..

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of FDL Servizi S.r.l. by the Parent Company.

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

(in Euros)

Net assets acquired	Fair value of net asset acquired
Property, plant and equipment	15,498
Intangible assets	2,009,756
Right of use	39,598
Other non-current assets	10,264
Trade receivables	1,291,884
Cash and cash equivalents	9,156
Other current assets	149,139
Non-current financial liabilities	(14,993)
Non-current lease liabilities	(25,926)
Other non-current liabilities	(605,158)
Current financial liabilities	(1,933)
Current lease liabilities	(13,679)
Other current liabilities	(815,894)
Total net assets acquired	**2,047,713**
Non-controlling interests	102,386
Total net assets acquired by the Group	1,945,327
Total amount	**5,477,178**
Goodwill	**3,531,851**
Cash and cash equivalents	9,156
Net outflow resulting from the acquisition	**5,468,022**

As more fully illustrated in the detailed comments on the individual items of these 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 of Euro 0.7 million emerged from at fair value adjustments, relating to the recognition of Order Backlog and Customer Relationships and Technology, for the amount of around Euro 1.8 million (gross deferred taxes for around Euro 0.5 million).

As required by IFRS 3, the goodwill that emerged following the above accounting for the transaction was allocated to CGU “FDL Servizi S.r.l.” 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.

The determination of the assets acquired and the liabilities undertaken 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 provisional fair value of receivables acquired is equal to Euro 1.3 million.

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 of the Engineering Group amounting to Euro 1.5 million and Euro 0.5 million.

If the acquired company had been fully consolidated from 1 January 2020, the consolidated revenues and consolidated net profit of 2020 of the Engineering Group would have been respectively greater than Euro 0.1 million and Euro 0.02 million.

1.3 PURCHASE OF INVESTMENTS IN SUBSIDIARIES

During the year 2020, the Group paid the amounts due for the acquisition of control of the following companies and business units. The table below shows the details of the main cash payments and cash and cash equivalents acquired:

(in Euros)

31.12.2020	FDL Servizi S.r.l.	Cybertech S.r.l.	In.for.	IT-SOFT USA	ITS AG	Balkam	Total
Cash payments leading to obtaining control	2,847,178						2,847,178
Cash and cash equivalents acquired	(9,156)						(9,156)
Payment for acquisition of NCI				7,674,215	8,587,435	47,800	16,309,450
Earn out payment			600,000				600,000
Advance payment		1,200,000					1,200,000
Cash flow for the purchase of subsidiaries investments net of cash and cash equivalents	**2,838,022**	**1,200,000**	**600,000**	**7,674,215**	**8,587,435**	**47,800**	**20,947,472**

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 from 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 2020, include the effects deriving from the application of the above mentioned accounting standard, with effect from 1 January 2018.
Unfortunately, this trend towards hyperinflation, due to the whole problem that we are all experiencing, but in particular with reference to Covid-19, should continue for a few more years in Argentina. The forecast of the main banks, with respect to future inflation in Argentina, is 50% in 2021 and 40% in 2022.

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 2020. For the purpose of converting the income statement thus restated into Euro, the exchange rate at 31 December 2020 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 positive change of Euro 120.9 thousand for 2020;

- 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. Conversely, 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 over the twelve months of 2020 (total income of Euro 123.5 thousand) was accounted for in the income statement under net financial income (charges), while the effects of the first application of the standard as from 1 January 2018 were recognised directly under shareholders' equity items.

2 Form, contents and accounting standards

These consolidated financial statements as of 31 December 2020 have been prepared under International Financial Reporting Standards (IFRS), as defined hereinafter, issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission as per the procedure set down by Article 6 of Regulation (EC) 1606/2002 of the European Parliament and the European Council of 19 July 2002. The IFRS standards also include all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Standard Interpretations Committee, previously named "Standard Interpretations Committee" (SIC). The IFRS standards have been applied consistently with the periods disclosed herein and, taking account of the best literature on this issue, any future directions and interpretation updates will be reflected in the following financial statements, according to modalities envisaged from time to time by the reference standards.

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

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

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

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

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

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 assets and 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 101 million and Trademark Euro 453 million)

As explained in more detail in paragraph 9 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 2021 and, for subsequent years, the forecasts included in the 2021 – 2023 multi-year plan. The impairment test carried out on the basis of these forecasts 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 assessments are required to determine the amount of deferred tax assets that can be recognised in the financial statements based on the timing and amount of future taxable income. In particular, it should be noted that deferred tax assets have been recorded on past tax losses for the portion estimated as recoverable against future taxable income shown in the updated strategic plans of the Group, also as a consequence of the fact that 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 as of 31 December 2020 from Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A. or "SISE"), which amounted to Euro 113.6 million (not including the related doubtful debt provision amounting to Euro 27.4 million and the related doubtful debt provision for interest on arrears equal to Euro 41.0 million), in addition to Euro 14.5 million 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.a.r.l. in liquidation ("SISEV" or "Venture") on 21 May 2007 and expired on 22 December 2013.

Receivables from customers include Engineering's receivables from Sicilia Digitale, which amount to Euro 8.35 million and are the object of a recovery plan resulting from the transaction signed on 12 June 2019 between the transferees of the SISEV receivable and Sicilia Digitale. In particular, on 12 June 2019, a specific transaction was agreed between the transferees of the SISEV receivable (Engineering and Accenture, as creditor partners for services rendered and not remunerated at that time) and Sicilia Digitale for the recognition to them of a total amount of Euro 19.5 million (of which Euro 13.2 million in favour of Engineering and Euro 6.3 million in favour of Accenture), with waiver of the interest on arrears and which specifies, among other things, a repayment plan of the receivable transacted by the final repayment date on 1 May 2020. In addition, the transaction provides that the failure to comply with any time scans for the payment so agreed implies, for the express provision of the agreement, the resolution of it and the possibility for the creditor parties (Engineering and Accenture) to act for the entire. In the illustrated context, Sicilia Digitale S.p.A. has only partially complied with the credit repayment plan contained in the transaction; in fact, it should be noted that so far the amounts provided for by the same writing have not been paid since November 2019. For this reason, a special notice was sent on 3 February 2020 to fulfilment under penalty of termination of the transaction. However, no further payment was received so that the settlement agreement was dissolved, with a note dated 20 January 2021 and the execution of the judgement was started for the higher amount indicated therein, through the notification of a specific writ of order (i.e. on 21 February 2020, the enforceable judgement was served).

(in millions of Euros)

Description	31.12.2020
Trade receivables and customer contract assets	128.1
Doubtful debt provision	(68.3)
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 analysed all the lease agreements, defining the lease term for each of them, given by the "non-cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was deemed reasonably certain. Specifically, for real estate, this evaluation considered the specific facts and circumstances of each activity. As for the other categories of goods, mainly company cars and equipment, the 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 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 equity 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 non-controlling 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, equity investments in associated companies are recorded under the equity method or rather recording the result attributable to shareholders of the parent 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 losses attributable to shareholders of the parent 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 2020 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%
Engineering International Belgium S.A.	Brussels	61,500 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 A.b.	Stockholm	50,000 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	1,168,345 Euro	100.00%		100.00%
Engineering Software Lab d.o.o.	Belgrade	452,000 Rsd	100.00%		100.00%
FDL Servizi S.r.l.	Breno	20,800 Euro	95.00%		95.00%
Engi da Argentina S.A.	Buenos Aires	8,451,973 AR$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	San Paolo (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	260,800 Usd	97.36%		97.36%
OverIT S.r.l.	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.a.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	100.00%		100.00%
Engineering DSS GmbH	Dusseldorf	25,000 Euro		100.00%	100.00%
Engineering BSC GmbH	Stuttgart	300,000 Euro		100.00%	100.00%
Engineering Software Labs GmbH	Stuttgart	25,000 Euro		100.00%	100.00%
Engineering Software Labs S.r.o.	Prague	100,000 CZK		100.00%	100.00%

Changes in the consolidation scope compared to 31 December 2020, relate to transactions carried out during the period as summarised below:

- on 7 February 2020, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired 95% of the subsidiary FDL Servizi S.r.l.;
- in October 2020, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired a further 15.52% of interests in the subsidiary Engineering USA Inc., bringing its investment to 97.36%;
- on 18 November 2020, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired the remaining 49% of the equity investment from the companies Engineering ITS AG. As a result of this transaction, the Parent Company indirectly holds full control of the following companies:
  - Engineering DSS GmbH;
  - Engineering BSC GmbH;
  - Engineering Software Labs GmbH;
  - Engineering Software Labs S.r.o.;

- on 9 December 2020, Engineering sold the entire shareholding of the company Sofiter Tech S.r.l., which therefore left that date from the Group consolidation scope.

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	Share held by non-controlling holders		Profit (loss) held by non-controlling holders		Equity held by non-controlling holders	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Sicilia e-Servizi Venture S.c.a.r.l.	35.0%	35.0%	(54,599)	(5,650,520)	(9,253,196)	(9,253,196)
Cybertech	49.0%	49.0%	(26,855)	(238,014)	(2,588,187)	(2,337,436)
Engineering USA Inc.	2.6%	20.0%	60,227	498,602	199,838	1,683,932
Engineering ITS		49.0%		(3,375,823)		2,140,216
Sofiter Tech S.r.l.		49.0%		552,931		1,627,923
Other non controlling interests	n/a	n/a	173,850	184,121	1,526,169	29,961
Total		**n/a**	**152,623**	**(8,028,702)**	**(10,115,376)**	**(6,108,599)**

The table below represents the balances before intercompany eliminations:

(in Euros)

Description	Sicilia e-Servizi Venture S.c.a.r.l.		Cybertech		Engineering USA Inc.		EITS – Engineering ITS		Sofiter Tech S.r.l.	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Non-current assets	0	0	1,408,087	1,345,761	1,090,639	1,774,656		25,036,113		794,397
Current assets	52,767,260	52,541,812	14,867,975	17,027,962	12,876,866	11,063,107		1,517,928		6,005,315
Non-current liabilities	328	328	2,341,068	2,284,584	711,003	1,273,547		1,567,440		20,805
Current liabilities	79,360,632	78,979,188	23,609,537	25,650,970	3,405,569	3,123,453		11,485,965		3,243,244
Group shareholders' equity	(17,184,508)	(6,690,684)	(4,906,065)	(7,414,011)	7,369,773	3,030,167		10,398,935		1,227,849
Non-controlling interest shareholders' equity	(9,253,196)	(3,602,676)	(2,588,187)	(1,847,714)	199,838	2,911,337		858,287		1,179,698
Revenues	2,064	0	19,609,419	19,122,001	15,346,955	13,738,522		5,062,712		8,209,509
Expenses	(158,060)	(16,144,344)	(19,664,226)	(19,422,106)	(13,065,632)	(11,239,262)		(11,952,145)		(7,081,393)
Profit/(loss) for the year	(155,996)	(16,144,344)	(54,807)	(300,105)	2,281,323	2,499,260		(6,889,434)		1,128,116
Group profit/(loss) for the year	(101,398)	(10,493,824)	(27,951)	(240,234)	2,221,096	1,274,623		(3,513,611)		575,339
Profit/(loss) for the year of non-controlling interest	(54,599)	(5,650,520)	(26,855)	(59,871)	60,227	1,224,637		(3,375,823)		552,777
Cash flow from operating activities	(338,913)	(122,053)	(195,888)	(3,197,490)	2,247,271	1,564,529		(1,666,512)		508,223
Cash flow from investing activities	0	0	(212,812)	(206,725)	0	0		1,346,276		0
Cash flow from financing activities	500,000	0	(125,484)	4,242,686	(232,793)	(26,102)		442,499		(468,854)
Total cash flows	**161,087**	**(122,053)**	**(534,183)**	**838,471**	**2,014,478**	**1,538,427**		**122,262**		**39,370**

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 measurement at fair value 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 expenses incurred for the acquisition of tangible fixed assets are never capitalised.

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

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

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

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

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 Company uses its incremental borrowing rate, i.e. the interest rate that it is prepared to pay to finance itself in order to obtain the right to use an asset with the same characteristics as the lease contract.

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;
- 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 comprises 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 (recognised 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 recognise assets for the right of use and liabilities related to leasing:

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

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

Lease accounting for the lessor
If the lease has the characteristics of a loan, the lessor recognises under financial receivables the amount of the lease payments to be received and distributes the gross collections so as to obtain a constant rate of return based on the net investment method.

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

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 expense 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. Until that date they are classified under assets in progress.
Financial expenses incurred to acquire an intangible fixed asset are never capitalised.

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

Category	Useful life
Development costs	1 - 5 years
Concessions, licenses and trademarks	1 - 5 years
Engineering trademark	Indefinite
Concessions, licenses and trademarks	1 – 8 years
Customer relationship/Customer list	1 – 5 years
Software technology	1 – 6 years

The amortisation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each financial year in order to take any significant changes into account.
The book value of an intangible asset is maintained in the accounts as long as there is evidence that this value may be recovered through 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 each period-end, goodwill is subject to an impairment test and is adjusted for any loss in value. Any impairment is booked directly to the income statement.

For this purpose and in line with acquisitions of previous years, the different Cash Generating Units have been identified, which respect the independence criteria in the organisational structure and the independent capacity to generate cash 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 non-controlling interest of the Parent Company in a subsidiary, which does not lead to loss of control, are recognised as equity transactions. In this event, the book values of the equity investments must be adjusted to reflect the changes in their relative shareholdings in the subsidiaries. Any difference between the adjusted value of the non-controlling interests and the fair value of the amount paid or received is directly recorded to shareholders' equity and allocated to shareholders of the Parent Company.

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

Investments in other companies refer to equity investments other than subsidiaries, associates and joint ventures and they are recorded at fair value through other comprehensive income.
A significant and prolonged decrease in equity investment fair value below the initial booked cost is considered an objective indication of value loss.

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 sale price estimated for normal activity, net of completion costs and sale expenses. The purchase cost is inclusive of all directly attributable costs and indirect costs and is determined according to the weighted average cost method.

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

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 any losses) are greater than the invoices issued on account, the difference is recorded under current assets in the item "Customer contract assets". If the invoices on account are greater than the costs incurred plus the profits (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 and/or services to the customer.

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

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

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

Receivables factored through non-recourse factoring transactions, according to which the final transfer to the transferee was carried out in relation to risks and benefits of factored receivables, were derecognised from the financial statements upon their transfer. Receivables that were instead factored through with recourse factoring transactions were not written off from the financial statements.

In 2020, the Group did not encounter any problems with the collection of trade receivables. The Finance, Telco & Utilities sectors do not report any problems in relation to Covid as the customers are large companies with primary creditworthiness. The industry in the automotive and travel sector could present certain critical issues. The customers in this sector are however represented by large companies and the Group has assessed, at the moment, that the effect of the Covid on credit collection does not represent a risk.
After evaluating the historical and forward-looking information, the Group believes that there is no significant impact on the expected credit losses.

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:
(i) recorded, as a counter-entry of equity reserves, the payables resulting from the obligation and any following changes in the same liability that are related to the mere elapsing of time (unwinding of price discount);
(ii) expensed the latter to the income statement.

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

Defined contribution plans
As from January 1, 2007, the 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.
Provisions are recognised when: a) there is a current legal or implicit obligation, which originates from a past event; b) it is probable that fulfilment of the obligation will be onerous; c) the amount of the obligation can be reliably estimated.

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

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

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

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

Service-based contracts
The 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 recognised when the evidence of the collection has been provided (e.g. tax has been paid by the tax payer).
The direct costs charged to the tax collection activity which are considered recoverable through the fees that are reasonably expected to be collected over the duration of the contract are recognised, up to the moment the obligation is fulfilled, among the “Deferred contract costs”.
Any up-front fees (non-refundable) received are recognised over the duration of the service.

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

Costs
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 translation 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 Company 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 hereof.

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

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 "Leases", as from 1 January 2019, whose impacts are commented on in detail below.

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

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

- On 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". This document introduced an amendment in the definition of "material" included in the IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims at specifying the definition of "material" and introduces the concept of "obscured information" together with the concepts of omitted or misstated information, already included in the two amended standards. The amendment clarifies that an information is "obscured" when it is described in a manner that the effect for the readers of a financial statement would be similar to the effect created by an omitted or misstated information.
  The adoption of this amendment had no impact on the financial statements.

- On 29 March 2018, the IASB published an amendment to "References to the Conceptual Framework in IFRS Standards". The amendment is effective for annual periods beginning on or after 1 January 2020, with early application permitted. The Conceptual Framework sets out the fundamental concepts for financial reporting and guides the Board in developing IFRS standard. This document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework assists companies in developing account policies when no IFRS standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.

- On 26 September 2019, the IASB published the amendment "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The above amends the IRFS 9 – Financial Instruments and the IAS 39 – Financial Instruments: Recognition and Measurement as well as the IFRS 7 – Financial Instruments: Disclosures. In particular, the amendment modifies some of the specific hedge accounting requirements

by providing for some temporary derogations to the same in order to mitigate the impact resulting from the uncertainties of the IBOR reform on future cash flows during the period preceding its completion. The amendment also sets out that entities should disclose further information in their financial statements concerning their hedging relationships, which are directly affected by the uncertainties generated by the reform and to which the above derogations apply.
The adoption of this amendment had no impact on the financial statements.

- On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document supplies some clarifications on the definition of the business for the purposes of a correct application of the IFRS 3 standard. In particular, the amendment clarifies that, while a business usually produces an output, the presence of an output is not strictly necessary to determine a business in the presence of an integrated set of activities/processes and assets. However, in order to be considered a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process that significantly contribute to the ability to create an output. To this purpose, the IASB replaced the wording "ability to create output" with "ability to contribute to create outputs" to clarify that a business can exist also without the presence of all inputs and processes necessary to create an output.
  The amendment also introduced a concentration test, which is optional and permits to exclude the presence of a business if the price paid is substantially referable to one single asset or group of assets. The amendments apply to all business combinations.
  The adoption of this amendment had no impact on the financial statements.

- On 28 May 2020, the IASB published the amendment "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". According to the document, lessees can record the reductions in rentals granted due to Covid-19 without evaluating, through the analysis of the contracts, whether the definition of lease modification, as per IFRS 16, is complied with. Therefore, lessees applying this option may recognise the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to the financial statements starting on 1 June 2020, but the Group has availed itself of the possibility of applying this amendment in advance as of 1 January 2020. The Company has exercised the option to recognise any reduction in lease payments in the income statement. These amounts are not significant at consolidated level.

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

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

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

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

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

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

- On 18 May 2017, the IASB published **IFRS 17 – Insurance Contracts**, which is intended to replace IFRS 4 – Insurance Contracts.
  The target of the new standard is to guarantee that an entity supplies information representing both rights and obligations related to insurance contracts. The IASB has developed this standard to cancel all inconsistencies

and weaknesses of the existing accounting policies, by supplying a consolidated principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer.
The new standard also envisages presentation and information requirements to improve comparability between entities belonging to the same sector.
According to the new standard, an insurance contract is measured based on a General Model or a simplified version named Premium Allocation Approach ("PAA").

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

The PAA approach measures the liability for the remaining coverage of a cluster of insurance contracts provided that, upon initial recognition, the entity provides that this liability reasonably represents a reasonable approximation to the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. Simplifications resulting from the application of the PAA method are not applicable to the measurement of liabilities for claims in place, that are measured based on the General Model. However, discounting of cash flows is not required if the balance is likely to be paid or received within one year from the claim date.
The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features (DPF).
The standard is applicable as from 1 January 2023 but early application is allowed solely for entities which apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

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

- On 14 May 2020, the IASB published the following amendments:
  - **Amendments to IFRS 3 Business Combinations**: the amendments aim at updating the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing amendments to provisions of the IFRS 3 principle;
  - **Amendments to IAS 16 Property, Plant and Equipment**: the amendments aim at preventing deduction from costs related to property, plant and equipment of the amount received from the sale of assets manufactured during the testing phase of the asset itself. These revenues from sales and related costs will therefore be recognised in the income statement;
  - **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**: the amendment clarifies that in assessing a possible onerous contract, all costs that relate directly to the contract should be comprised. Therefore, in assessing a possible onerous contract, not only incremental costs should be included (such as the cost of material that relate directly to fulfilling contracts), but also all costs that the company cannot avoid while fulfilling the contract (an example would be the personnel cost and the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract);
  - **Annual Improvements 2018-2020**: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

- All amendments will become effective on 1 January 2022.

- On 30 January 2014, the IASB published the standard **IFRS 14 – Regulatory Deferral Accounts**, which allows only those parties which adopt the IFRS for the first time to continue to book the amounts relative to activities subject to regulated rates ("Rate Regulation Activities") according to the previously adopted accounting standards. Given that in the Group there are no first-time adopter companies, this standard is not applicable.

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, for the Group, the Alternative Performance Measure for the purpose of resource allocation and assessment of segment performance, as well as of targets.

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 net revenues, that represents the most appropriate driver to allocate them.

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

(in millions of Euros)

Description	31.12.2020		31.12.2019	
Revenues				
Finance	274.6	22.54%	274.6	22.0%
Public Administration	277.4	22.76%	267.6	21.4%
Health	78.3	6.43%	70.4	5.6%
Industry & Services	261.1	21.43%	280.2	22.4%
Telco & Media	130.7	10.73%	160.0	12.8%
Energy & Utilities	196.3	16.11%	198.0	15.8%
Total revenues	**1,218**	**100.0%**	**1,250.9**	**100.0%**
Other revenues	23.0		23.1	
Total revenues	**1,241.5**		**1,274**	

There are not any intersegment revenues.

The main services offered by the Group are indicated in note 35. Below is an analysis of the Group's adjusted EBITDA by operating sector:

(in millions of Euros)

Description	31.12.2020		31.12.2019	
Adjusted EBITDA				
Finance	63.4	35.8%	60.8	33.8%
% of revenues	23.1%		22.16%	
Public Administration	33.1	18.7%	35.1	19.5%
% of revenues	11.9%		13.1%	
Health	16.3	9.2%	12.6	7.0%
% of revenues	20.9%		17.9%	
Industry & Services	24.3	13.7%	23.5	13.1%
% of revenues	9.3%		8.4%	
Telco & Media	10.9	6.1%	19.7	11.0%
% of revenues	8.3%		12.3%	
Energy & Utilities	29.3	16.5%	28.2	15.7%
% of revenues	14.9%		14.3%	
Total adjusted EBITDA	**177.4**	**100.0%**	**180.0**	**100.0%**
% of revenues	14.6%		14.4%	

Adjusted EBITDA reconciliation

(in millions of Euros)

Description	2020	2019
Consolidated profit for the year	**190.8**	**43.8**
Income taxes	(101)	18.1
Income/(expenses) from equity investments	(8.7)	(3.2)
Financial income	(7.3)	(8.4)
Interest expense (excluding interest on leases)	14.4	9.4
Interest on leases	1.5	1.5
Depreciation of property, plant and equipment	8.2	8.0
Depreciation of right-of-use assets	19.6	20.0
Amortisation of intangible assets	33.3	32.3
Provisions and write-downs	8.7	39.5
Stock Option costs	10.0	10.0
Leaving incentives	3.8	3.2
Audit firm costs	3.6	0.0
Costs for transfer of registered office	0.0	1.6
Charges related to the corporate strategic valuation process	0.0	1.2
Tax charges related to tax assessment of Tax Authorities	0.0	2.9
Adjusted EBITDA	**177.4**	**180.0**

For the purposes of monitoring segment performance and allocating resources between sectors, the Group monitors intangible assets and goodwill attributable to each single asset.

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

(in Euros)

Description	31.12.2020					31.12.2019				
	Customer List	Intangible assets	Total intangible assets	Goodwill	Total	Customer List	Intangible assets	Total intangible assets	Goodwill	Total
Finance	26,997,761	0	26,997,761	39,460,468	66,458,229	44,009,900	0	44,009,900	39,460,468	83,470,368
Public Administration	1,416,942	0	1,416,942	16,593,490	18,010,431	2,003,263	0	2,003,263	17,193,490	19,196,753
Health	0	0	0	6,739,383	6,739,383	0	0	0	6,739,383	6,739,383
Industry & Services	17,623,980	0	17,623,980	11,425,864	29,049,845	23,773,878	0	23,773,878	13,747,729	37,521,607
Telco & Media	0	0	0	10,384,415	10,384,415	0	0	0	10,384,415	10,384,415
Energy & Utilities	0	0	0	16,317,986	16,317,986	0	0	0	11,516,629	11,516,629
Total operating segments	**46,038,684**	**0**	**46,038,684**	**100,921,606**	**146,960,289**	**69,787,041**	**0**	**69,787,041**	**99,042,113**	**168,829,154**
Unallocated assets	**0**	**480,625,864**	**480,625,864**	**0**	**480,625,864**	**0**	**475,519,906**	**475,519,906**	**0**	**475,519,906**
Total	**46,038,684**	**480,625,864**	**526,664,548**	**100,921,606**	**627,586,153**	**69,787,041**	**475,519,906**	**545,306,947**	**99,042,113**	**644,349,060**

Consolidated statement of financial position

A) Non-current assets

6 Property, plant and equipment

(in Euros)

Description	31.12.2020	31.12.2019	Change
Property, plant and equipment	26,406,285	29,792,652	(3,386,367)

(in Euros)

Description	Land and buildings	Plant and machinery	Ind. and Comm. Equipment	Other assets	Leasehold improv.	Total
Historical cost as of 31.12.2019	9,003,069	6,827,563	29,353,782	7,151,909	848,240	53,184,563
Acc. depreciation 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**	**4,757,113**	**664,052**	**29,792,652**
Historical cost as of 31.12.2020	8,904,460	7,245,972	31,122,991	7,614,967	544,499	55,432,889
Acc. depreciation as of 31.12.2020	1,330,525	4,001,186	20,374,775	3,134,582	185,535	29,026,604
Balance as of 31.12.2020	**7,573,935**	**3,244,785**	**10,748,216**	**4,480,385**	**358,964**	**26,406,285**

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 01.01.2019	**17,838,989**	**3,975,008**	**11,757,249**	**3,470,618**	**425,107**	**37,467,016**
Business combination	0	95,491	2,186	114,369	0	212,045
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
Reclassification	(9,155,000)	0	0	0	0	(9,155,000)
Disposal	(292,257)	(5,226)	(45,425)	(338,789)	(16,651)	(698,394)
Depreciation	(335,758)	(1,112,298)	(5,318,447)	(1,092,221)	(181,551)	(8,040,276)
Balance as of 31.12.2019	**8,009,534**	**3,663,001**	**12,698,951**	**4,757,113**	**664,052**	**29,792,652**
Business combination	0	(69,855)	(404,006)	(198,407)	(44,533)	(716,801)
Exchange difference effect	(106,909)	(3,387)	(127,405)	(63,327)	(144,444)	(445,472)
Increase	8,300	685,365	4,156,505	1,106,046	48,689	6,004,905
Disposal	0	0	(281,860)	(32,588)	(20,440)	(334,888)
Depreciation	(336,990)	(1,030,339)	(5,293,969)	(1,088,452)	(144,360)	(7,894,110)
Balance as of 31.12.2020	**7,573,935**	**3,244,785**	**10,748,216**	**4,480,385**	**358,964**	**26,406,285**

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.

- “Plant and machinery” increased by Euro 685 thousand due to the installation of new air conditioning and telecommunications systems in a number of company offices.
- The increase in “Industrial and commercial equipment” relates to the purchase of computers for internal use while the decrease is due to the disposal and/or donation of obsolete computers.
- The increase in “Other assets”, amounting to Euro 1,106 thousand, refers to the purchase of furniture and fittings.

7 Intangible assets

(in Euros)

Description	31.12.2020	31.12.2019	Change
Intangible assets	526,664,548	545,306,947	(18,642,400)

(in Euros)

Description	Development costs	Industrial patents and intellectual property	Conc., licences and trademarks	Assets in progress	Customer relationship/ customer list	Total
Historical cost as of 31.12.2019	10,537,560	23,000,004	453,374,818	7,303,758	150,806,736	645,022,877
Acc. amortisation as of 31.12.2019	4,764,392	13,861,054	70,788	0	81,019,695	99,715,930
Balance as of 31.12.2019	**5,773,168**	**9,138,950**	**453,304,030**	**7,303,758**	**69,787,042**	**545,306,947**
Historical cost as of 31.12.2020	20,619,201	24,482,337	453,300,429	7,743,189	152,682,570	658,827,726
Acc. amortisation as of 31.12.2020	8,128,556	17,381,673	9,063	0	106,643,886	132,163,178
Balance as of 31.12.2020	**12,490,645**	**7,100,665**	**453,291,366**	**7,743,189**	**46,038,684**	**526,664,548**

The changes in intangible assets are detailed as follows:

(in Euros)

Description	Development costs	Industrial patents and intellectual property	Conc., licences and trademarks	Assets in progress	Customer relationship/ customer list	Total
Balance as of 01.01.2019	**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	265,709	5,115,899	11,557,304	21,379,924
Reclassification	2,159,835	0	0	(2,159,835)	0	0
Disposal	108,138	(525,336)	2,090	0	0	(415,109)
Depreciation	(2,245,212)	(5,431,594)	(12,219)	0	(24,708,710)	(32,397,735)
Balance as of 31.12.2019	**5,773,168**	**9,138,950**	**453,304,030**	**7,303,758**	**69,787,042**	**545,306,947**
Business combination	108,248	36,118	(5,277)	0	3,245,716	3,384,805
Exchange difference effect	(36,439)	(219,911)	(15)	0	(419,926)	(676,290)
Increase	3,670,842	2,549,931	0	6,783,566	0	13,004,339
Reclassification	6,344,135	0	0	(6,344,135)	(895,701)	(895,701)
Disposal	0	(214,463)	(690)	0	0	(215,153)
Depreciation	(3,369,310)	(4,189,961)	(6,682)	0	(25,678,447)	(33,244,401)
Balance as of 31.12.2020	**12,490,645**	**7,100,665**	**453,291,366**	**7,743,189**	**46,038,684**	**526,664,548**

Intangible assets reported a total addition of Euro 13 million, mainly due to:

- the increase in the item “Development costs” refers to internal products, reclassified from fixed assets in progress, in use from 2020 with the consequent start of their amortisation:
- in the Health area:
  - the products called “Cartella clinica elettronica” (Electronic Medical Record) and “Percorso Diagnostico Terapeutico Assistenziale” (Diagnostic Therapeutic Care Path), totalling Euro 1,291 thousand, in use since 1 January 2020, began amortisation for a period of 5 years;
  - in the first quarter of 2020, the evolutions to Suite of AREAS products were developed, involving some modules. The investment was Euro 1,248 thousand. The products have been in use since 1 April 2020 and are expected to be amortised over three years;
  - during the year, the product “eCC and eCDSS Platform Component” was created, the investment of Euro 301 thousand will begin amortisation on 1 January 2021 for a duration of 5 years;
  - during the year, the product called “OT ellisse” was created, the investment of Euro 396 thousand will begin to be amortised on 1 January 2021 for a duration of 5 years;

- in the Utilities area, the NET@4SETTLEMENT module, with a total value of Euro 924 thousand and in use since 1 January 2020, was amortised for a period of 5 years;

- in the Finance area, the product known as “Soluzione collocamento prodotti” (Product placement solution), of an aggregate value of Euro 2,271 thousand and started in 2019, was completed during the year. Being in use since October, it began amortisation over 5 years;

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

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

- in the TLC area, the “Data Retention System” was implemented. The investment of Euro 1,327 thousand began amortisation on 1 January 2020 for a duration of 5 years;

- in the Management Operation area:
  - for Euro 1,052 thousand, relating to the “Multi Cloud Portal” project, whose activities were completed in August 2020 and whose amortisation began in September of the year in question and is expected to be for 5 years;
  - for Euro 122 thousand, relating to the “SMART AGRICOLTURE” Project, whose activity was completed in the year in question and the amortisation is expected from 1 January 2021 for 5 years.

“Assets in progress” increased by Euro 6,783 thousand due to internal investments in new solutions:

- in the Finance area the following is being developed:
  - the product named “Soluzione Basilea 4- B4”, the completion of which is expected in 2021, with an estimate of overall costs of around Euro 2,350 thousand, entailed Euro 801 thousand costs during 2020;

- in the Utilities area the following is being developed:
  - the functional module, named “Neta@4sales”, which aims at making a set of advanced functionalities available to customers to support the business macro-processes related to procurement, purchase and sale of Gas and Electricity. This module will be completed in 2021. The total costs are estimated at around Euro 600 thousand, of which Euro 433 thousand incurred until 31 December 2020;
  - the product named “NET@2D sistema distribuzione” (NET@2D distribution system), is the solution for distribution companies. The total expected investment is around Euro 3,600 thousand and it will be completed in 2021. Costs incurred in 2020 amounted to Euro 3,110 thousand;

- in the Telco area the following is being developed:
  - a platform named “Google Cloud Platform”, which permits developers to build, test and distribute applications, the completion of which is expected by 2021 and costs incurred until December 2020 amounted to Euro 1,640 thousand.

The decrease in fixed assets in progress, equal to 6,344, represents the value of assets manufactured internally, which ended the development phase in 2019 and started the production phase in 2020. They were recorded as a restatement in the item “Development costs”.

The item “Concessions, licenses and trademarks” includes:

- the trademark, with a value equal to Euro 453 million, refers to the Engineering brand. This value was recognised in 2017 upon completion of allocation of the purchase price for the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries, by Mic Bidco S.p.A. and subsequent reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.;

- the trademark amounted to Euro 0.25 million following the completion of the accounting activities (Purchase Price Allocation) linked to the acquisition of the company Deus Technology S.r.l..

(in Euros)

Description	As of 31.12.2019	Change in consolidation scope	Write-downs	As of 31.12.2020
Gross value - Trademark	453,039,362	249,039	-	453,288,401
Acc. impairment losses	-	-	-	-
Net value – Trademark	**453,039,362**	**249,039**	**-**	**453,288,401**

The trademark is a right, which is legally protected through the registration at the competent authorities. By reason of the fact that this right has no legal, contract, competitive or economic term which limits its useful life, the same is classified as an indefinite life intangible asset and therefore it is not amortised but it is subject to loss in value when tested for impairment, as provided for by IAS 36. The impairment test carried out as of 31 December 2020 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 increase in the item “Customer Relationship/Customer list” is mainly due to the identification and measurement of the fair values, pursuant to IFRS 3, of the assets and liabilities of the following companies and to the allocation process, at the acquisition date of control, of the consideration paid for the acquisition of control of the companies: Deus Technology S.r.l., Digitelematica S.r.l., FDL Servizi S.r.l..

The measurement at fair value of assets acquired and liabilities undertaken led to the identification of the following:

- for Deus Technology S.r.l. an Order Backlog, Customer Relationship, Technology and Brand, as per income assessment discounted (WACC 8.22%) by the prospective residual margins resulting from such orders;
- for Digitelematica S.r.l. an Order Backlog, Customer Relationship, and Technology, as per income assessment discounted (WACC 10.05%) by the prospective residual margins resulting from such orders;
- for FDL Servizi S.r.l. an Order Backlog, Customer Relationship, and Technology, as per income assessment discounted (WACC 11.40%) by the prospective residual margins resulting from such orders.

8 Rights of use

(in Euros)

Description	31.12.2020	31.12.2019	Change
Right of use	152,281,026	173,372,063	(21,091,037)

(in Euros)

Desciption	Land and buildings IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Industrial patents IFRS 16	Total
Historical cost as 31.12.2019	173,528,494	273,674	8,894,658	14,115,977	97,330	196,910,133
Acc. depreciation 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**
Historical cost as 31.12.2020	169,483,121	375,498	9,890,489	15,024,910	97,330	194,871,348
Acc. depreciation as of 31.12.2020	28,853,605	184,962	5,952,776	7,527,135	71,844	42,590,323
Balance as of 31.12.2020	**140,629,516**	**190,536**	**3,937,713**	**7,497,775**	**25,486**	**152,281,026**

(in Euros)

Description	Land and buildings IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Industrial patents IFRS 16	Total
Balance as of 01.01.2019	**0**	**0**	**0**	**0**	**0**	**0**
Beginning balance of leased assets	154,592,144	277,799	7,385,524	9,604,347	23,636	171,883,451
Business combination	2,005,755	0	0	14,133	0	2,019,888
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
Disposal	(8,127,883)	(3,160)	(269,988)	(292,626)	0	(8,693,656)
Depreciation	(16,162,086)	(178,172)	(3,660,357)	(4,871,411)	(56,454)	(24,928,479)
Balance as of 31.12.2019	**157,642,377**	**168,971**	**5,659,695**	**9,836,506**	**64,513**	**173,372,063**
Business combination	(2,653,180)	0	0	(1,080,846)	0	(3,734,026)
Exchange difference effect	(370,983)	37	163,490	(121,954)	0	(329,410)
Increase	9,227,478	152,668	1,656,991	3,988,909	0	15,026,045
Disposal	(8,002,537)	(12,401)	17,756	(693,182)	0	(8,690,363)
Depreciation	(15,138,751)	(118,740)	(3,626,887)	(4,486,787)	(39,027)	(23,410,192)
Balance as of 31.12.2020	**140,629,516**	**190,536**	**3,937,713**	**7,497,775**	**25,486**	**152,281,026**

The Group has several assets including buildings, cars and IT equipment identified as leases. The average life is 6, 2 and 3 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 “Other IFRS 16 assets” refer entirely to cars under operating lease, assigned to employees and its amortisation has been reclassified under personnel costs.

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

(in Euros)

Description	31.12.2020
Depreciation of right of use	(24,543,849)
Interest expenses on leasing	(1,608,554)
Expenses of short-term agreements	(837,973)
Expenses of lease agreements with a value < 5 thousand Euro	(243,162)
Covid reductions	342,490
Impact on P&L	**(26,861,059)**

The Company has exercised the option to recognise in the income statement any reduction in lease payments related to the so-called "Covid reductions" according to provisions set out in "Covid-19 related rent concession (amendment to IFRS 16)". These reductions are included under item "Costs relating to variable lease payments not included in changes in the lease liability".

9 Goodwill

(in Euros)

Description	31.12.2020	31.12.2019	Change
Goodwill	100,921,606	99,042,113	1,879,493

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

(in Euros)

Description	31.12.2019	Business combination	Exch. rate difference	31.12.2020
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 & Taxes	12,450,598			12,450,598
Goodwill - Health	6,739,383			6,739,383
Goodwill - Municipia Mobilità	4,142,891			4,142,891
Goodwill - Cybertech	2,923,548			2,923,548
Goodwill - Deus Technology S.r.l.	22,704,961			22,704,961
Goodwill - Digitelematica S.r.l.	1,916,157			1,916,157
Goodwill - FDL Servizi S.r.l.	0	3,531,851		3,531,851
Goodwill - Other	15,338,492	(1,458,000)	(194,358)	13,686,135
Total	**99,042,113**	**2,073,851**	**(194,358)**	**100,921,606**

The value of goodwill as of 31 December 2020 recorded in the Engineering Group's consolidated statement of financial position amounts to Euro 100,921,606.

As provided for by IFRS 3, following the completion of accounting assets connected to measurement at fair value of assets acquired and liabilities undertaken and the consequent retrospective adjustment of amounts, goodwill as of 31 December 2019 (Euro 107,854,469) was restated for an amount equal to Euro 99,042,113. In particular, the retrospective change is mainly attributable:

- the identification and measurement of the fair value, pursuant to IFRS 3, of the assets and liabilities of the company Deus Technology S.r.l., which determined a goodwill as of 31 December 2020 equal to Euro 22,704,961 compared to the goodwill as of 31 December 2019 equal to Euro 30,134,045;

- the identification and measurement of the fair value, pursuant to IFRS 3, of the assets and liabilities of the company Digitelematica S.r.l., which determined a goodwill as of 31 December 2020 equal to Euro 1,916,157 compared to the goodwill as of 31 December 2019 equal to Euro 3,299,428.

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

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

The impairment test carried out as of 31 December 2020 on the goodwill allocated to the Cash Generating Units (CGUs) to which it relates confirmed that there is no need to write-down the value disclosed in the financial statements.

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

For the identification of the recoverable value – the "value in use" of the CGUs – obtained through discounting, of the cash flows (DCF Model) extrapolated from the business plans drawn up by the Management of the divisions, the following elements were considered:
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 2020
Finance	0.50%	5.35%
Energy & Utilities	0.50%	5.35%
Telco & Media	0.50%	5.35%
PAL and Taxes	0.50%	5.35%
Health	0.50%	5.35%
OverIT S.p.A.	0.50%	5.41%
Nexen S.p.A.	0.50%	5.85%
Engineering Excellence Center S.r.l.	0.50%	5.35%
ITS Engineering AG	0.50%	4.24%
Sogeit Solutions S.r.l.	0.50%	5.86%
IT Soft USA Inc.	0.50%	5.61%
Deus	0.50%	4.77%
Cybertech	0.50%	5.35%
FDL Servizi S.r.l.	0.50%	5.86%
Digitelematica S.r.l.	0.50%	5.86%
Dynpro Systemas S.A.	0.50%	7.37%

* Weighted Average Cost of Capital

** With impact on IFRS 16

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

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

Sensitivity analysis

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

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

CGU	2020 Breakdown WACC
Finance	21.89%
Energy & Utilities	13.57%
Telco & Media	6.01%
PAL and taxes	12.53%
Health	16.15%
OverIT S.p.A.	6.73%
Nexen S.p.A.	20.75%
XC	13.05%
ITS Engineering AG	10.19%
Sogeit Solutions S.r.l.	15.27%
IT Soft USA	69.15%
Deus Technology S.r.l.	5.68%
Cybertech S.r.l.	31.21%
FDL Servizi S.r.l.	20.56%
Digitelematica S.r.l.	27.97%

10 Other 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	31.12.2020	31.12.2019	Change
Equity investments	14,818	54,818	(40,000)

Changes in equity investments

(in Euros)

Equity investments	Value as of 31.12.2019	Op. change from merger	Business combination	Increase	Decrease	Write-downs	Value as of 31.12.2020
In associated companies	54,818	0	0	0	(40,000)	0	14,818
Total	**54,818**	**0**	**0**	**0**	**(40,000)**	**0**	**14,818**

b) Associated companies

Equity investments in associated companies are detailed as follows:

(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**	

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2020	%
SI Lab – Calabria S.c.a.r.l.	Rende	59,822	16,923	10,001	42,829	51,339	32,898	8,293	24
SI Lab – Sicilia S.c.a.r.l.	Palermo	38,952	1,706	30,000	37,246	14,751	1,825	3,525	24
Consorzio Sanimed Group	Terni	n/a	n/a	n/a	n/a	n/a	n/a	3,000	25
Total								**14,818**	

The figures of associated companies showed changes during the year in relation to the liquidation of the entire value of Euro 40,000 of the company Terram S.r.l. by the Parent Company.

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	31.12.2020	31.12.2019	Change
Deferred tax assets	26,052,988	24,859,040	1,193,948

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	31.12.2020		31.12.2019	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Property, plant and equipment & intangibles assets - IAS amortisation	3,058,911	618,241	2,650,894	472,636
Goodwill	207,551	57,907	309,384	86,318
Other current liabilites - Directors' fees	1,090,923	261,821	1,133,680	272,213
Doubtful debt provision	41,423,010	10,009,339	41,162,456	9,974,706
Provisions for risks	11,485,255	3,529,752	11,917,229	3,820,157
Current provision for risk and charges - Leaving incentives	904,065	216,976	9,863,995	2,367,359
Right of use	44,419	12,393	44,419	12,393
Tax losses	5,210,038	887,148	4,430,161	475,268
Adjustments for IFRS FTA	3,279,230	914,905	3,422,217	949,222
Adjustments for IAS 19	19,572,355	4,891,287	20,014,736	4,803,537
Adjustments for IFRS 15	2,089,845	583,067	2,370,179	661,280
Goodwill exemptions pursuant to Law Decree 104/2020	12,261,000	3,420,819	0	0
Other	2,389,369	649,334	2,977,648	963,951
Total	**103,015,971**	**26,052,988**	**100,296,999**	**24,859,040**

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.

The following tables provide details of tax assets.

(in Euros)

Description	Doubtful debt provision	Goodwill exemptions pursuant to Law Decree 104/2020	Adjustments IFRS	Other temporary differences	Total
Balance as of 01.01.2019	**6,491,885**	**0**	**6,075,370**	**10,619,001**	**23,186,256**
Change from merger				848	848
Impact on income statement	3,482,822	0	(2,366,246)	(539,052)	577,524
Impact on comprehensive income statement			1,094,413		1,094,413
Balance as of 31.12.2019	**9,974,706**	**0**	**4,803,537**	**10,080,797**	**24,859,040**
Change from merger				0	0
Impact on income statement	34,633	3,420,819	112,504	(2,349,254)	1,218,702
Impact on comprehensive income statement			(24,753)		(24,753)
Balance as of 31.12.2020	**10,009,339**	**3,420,819**	**4,891,287**	**7,731,544**	**26,052,989**

The table shows the impact on the income statement of the deferred tax assets allocated for the value of the goodwill subject to tax realignment, pursuant to Law Decree 104/2020.

12 Other non-current assets

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other non-current assets	5,502,356	5,837,675	(335,319)

As better detailed below, the item “Other non-current assets” recorded a negative change in the balance for the period of Euro 335,319, broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Investments in other companies	3,240,170	3,240,170	0
Other non-current receivables	2,262,186	2,597,505	(335,319)
Total	**5,502,356**	**5,837,675**	**(335,319)**

a) Investments in other companies

Changes in the investments in companies other than subsidiaries

The changes in investments in companies other than subsidiaries are broken down as follows:

(in Euros)

	Value as of 31.12.2019	Increase	Decrease	Write-downs	Value as of 31.12.2020
Banca Popolare di Credito e Servizi	7,747				7,747
Banca Credito Cooperativo Roma	1,033				1,033
Global Riviera	1,314				1,314
Tecnoalimenti S.c.p.a.	65,832				65,832
Dhitech Distretto Tecnologico High-Tech S.c.a.r.l.	237,404				237,404
Distretto Tecnol. Micro e Nanosistemi S.c.r.l.	34,683				34,683
Wimatica S.c.a.r.l. (Da Esel)	6,000				6,000
Consorzio Cefriel	191,595				191,595
Consorzio Abi Lab	1,000				1,000
Equity investment in Ce.R.T.A.	360				360
Consorzio Arechi Ricerca	5,000				5,000
EHealthnet S.c.a.r.l.	10,800				10,800
Distretto Tecnologico Campania Bioscience S.c.a.r.l.	20,000				20,000
Caf Italia 2000 S.r.l.	260				260
M2Q S.c.a.r.l.	3,000				3,000
SedApta S.r.l.	750,000				750,000
Consel S.r.l.	382,486				382,486
Istella S.r.l.	1,000,000				1,000,000
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	**3,240,170**	**0**	**0**	**0**	**3,240,170**

b) Other non-current assets

(in Euros)

Description	31.12.2020	31.12.2019	Change
Tax receivables and taxes paid abroad	1,448,727	1,599,654	(150,927)
Security deposits	803,459	987,851	(184,392)
Others	10,000	10,000	0
Total	**2,262,186**	**2,597,505**	**(335,319)**

Other non-current assets relate to:

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

C) Current assets

13 Inventories

(in Euros)

Description	31.12.2020	31.12.2019	Change
Inventory	66,192	90,514	(24,322)

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

14 Customer contract assets

(in Euros)

Description	31.12.2020	31.12.2019	Change
Customer contract assets	185,263,464	200,780,560	(15,517,096)

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Customer contract assets	200,780,560	167,359,263	33,421,297
Exchange difference	(4,933,649)	(388,142)	(4,545,507)
Business combination	(3,358,580)	230,243	(3,588,823)
Adjustments and changes in customer contract assets	(999,125)	1,526,724	(2,525,849)
Amount of costs incurred plus recognised profits	556,190,004	570,762,656	(14,572,652)
Invoicing actual progress in customer contract assets	(562,415,745)	(538,710,184)	(23,705,561)
Total	**185,263,464**	**200,780,560**	**(15,517,096)**

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.

During the year, despite the period of crisis due to the pandemic, thanks also to the activities carried out in smart working mode, there were no significant changes in the contractual conditions. The Group was not subject to penalties for non-fulfilment of contractual obligations or withdrawal by customers.

The Group applies the simplified approach of IFRS 9 to measure the expected credit loss on trade receivables and customer contract assets. Customer contact 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 allocation for the period related to ECL is included under item “Adjustments and changes in customer contracts”.

For further information on the ways to calculate the ECL, reference is made to the following paragraph 16.

15 Deferred contract costs

(in Euros)

Description	31.12.2020	31.12.2019	Change
Deferred contract costs	20,238,017	22,172,850	(1,934,833)

During 2020, the Group recognised deferred contract costs in relation to the fulfilment of the contract represented by the so-called transition and start-up costs for Euro 8,672 thousand. These are costs directly associated with the performance of the services 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 11,633 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 2020, 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 535 thousand for the so-called transition costs and start-up costs and Euro 13,285 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	31.12.2020	31.12.2019	Change
Trade receivables	617,545,173	590,500,354	27,044,819

The breakdown is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Customers	603,189,731	574,773,098	28,416,633
Others	14,355,442	15,727,256	(1,371,814)
Total	**617,545,173**	**590,500,354**	**27,044,819**

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

Rates on expected credit loss are based on collection terms over a period of 545 days prior to 31 December 2020 and on the corresponding historical credit losses during this period. Historical loss rates are 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 period, considering the Covid-19 pandemic effect as a relevant factor for receivables from third parties, while it has identified the country risk of Italy as the main factor for receivables from the Public Administration. These factors were used to update the historical loss rates recorded.

On this basis, the doubtful debt provision to be subject to collective impairment as of 31 December 2020, was determined as follows.

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

(in Euros)

Description	**Not expired**	**Days falling due**					**Total as of 31.12.2019**
		30	**60**	**90**	**120**	**over 120**	
Public Administration	63,030,355.46	6,059,637.66	4,848,666.60	1,941,693.17	1,193,002.08	41,290,831.26	118,364,186
Health	12,937,616.61	2,357,111.00	1,412,256.04	778,937.90	339,179.08	17,095,235.46	34,920,336
Finance	73,642,244.57	10,073,418.52	1,952,727.51	1,127,215.27	861,842.26	11,560,277.84	99,217,726
Industry & Services	70,421,930.04	27,920,092.78	7,423,630.90	1,986,060.98	1,765,868.64	23,042,290.84	132,559,874
Energy & Utilities	37,164,810.00	5,170,547.66	1,349,164.16	567,647.08	1,410,900.02	5,538,521.80	51,201,591
Telco & Media	42,231,275.48	4,795,270.38	855,548.87	396,100.81	395,927.01	2,497,972.67	51,172,095
Trade receivables	299,428,232	56,376,078	17,841,994	6,797,655	5,966,719	101,025,130	487,435,808
ECL rate	0.02%	0.02%	0.08%	0.08%	0.18%	0.40%	
Doubtful debt provision - Expected credit loss	**59,886**	**11,275**	**14,274**	**5,438**	**10,740**	**404,101**	**505,713**

(in Euros)

Description	**Not expired**	**Days falling due**					**Total as of 31.12.2020**
		30	**60**	**90**	**120**	**over 120**	
Public Administration	51,641,053	9,382,936	4,216,347	2,237,376	479,386	54,246,833	122,203,931
Health	23,881,507	3,903,054	1,769,184	1,291,609	337,249	19,349,128	50,531,731
Finance	75,472,078	8,123,710	2,400,414	593,038	850,009	8,487,492	95,926,739
Industry & Services	76,442,802	11,616,974	6,023,124	2,574,784	1,815,097	20,203,403	118,676,184
Energy & Utilities	59,329,026	5,079,866	2,663,644	827,560	1,282,460	5,439,208	74,621,763
Telco & Media	51,983,297	3,880,741	1,687,301	356,658	93,815	3,978,963	61,980,774
Trade receivables	338,749,762	41,987,280	18,760,014	7,881,024	4,858,016	111,705,027	523,941,123
ECL rate	0.01%	0.01%	0.04%	0.12%	0.18%	0.18% - 3.30%	
Doubtful debt provision - Expected credit loss	**33,875**	**3,958**	**8,398**	**9,392**	**8,744**	**889,648**	**954,017**

The diversification of the sectors in which the Group’s customers operate (Public Administration, Finance, Health, Industry and Services, Transportation, Telco & Media, Energy & Utilities) constitutes an element mitigating the potential risk of credit solvency, considering the current risk of creditworthiness, the economic context and the health emergency due to the Covid-19 pandemic.

a) From customers

(in Euros)

Description	31.12.2020	31.12.2019	Change
Receivables on invoices issued	523,941,123	485,563,148	38,377,974
of which overdue	185,191,361	188,007,576	(2,816,216)
Invoices to be issued	174,042,866	178,577,326	(4,534,461)
Credit notes to be issued	(479,197)	(675,079)	195,882
Doubtful debt provision	(54,729,120)	(54,407,508)	(321,612)
Provision for interest in arrears	(41,854,204)	(36,157,450)	(5,696,754)
Others	2,268,264	1,872,660	395,604
Total	**603,189,731**	**574,773,098**	**28,416,633**

The “Receivables from customers” item is equal to Euro 603,189,731, net of a doubtful debt provision amounting to Euro 54,729,120, sufficient to cover any future losses, in addition to allocations made as provision for interest in arrears (Euro 41,854,204) 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	31.12.2020
Doubtful debt provision as of 31.12.2019	(54,407,508)
Provision for the period	(8,071,346)
Write-off of receivables considered non-recoverable	7,749,733
Doubtful debt provision as of 31.12.2020	**(54,729,120)**

It is noted that, as of 31 December 2020, the Group factored trade receivables for the total amount of Euro 82.5 million (Euro 155.2 million as of 31 December 2019). 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 2020, with respect to Sicilia Digitale S.p.A. and amount to Euro 113.6 million (gross of the doubtful debt provision amounting to Euro 27.4 million), of which Euro 14.5 million of customer contracts assets, resulted from the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A.) and Sicilia e-Servizi Venture S.c.a.r.l. in liquidation on 21 May 2007 and expired on 22 December 2013.

In order to obtain payment of the sums due, in the mutual interest, on 9 October 2012 SISEV, the Sicilian Region and Sicilia Digitale S.p.A. signed an “agreement” which regulated the repayment of SISEV receivable, indicating the final repayment date on 31 December 2013.

Moreover, this agreement outlined that the Sicilian Region was undertaking to carry out controls and provide Sicilia Digitale S.p.A. with all the technical and economic means, so as the latter would have been able to correctly fulfil its obligations, and envisaged that, while executing the agreement, such obligations would have been undertaken by SISEV. Sicilia Digitale S.p.A. and the Sicilian Region fulfilled their obligations only partially as to the receivable repayment plan, as envisaged by the agreement, although no objections arose with respect to the correct performance of services rendered.

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

As regards Sicilia Digitale S.p.A.’s judgment of opposition to the payment order, filed on 3 September 2013, obtained in the amount of approximately Euro 30,052 thousand, the Judge ordered Office Technical Experts, to evaluate, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the payment order. On 17 December 2016, the Office Technical Experts, designated for the assessment of the actual performance by 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 are 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, as a result of the specification of the conclusion to the involved parties, with sentence of 30 August 2018, the Judge also ordered Sicilia Digitale S.p.A. to pay Euro 19,508 thousand in favour of SISEV, in addition to interests, starting from, and at the rate shown in the order decree. The Judge therefore confirmed the evaluations expressed by the experts, in the aforementioned supplementary expertise report, considering that only the services certified by SISEV’s managerial figures were “recognised” to SISEV.

By a writ of summons on appeal notified on 18 February 2019, Sicilia Digitale appealed against the aforementioned judgment, asking for its complete reform. SISEV appeared with a cross-appeal response asking for recognition of the amounts not included in the Court’s sentence. At the first hearing on 31 May 2019, SISEV requested, in agreement with Sicilia Digitale, postponement for negotiations, granted until 5 July 2019. In fact, on 12 June 2019, a specific transaction was agreed between the transferees of the SISEV credit (Engineering and Accenture, as creditor partners for services rendered and not remunerated at that time) and Sicilia Digitale (“amicable agreement”) for the recognition to them of a total amount of Euro 19.5 million (of which Euro 13.2 million in favour of Engineering and Euro 6.3 million in favour of Accenture), with waiver of the interest on arrears and which specifies, among other things, a plan for the repayment of the credit transacted with last expected repayment date on 1 May 2020.

The failure to comply with any time scans for the payment so agreed implies, for the express provision of the agreement, the resolution of the same and the possibility for the creditor parties (Engineering and Accenture) to act for the entire amount (see Article 5).
Moreover, since the instalments provided for in Article 2, point 2, letter b) of the same agreement for the months of November 2019, December 2019, January 2020 and February 2020, for a total amount of Euro 4,175,000.00, have not been paid, a warning notice was sent on 3 February 2020 for their fulfilment, under penalty of termination of the transaction.
However, no further payment was received so that the settlement agreement was dissolved, with a note dated 20 January 2021 and the execution of the judgement was started for the higher amount indicated therein, through the notification of a specific writ of order (i.e. on 21 February 2020, the enforceable judgement was served).
For this reason, at the hearing on 5 February 2021, Sicilia Digitale S.p.A. requested a stay of execution, also in light of the ruling in first instance referred to in point B below. We objected to the above, also by means of a special constitution of Engineering, as the acquiring party of the relevant Venture receivable, mainly referring to the provision of the settlement agreement with which Sicilia Digitale S.p.A. waived its right to object to the execution of the sentence in the event of termination of the agreement. The Court reserved on the ruling.

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

In addition to what has just been described, on 18 February 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of its receivables (around Euro 79.7 million, including the works recognised in the financial statements to complete the amount already requested with an appeal for a payment order) as the company deems, as already stated, that these amounts were correctly originated and are correctly payable, also pursuant to provisions contained in the trilateral agreement signed on 9 October 2012 by the

Sicilian Region, Sicilia Digitale S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia Digitale S.p.A., appeared and filed objections including, but not limited to, the fact that the measure dated 9 October 2012 was invalid, the service contracts and related orders were null and void and Venture unfulfilled its know-how transfer obligations. The parties also filed a claim for damages for a total amount of Euro 95,643 thousand. These plaintiff's claims were objected at the first hearing of 8 June 2016. After filing the pre-trial briefs, the Judge reserved on the ruling of all claims submitted, including but not limited to, evidence by SISEV based on documents and expertise.

On 30 May 2018, the technical experts appointed by the Court of Palermo sent the parties and their respective technical experts a draft of the expertise. Given the extent of this report, the Judge was first asked to extend the deadline for replies to the expertise; for this reason, the Judge granted the extension as requested and assigned the parties a deadline until 30 September 2018, to communicate their observations on the expertise report, assigning the experts a further deadline until 30 October 2018, to file the final report together with the observations of the parties and setting a hearing on 8 November 2018, for the continuation of the case.

The aforementioned final report shows (i) a receivable assessed from SISEV for only Euro 4.2 million against a claim of Euro 79.7 million and (ii) provides the Judge, as a possible alternative assessment criterion, with a second calculation certifying a total receivable of Euro 26.2 million from Venture. The case was adjourned to the hearing of 12 December 2019, for examination by the expertise.

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

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

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

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

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

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

The Directors, considering the legitimacy of the credit lines and the correct performance of the services rendered, and assessing the appraisal delivered by the independent expert as part of the writ of summons to obtain payment of an amount of their receivables, equal to approximately Euro 79.7 million, as seriously omissive and erroneous, stated, also based on the opinion of the lawyer in charge, that SISEV receivables from Sicilia Digitale S.p.A. are collectable. Moreover, the above-mentioned claims do not seem prima facie suited to stop the aggregate claims of SISEV.

In any case, considering the continuous change of institutional interlocutors and the difficulty of achieving an amicable agreement, considering the legal dispute and the objections filed by Sicilia Digitale S.p.A. and the Sicilian Region, in its consolidated financial statements as of 31 December 2020 the Group recognised the interest set out by law pertaining to the period considered (Euro 5.7 million) in the income statement and under financial income, in addition to the amount already recognised until 31 December 2019 (for a total amount of approx. Euro 41 million), and accrued additional provision for Euro 5.7 million for a total doubtful debt provision of around Euro 68.3 million, which includes the total impairment of the statutory interest shown above and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable.

a) From others

(in Euros)

Description	31.12.2020	31.12.2019	Change
Prepayments	1,233,529	1,563,158	(329,629)
Others	13,121,913	14,164,099	(1,042,185)
Total	**14,355,442**	**15,727,256**	**(1,371,814)**

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

17 Other current assets

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other current assets	46,788,557	52,037,321	(5,248,764)

Other current assets are broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other assets and current tax and social security receivables	10,121,019	13,236,421	(3,115,402)
Others	36,667,538	38,800,900	(2,133,362)
Total	**46,788,557**	**52,037,321**	**(5,248,764)**

a) Other assets and tax receivables

The item is broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Tax receivables	8,581,836	11,421,510	(2,839,674)
Social security institutions	1,453,961	1,689,838	(235,877)
Others	85,222	125,074	(39,852)
Total	**10,121,019**	**13,236,421**	**(3,115,402)**

The tax receivables substantially relate to:

- Euro 1.0 million relating to receivables for taxes paid abroad;
- Euro 4.3 million relating to receivables from the Inland Revenue Office for recoverable VAT;
- Euro 2.3 million relating to the receivable for IRES advances;
- Euro 1.0 million in tax refunds receivable.

Receivables from social security institutions related to the payment of the INAIL advance payment for 2020 and INPS receivables to be recovered over subsequent years.

b) Others

The item "Others" includes:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Applied research grants	30,221,653	33,580,767	(3,359,114)
Prepaid expenses	1,596,888	1,298,063	298,826
Others	4,848,997	3,922,070	926,926
Total	**36,667,538**	**38,800,900**	**(2,133,362)**

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.

18 Cash and cash equivalents

(in Euros)

Description	31.12.2020	31.12.2019	Change
Cash and cash equivalents	141,219,539	191,870,292	(50,650,753)

As of 31 December 2020, the item "Cash and cash equivalents" amounted to Euro 141.2 million, a decrease of Euro 50.6 million compared to 31 December 2019, and corresponding to cash and cash equivalents related to current accounts and cash equivalents readily convertible into cash. For further information, please refer to the Cash Flow Statement.
The balance includes cash and cash equivalents and bank current accounts. Bank and postal deposits are remunerated at interest rates in line with the market.

Cash and cash equivalents consist of the following:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Bank and postal deposits	141,195,966	191,813,969	(50,618,003)
Cash and cash equivalents	23,573	56,323	(32,750)
Total	**141,219,539**	**191,870,292**	**(50,650,753)**

19 Assets held for sale and held for distribution to owners

This paragraph includes the values of the "Assets held for sale and held for distribution to owners" relating to the subsidiary OverIT S.p.A. as in December 2020 the spin-off of the company in favour of the parent company Centurion Bidco 1 S.p.A. was determined, pursuant to provisions set out by IFRS 5 accounting standard.

(in Euros)

Description	31.12.2020	31.12.2019	Change
Assets held for sale and held for distribution to owners	14,165,431		14,165,431

(in Euros)

Description	31.12.2020
Property, plant and equipment and intangible assets	967,889
Right of use and leased assets	2,652,480
Other non-current assets	195,779
Trade assets	9,142,061
Other current assets	581,198
Cash and cash equivalents	626,024
Assets held for sale and held for distribution to owners	**14,165,431**

D) Shareholders' equity

20 Information on shareholders' equity

(in Euros)

Description	31.12.2020	31.12.2019	Change
Shareholders' equity	836,827,424	610,680,780	(226,146,645)

The changes are shown in the table below:

(in Euros)

Shareholders' equity	Value as of 31.12.2020	Value as of 31.12.2019
Share capital	34,095,537	31,875,000
Total share capital	**34,095,537**	**31,875,000**
Legal reserve	6,375,000	6,375,000
Share premium reserve	30,650,262	0
Merger reserve	504,437,886	504,437,886
Exchange translation reserve IAS 21	(7,402,506)	(4,272,133)
Other reserves	(19,443,093)	(8,313,615)
Total reserves	**514,617,549**	**498,227,139**
Prior years' undistributed profits	123,337,490	51,058,947
First-time application of IAS/IFRS	(821,686)	(819,853)
IAS 19 actuarial gains/(losses)	(15,042,088)	(15,152,356)
Retained earnings/(losses carried forward)	**107,473,717**	**35,086,737**
Profit/(loss) for the year	**190,603,374**	**51,212,082**
Total Group shareholders' equity	**846,790,177**	**616,400,957**
Capital and reserves of non-controlling interests	(10,115,376)	2,308,525
Profit/(loss) for the year of non-controlling interests	152,623	(8,028,702)
Total shareholders' equity	**836,827,424**	**610,680,780**

21 Share capital

On 23 July, the change of control of the entire share capital of Engineering Ingegneria Informatica S.p.A. was completed.

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

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

22 Reserves

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

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

- **Share premium reserve:**
  the share premium reserve of Euro 30,650,262, created as a result of new shares issued to implement the Stock Option Plan, as described above.
  The reserve is available and distributable, after covering negative reserves.

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

  The reserve is available and distributable.

- **Other reserves:**
  other Reserves (negative) of Euro 19,443,093 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;
  - forward contract reserve, amounting to Euro (19,171,723) on subsidiaries' shares (i.e. Non-Controlling Interest) whose counterparty is shown in paragraph 27 below.

- **Currency translation reserve:**
  at the reporting date, it amounted to Euro (7,402,506) and is neither available nor distributable.

Pursuant to Law Decree no. 104 of 14 August 2020 ("August Decree"), converted into Law no. 126 of 13 October 2020 (Article 110, paragraph 8), and 2021 Budget Law - Law no. 178 of 30 December 2020 (Article 1, paragraph 83), it is possible also for entities that draw up their financial statements in accordance with International Accounting Standards to realign the higher value relating to business assets and equity investments resulting from the financial statements for the year ending 31 December 2019.
On 2 March 2021, the Board of Directors of Engineering Ingegneria Informatica, approved the realignment of all existing misalignments in the financial statements as of 31 December 2019, resulting from corporate tax return (Schedule RV of the Form UNICO SC) and in particular with reference to trademarks, goodwill and other intangible assets. The realignment will determine the allocation of the amount of the realignment net of the substitute tax (Euro 471 million) to an unavailable reserve. The Shareholders' Meeting called to approve the financial statements will approve the aforementioned reserve.

23 Retained earnings

Retained earnings are equal to Euro 107,473,717 and include:

- **Prior years' undistributed profits:**
  at the reporting date, they amounted to Euro 123,337,490 and are neither available nor distributable. The increase for the year amounted to Euro 51,900,485 and it is mainly due to the allocation of the profit from the previous year.

- **First-time application of IAS/IFRS reserve:**
  at the reporting date, it amounted to Euro (821,686) and is neither available nor distributable.

- **Actuarial gains/(losses) reserve - IAS 19:**
  at the reporting date, it amounted to Euro (15,042,088) and is neither available nor distributable.

E) Non-current liabilities

24 Non-current financial liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Non-current financial liabilities	131,730,432	197,485,888	(65,755,456)

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Bank loans	125,067,595	185,536,742	(60,469,147)
Other non-current financial liabilities	6,822,868	13,855,500	(7,032,632)
Value of financial debt at amortised cost	(160,031)	(1,906,355)	1,746,324
Total	**131,730,432**	**197,485,888**	**(65,755,456)**

The bank loans as of 31 December 2020 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 wich over 5 years
Medium/long-term loans	2020	5.96	647		
Medium/long-term loans	2021	3.02	1,005,306	300,000	
Banca Carige 60	2022	2.65	41,226	35,198	
Imprebanca 1-602-1411	2021	4.25	50,000		
Banca IFIS 3060	2021	4.50	46,844		
BCC ROMA 006/728505/35	2022	3.50	85,023	58,356	
ICCREA BANCA D'IMPRESA	2023	2.50	81,396	161,634	
248064 SAFE&SMART	2024	0.2500000	58,182	293,100	
BANCO BPM	2024	F_2.2500000	3,750,000	9,375,000	
MISE/MCC SUMMIT	2028	0.1700000	64,518	422,051	162,879
Centurion BIDCO loans	2026	Euribor 3 months + 0.055		114,422,255	114,422,255
Total			**5,749,334**	**125,067,595**	**114,585,134**

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 124,512,407.

The portion due within 12 months was reclassified under current financial liabilities.

As part of the acquisition by the Bain Capital and NB Renaissance Funds that involved the Parent Company on 23 July 2020 and the related extraordinary transactions carried out, all the loans existing at that date were repaid in advance, except for those disbursed by the MISE and MIUR, for a total of Euro 203,041,919.16. The early repayment took place partly using the Company's cash and cash equivalents and partly using a loan of Euro 114.4 million provided by Centurion Bidco S.p.A., the direct parent company of Engineering Ingegneria Informatica S.p.A..

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

On 13 October 2020, a loan was also granted by Banco BPM, for the amount of Euro 15 million and duration of 4 years within the extraordinary transactions related to the acquisition of 23 July 2020 and to support current operations.
The two loans granted by MIUR and MISE are at a subsidised fixed rate and are always linked to the implementation of research and technological development projects. The Safe & Smart project reported an initial disbursement on 25 January 2019, and the Summit was disbursed on 23 October 2019.

Covenants

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

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

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

If the SNN Issuer (Centurion Bidco S.p.A.), or any of its Subsidiaries subject to restrictions, wants to secure the new debt ratio on the SSN guarantee, in addition to fulfilling the FCCR and PIK CTNLR tests, the consolidated senior secured net leverage ratio (“CSSNLR”) of the SSN Issuer cannot exceed 5:1 pro-forma for the issue of the new debt.
Test CSSNLR (Consolidated Senior Secured Net Leverage Ratio (SSNs)): the consolidated senior secured net leverage ratio (“CSSNLR”) of the SSN Issuer cannot exceed 5:1 pro-forma for the issue of the new debt. The calculation of the CSSNLR is detailed in the SSN indenture and is essentially the ratio between the consolidated senior secured net debt of the SSN Issuer (i.e. all indebtedness guaranteed with SSN guarantee less cash resulting from the SSN Issuer’s consolidated financial statements) and the SSN Issuer’s LTM EBITDA (EBITDA adjusted for acquisitions, disposals and run-rate synergies etc. for the four most recent consecutive fiscal quarters for which consolidated financial statements are available).

The Financial Parameters of the issuer 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.

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Derivative financial instruments	0	8,413	(8,413)
Security deposits	433,468	726,133	(292,665)
Amounts due for finance lease	59,400	470,954	(411,554)
Contingent consideration for business combinations	6,330,000	12,650,000	(6,320,000)
Total	**6,822,868**	**13,855,500**	**(7,032,632)**

The “Other current liabilities” item mainly includes:

The contingent consideration for business combinations to be paid from 2021 onwards. The decrease for the year is substantially due to the termination of the obligation with respect to a Group company.

The following table represents the movement of financial liabilities:

(in Euros)

Description	2018	Cash flows			Non-monetary changes	2019
		New loans	Repayment of loans	Reclassifications	Other changes	
Non-current financial liabilities	177,939,035	92,167,759	0	(86,518,499)	13,897,593	197,485,888
Non-current lease liabilities	0	0	0	(14,828,586)	168,958,728	154,130,142
Current financial liabilities	74,122,200	0	(57,833,653)	79,263,883	12,532,824	108,085,253
Current lease liabilities	0	0	(16,003,627)	22,083,202	14,636,795	20,716,370
Total	**252,061,234**	**92,167,759**	**(73,837,280)**	**0**	**210,025,940**	**480,417,653**

(in Euros)

Description	December 2019	Cash flows			Non-monetary changes	December 2020
		New loans	Repayment of loans	Reclassifications	Other changes	
Non-current financial liabilities	197,485,888	129,848,700	(243,226,816)	50,862,704	(3,240,044)	131,730,432
Non-current lease liabilities	154,130,142			(3,945,413)	(10,902,531)	139,282,197
Current financial liabilities	108,085,253	197,704,207	(178,133,862)	(50,862,705)	(17,791,513)	59,001,381
Current lease liabilities	20,716,370		(17,209,849)	3,945,413	10,661,507	18,113,441
Total	**480,417,653**	**327,552,907**	**(438,570,527)**	**(1)**	**(21,272,580)**	**348,127,452**

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

(in Euros)

Description	31.12.2020	31.12.2019
A) Cash and cash equivalents	**141,219,539**	**191,870,292**
B) Current financial receivables	**0**	**0**
Current financial liabilities	(59,001,381)	(108,085,253)
Current lease liabilities	(18,113,441)	(20,716,370)
C) Current borrowing	**(77,114,823)**	**(128,801,623)**
D) Net current financial position	**64,104,716**	**63,068,669**
Non-current financial liabilities	(131,730,432)	(197,485,888)
Non-current lease liabilities	(139,282,197)	(154,130,142)
E) Non-current borrowing	**(271,012,629)**	**(351,616,029)**
F) Net financial position	**(206,907,913)**	**(288,547,361)**

25 Non-current lease liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Non-current lease liabilities	139,282,197	154,130,142	(14,847,944)

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

(in Euros)

Description	Within 1 year	Over 1 year	Of which over 5 years
Amounts due for finance lease (former IAS 17)	1,377,698	3,180,818	8,265
Payables for lease offices and branches	11,407,382	129,365,878	72,414,568
Payables for vehicle financing	3,514,831	3,587,007	
Payables for hardware and software lease	1,694,559	3,059,044	
Other lease liabilities	118,972	89,450	
Total	**18,113,441**	**139,282,197**	**72,422,833**

With regard to the portion due within 12 months of lease payables, amounting to Euro 18,113,441, please refer to the paragraph on Current lease liabilities.

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

26 Deferred tax liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Deferred tax liabilities	27,486,025	166,174,150	(138,688,125)

Deferred tax liabilities have been calculated on the following items:

(in Euros)

Description	31.12.2020		31.12.2019	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Property, plant and equipment - Fiscal depreciation	24,310	9,375	115,790	33,006
Goodwill	15,672,591	4,372,653	25,126,133	7,377,353
Trademark	0	0	453,029,362	126,395,192
Research grants	1,505,708	368,568	1,213,527	298,444
Research grants taxed in 5 years	65,581,246	15,739,499	67,067,529	16,096,207
Doubtful debt provision	0	0	20,666	4,960
Adjustments for IFRS FTA	1,941,527	541,686	2,050,703	572,146
IFRS - IAS 8 adjustments	1,031	328	1,031	328
Customer relationship - Allocation of goodwill	20,637,060	6,430,443	53,237,761	15,385,821
Other	97,808	23,474	44,555	10,693
Total	**105,461,283**	**27,486,025**	**601,907,055**	**166,174,150**

The following table shows 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 01.01.2019	**4,960**	**126,395,192**	**15,680,344**	**16,214,566**	**9,351,071**	**167,646,133**
Change from merger						0
Impact on income statement	0	0	(294,523)	180,086	(1,357,546)	(1,471,983)
Impact on comprehensive income statement						0
Balance as of 31.12.2019	**4,960**	**126,395,192**	**15,385,821**	**16,394,651**	**7,993,526**	**166,174,150**
Change from merger						0
Impact on income statement	(4,960)	(126,395,192)	(8,955,379)	(286,584)	(3,046,010)	(138,688,125)
Impact on comprehensive income statement						0
Balance as of 31.12.2020	**0**	**0**	**6,430,443**	**16,108,067**	**4,947,515**	**27,486,025**

As already widely described in paragraph 1.1 “Significant operations” herein, the change in deferred taxes of approximately Euro 138 million refers to the release to the income statement of deferred tax liabilities relating to the Trademark and other intangible assets in order to realign the higher book values to the lower tax values, based on Law Decree no.104 of 14 August 2020 (“August Decree”), converted into Law no.126 (Article 110, paragraph 8) of 13 October 2020, and the 2021 Budget Law - Law no. 178 (Article 1, paragraph 83) of 30 December 2020. The exemption will entail the payment of a substitute tax of Euro 14.6 million against a net tax saving of Euro 128 million over the next 18 years. The realignment involved the release to the income statement of the deferred tax liabilities associated with these intangible assets not having tax relevance to date and the allocation of deferred tax assets with reference to goodwill.

27 Non-current provisions for risks and charges

(in Euros)

Description	31.12.2020	31.12.2019	Change
Non-current provisions for risks and charges	3,322,111	4,686,023	(1,363,913)

The provision for risks, which amounts to Euro 3.3 million, mainly includes provisions for pending disputes with third-party customers for Euro 3.0 million and for civil and labour law disputes for Euro 0.3 million.
The reduction is mainly due to the impact of the exchange rate delta, relating to non-European companies belonging to the Group.

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2019	**4,015,264**
Exchange difference effect	(80,780)
Increase	751,539
Balance as of 31.12.2019	**4,686,023**
Exchange difference effect	(1,373,656)
Increase	215,810
Decrease	(206,067)
Balance as of 31.12.2020	**3,322,111**

28 Other non-current liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other non-current liabilities	31,108,595	38,985,512	(7,876,917)

The balance as of 31 December 2020 of Euro 31,108,595 includes:

- for Euro 14.2 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;
- Euro 2.1 million to the payables for a non-competition agreement signed with the top management and consultants;
- the non-current portion of the substitute tax of Euro 9.7 million due for participation in the tax realignment as described in paragraph 1 “General information” of this document. The substitute tax totalled Euro 14.6 million, to be paid over three years. The first instalment to be paid in 2021, amounting to Euro 4.9 million is recorded under “Other current liabilities”;
- for Euro 18.2 million for the decrease relating to the exercise of put option contracts of some consolidated companies.

29 Post-employment benefits

(in Euros)

Description	31.12.2020	31.12.2019	Change
Post-employment benefits	71,966,156	74,412,000	(2,445,843)

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

Post-employment benefits, accrued after 1 January 2007, represent a “defined contribution plan”. Periodically, the Company pays post-employment benefits accrued to a separate entity (e.g. INPS and/or a Fund) and with payment of the contributions it fulfils the obligation to its employees. For accounting purposes, it is included under other contributions, therefore the post-employment benefit matured is recorded as a cost in the period with the payable recognised under short-term payables.

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

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

Financial assumptions:

- future annual rates of inflation were set according to the average rates of inflation in Italy in recent years, based on ISTAT data;
- future annual revaluation rates of existing provisions and subsequent payments fixed, as established by regulations at 75% of the inflation rate plus 1.50% net of taxes;
- the annual discount rates were established as variable from 0.0000% to 0.2229% and were deducted adopting a rate curve combining the effective yield rates movements of the Euro Bonds of primary companies with AA rating or higher.

Demographic assumptions:

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

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

(in Euros)

Engineering Group		Discounting				
		-10%		**100%**		**10%**
	-10%	**71,757,525**	12,125	**71,745,400**	(12,096)	**71,733,304**
		(223,067)	(210,824)	(220,756)	(235,045)	(222,832)
Infla	100%	**71,980,592**	12,243	**71,966,156**	(12,213)	**71,956,136**
		224,089	236,333	226,164	211,639	223,852
	+10%	**72,204,681**	12,361	**72,192,320**	(12,332)	**72,179,988**

Engineering Group		Discounting				
		-10%		**100%**		**10%**
	-10%	**+99.71%**	+0.02%	**+99.69%**	-0.01%	**+99.68%**
		-0.31%	-0.29%	-0.31%	-0.32%	-0.30%
Infla	100%	**+100.02%**	+0.02%	**+100.00%**	-0.02%	**+99.98%**
		+0.31%	+0.33%	+0.31%	+0.29%	+0.31%
	+10%	**+100.33%**	+0.02%	**+100.31%**	-0.02%	**+100.29%**

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

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2019	**69,768,374**
Provisions	28,041,488
Amounts paid to social security institutions + INPS	(25,943,367)
Actuarial losses/(gains)	4,560,052
Benefits paid	(3,814,963)
Post-empl. benefits 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**
Provisions	27,706,280
Amounts paid to social security institutions + INPS	(25,696,315)
Actuarial losses/(gains)	(103,137)
Benefits paid	(4,283,888)
Post-empl. benefits on acquisition of Group business units/subsidiaries	739,236
Transfer payables of Group business units/subsidiaries	(346,934)
Post-empl. benefits, consolidated companies	62,893
Post-empl. benefits, companies not in consolidation scope	(523,978)
Balance as of 31.12.2020	**71,966,156**

F) Current liabilities

30 Current financial liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current financial liabilities	59,001,381	108,085,253	(49,083,872)

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Bank loans	46,424,342	80,630,715	(34,206,373)
Bank overdraft	164,316	5,852,080	(5,687,764)
Other current financial liabilities	12,412,724	21,602,459	(9,189,735)
Total	**59,001,381**	**108,085,253**	**(49,083,872)**

Bank loans

As of 31 December 2020, short-term loans totalled Euro 46,424 thousand and relate, in the amount of Euro 5,749 thousand, to the short-term portion of bank loans for which reference is made in table "Non-current financial liabilities" herein and for Euro 40,675 thousand relate to short term loans with a duration lower than six months.

Bank overdrafts

(in Euros)

Description	31.12.2020	31.12.2019	Change
Bank overdrafts	164,316	5,852,080	(5,687,764)
Total	**164,316**	**5,852,080**	**(5,687,764)**

Other current financial liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other payables and grants to be repaid	9,325,813	18,735,699	(9,409,886)
Payables for leasing	0	0	0
Contingent consideration for business combinations	3,086,911	2,866,760	220,151
Total	**12,412,724**	**21,602,459**	**(9,189,735)**

"Other grants" refer to the following:

- Euro 7,137 thousand for collections received for research projects to be reversed to other partner subjects;
- Euro 81 thousand for collections received from customers for invoices transferred to factoring companies;
- Euro 2,094 thousand of collections to be repaid to customers of the company Municipia, following the collections of taxes on their behalf.

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

- the portion within 12 months of the payables for Earn Out relating to the former company INF.OR. merged by incorporation in Municipia in 2018 for Euro 600 thousand, the portion within 12 months of the payables for Earn Out relating to the former company Municipia Mobilità merged by incorporation in Municipia in the previous year for a total of Euro 1,719 thousand and, finally, by the payable for investments to be paid in relation to the company LG-NET S.r.l. for Euro 16.5 thousand;
- Euro 750 thousand for Earn Out relating to the company Sogeit Solutions S.r.l..

31 Current lease liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current lease liabilities	18,113,441	20,716,370	(2,602,928)

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

32 Current tax payables

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current tax payables	14,480,091	5,496,524	8,983,568

The balance as of 31 December 2020 primarily includes current tax payables.

The breakdown is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
IRES	6,760,627	3,974,505	2,786,122
IRAP	2,206,830	531,947	1,674,883
Substitute tax	112,049	268,943	(156,895)
Other tax payables	5,400,585	721,127	4,679,458
Total	**14,480,091**	**5,496,524**	**8,983,568**

The tax payable as of 31 December 2020 was decreased by the amounts paid for IRES and IRAP taxes.

The item “Other tax payables” refers to the short-term portion of the payable to the Inland Revenue Office for the acceptance of the Report on Findings drawn up last April with reference to the general tax assessment, regarding the 2015 tax period, carried out by the Lazio Regional Authority.

33 Current provisions for risks and charges

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current provisions for risks and charges	7,224,187	15,087,070	(7,862,883)

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Provision for risks and charges	3,374,803	10,776,406	(7,401,603)
Provision for losses on projects	3,849,383	4,310,664	(461,281)
Total	**7,224,187**	**15,087,070**	**(7,862,883)**

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

- Euro 1,500 thousand for the provision made in the previous year for leaving and restructuring incentives;
- Euro 1,300 thousand, related to legal disputes and to the risk of penalties with contracts with customers;
- Euro 300 thousand relating to potential tax liabilities.

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 01.01.2019	**17,144,424**
Increase	6,385,707
Decrease	(8,423,201)
Business combination	(19,859)
Balance as of 31.12.2019	**15,087,070**
Increase	2,034,873
Decrease	(9,282,142)
Business combination	(615,616)
Balance as of 31.12.2020	**7,224,187**

34 Other current liabilities

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other current liabilities	163,807,498	172,240,417	(8,432,919)

This item is broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Directors and Statutory Auditors	1,382,965	1,384,038	(1,073)
Consultants	1,301	40,790	(39,490)
Withholding taxes	491,218	1,070,921	(579,703)
Tax payables	21,029,196	27,799,627	(6,770,431)
Due to RTI partners	2,588,923	3,532,317	(943,394)
Social security institutions	21,764,593	23,665,319	(1,900,726)
Others	9,664,488	9,816,817	(152,329)
Employees	98,468,726	98,765,218	(296,492)
Partners for research projects	8,051,437	5,475,778	2,575,659
Accrued m/l loan interest	79,350	397,425	(318,076)
Other accruals	76,286	6,416	69,870
Other deferred income	209,016	285,751	(76,735)
Total	**163,807,498**	**172,240,417**	**(8,432,919)**

Tax payables are broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
VAT	4,735,013	8,329,536	(3,594,523)
Suspended VAT	1,212,698	1,222,550	(9,852)
IRPEF	14,409,193	16,088,655	(1,679,462)
Other	672,292	2,158,886	(1,486,594)
Total	**21,029,196**	**27,799,627**	**(6,770,431)**

35 Trade payables

(in Euros)

Description	31.12.2020	31.12.2019	Change
Trade payables	343,529,300	367,537,070	(24,007,770)

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

The balance as of 31 December 2020 is broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Suppliers	285,175,553	312,721,040	(27,545,487)
Parent companies	452,652	0	452,652
Others	57,901,095	54,764,208	3,136,887
Total	**343,529,300**	**367,537,070**	**(24,007,770)**

a) Suppliers

(in Euros)

Description	31.12.2020	31.12.2019	Change
Due to suppliers	194,149,172	212,818,963	(18,669,790)
Due to foreign suppliers	7,981,502	9,850,701	(1,869,199)
Invoices to be received	84,456,288	91,204,153	(6,747,866)
Credit notes to be received	(1,411,409)	(1,152,778)	(258,631)
Total	**285,175,553**	**312,721,040**	**(27,545,487)**

c) Payables to associates

(in Euros)

Description	31.12.2020	31.12.2019	Change
Invoices received	0	51,821	(51,821)
Total	**0**	**51,821**	**(51,821)**

d) Payables due to parent companies

(in Euros)

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

e) Others

(in Euros)

Description	31.12.2020	31.12.2019	Change
Advances for future work	57,901,095	54,764,208	3,136,887
Total	**57,901,095**	**54,764,208**	**3,136,887**

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

36 Liabilities held for sale and held for distribution to owners

This paragraph includes the values of the "liabilities held for sale and held for distribution by shareholders" relating to the subsidiary OverIT S.p.A. as in December 2020, the spin-off of the same in favour of the parent company Centurion Bidco 1 S.p.A. was resolved.

(in Euros)

Description	31.12.2020	31.12.2019	Change
Liabilities held for sale and held for distribution to owners	15,251,158		15,251,158

(in Euros)

Description	31.12.2020
Non-current financial liabilities	194,702
Non-current lease liabilities	1,841,210
Other non-current liabilities	418,232
Current financial liabilities	3,686,122
Current lease liabilities	849,348
Other current liabilities	6,840,085
Trade payables	1,421,460
Liabilities held for sale and held for distribution to owners	**15,251,158**

Income statement

A) Total revenues

(in Euros)

Description	31.12.2020	31.12.2019	Change
Total revenues	1,241,457,345	1,273,989,560	(32,532,215)

The breakdown of total revenues is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Revenues	1,218,456,399	1,250,882,131	(32,425,732)
Other revenues	23,000,945	23,107,429	(106,484)
Total	**1,241,457,345**	**1,273,989,560**	**(32,532,215)**

37 Revenues from sales and services

(in Euros)

Description	31.12.2020	31.12.2019	Change
Revenues from sales and services	1,224,706,462	1,218,794,585	5,911,877
Cgs. finished products and construction contracts	(6,250,063)	32,087,546	(38,337,609)
Total	**1,218,456,399**	**1,250,882,131**	**(32,425,732)**

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 goods and services				Total
	Deliverable-based contracts	Resource-based contracts	Service-based contracts	Assistance and maintenance based contracts	
At a point in time	n/a	n/a	255,393,500	n/a	255,393,500
Over time	574,255,079	123,176,695	n/a	265,631,125	963,062,899
Total	**574,255,079**	**123,176,695**	**255,393,500**	**265,631,125**	**1,218,456,399**

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

38 Other revenues

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other revenues	23,000,945	23,107,429	(106,484)

The breakdown of other revenues is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Grants	16,149,530	17,212,578	(1,063,048)
Other income	6,851,416	5,894,851	956,564
Total	**23,000,945**	**23,107,429**	**(106,484)**

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

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

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

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

(in Euros)

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

B) Operating expenses

(in Euros)

Description	31.12.2020	31.12.2019	Change
Operating expenses	1,151,337,443	1,213,705,991	(62,368,548)

40 Operating expenses

The breakdown of operating expenses is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Raw materials and consumables	39,553,638	33,729,702	5,823,937
Service costs	393,620,417	425,332,941	(31,712,523)
Personnel costs	637,809,828	639,924,808	(2,114,980)
Amortisation and depreciation	61,124,908	61,191,788	(66,881)
Provisions	8,700,300	39,450,458	(30,750,157)
Other costs	10,528,351	14,076,295	(3,547,944)
Total	**1,151,337,443**	**1,213,705,991**	**(62,368,548)**

For further details on changes, reference is made to the relevant paragraphs in the Directors' report.

41 Raw materials and consumables

(in Euros)

Description	31.12.2020	31.12.2019	Change
Raw materials and consumables	39,553,638	33,729,702	5,823,937

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Hardware	6,193,369	6,699,174	(505,805)
Software	32,312,320	25,712,449	6,599,871
Consumables	1,047,760	1,313,496	(265,737)
Other	189	4,582	(4,393)
Total	**39,553,638**	**33,729,702**	**5,823,937**

42 Service costs

(in Euros)

Description	31.12.2020	31.12.2019	Change
Service costs	393,620,417	425,332,941	(31,712,523)

Service costs comprise the following accounts:

(in Euros)

Description	31.12.2020	31.12.2019	Change
EDP purchases, services and data lines	5,456,467	4,769,515	686,952
Insurance	4,668,600	4,706,674	(38,074)
Bank commissions	2,819,560	2,685,699	133,861
Technical support and consultancy	296,328,715	301,225,432	(4,896,717)
Consultancy from associates		(9,166)	9,166
Legal and administrative consultancy	8,251,827	5,301,292	2,950,535
Training and refresher courses	2,376,147	3,565,816	(1,189,669)
Consultants	471,252	477,902	(6,650)
Cost of corporate boards	3,122,207	3,135,743	(13,536)
Building rental	1,371,315	1,899,922	(528,607)
Maintenance of property, plant and equipment and intangible assets	23,427,957	26,048,633	(2,620,676)
Canteen and other personnel costs	12,376,802	10,948,666	1,428,136
Automotive expenses	6,450,394	8,762,387	(2,311,993)
Hardware and software rental	313,027	458,900	(145,873)
Maintenance and security services	3,977,598	5,154,170	(1,176,572)
Advertising and sales rep. expenses	1,296,745	2,598,347	(1,301,602)
Travel costs	5,399,077	22,692,399	(17,293,322)
Postage and shipping expenses	4,118,167	5,664,356	(1,546,190)
Utilities	7,407,454	9,001,894	(1,594,440)
Other	3,987,106	6,244,360	(2,257,254)
Total	**393,620,417**	**425,332,941**	**(31,712,523)**

The item "Technical support and consultancy" is attributable to the decreased services rendered by content providers in relation to Mobile Pay contracts.

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

The following table shows the remuneration paid in 2020 to the Independent Auditors of these consolidated financial statements, in accordance with Article 149-duodecies of the Consolidated Law on Finance.

(in Euros)

Service	Provider	Beneficiary	Remuneration
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	458,000
Other services	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	33,000
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
Audit	Deloitte & Touche S.p.A.	Municipia S.p.A.	20,000
Other services	Deloitte & Touche S.p.A.	Municipia S.p.A.	6,000
Audit	Deloitte & Touche S.p.A.	Sicilia e-Servizi Venture S.c.a.r.l.	15,000
Audit	Deloitte & Touche S.p.A.	Engineering 365 S.r.l.	10,000
Audit	Deloitte & Touche S.p.A.	OverIT S.p.A.	10,000
Audit	Deloitte & Touche S.p.A.	Cybertech	15,000
Audit	Deloitte & Touche S.p.A.	Digitelematica S.r.l.	9,000

43 Personnel costs

(in Euros)

Description	31.12.2020	31.12.2019	Change
Personnel costs	637,809,828	639,924,808	(2,114,980)

Personnel costs consist of:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Salaries and wages	474,930,234	479,034,316	(4,104,082)
Social security expenses	114,608,970	113,949,542	659,429
Post-employment benefits	27,851,427	27,840,903	10,524
Restructuring and reorganising personnel	3,811,459	3,240,192	571,267
Other personnel costs	16,607,738	15,859,855	747,882
Total	**637,809,828**	**639,924,808**	**(2,114,980)**

The item “Salaries and wages” includes costs related to holidays and leave pays, indemnities, overtime and bonuses.
The change is related to savings resulting from the use of the extraordinary CIG for the Covid emergency, as provided for by Government decrees.

The item “Other personnel costs” includes:
- the reclassification of amortisation and depreciation of Euro 5 million relating to cars assigned to employees as required by IFRS 16, applied from 1 January 2019;
- the cost of the Stock Option Plan of Euro 10 million.

The Stock Option Plan assigned is classified as Equity Settled and therefore the contra-entry of the costs is recorded in an equity reserve which, in addition to this amount, also includes the increase for the portion of Stock Options assigned to the subsidiary Engineering D.HUB S.p.A., for Euro 0.4 million. The subsidiary recognised, instead, a cost of equal amount.
The vested options are made available to the beneficiary if specific time and performance targets are achieved. In particular, the time target is achieved – according to the regulation scheme - pro-rata temporis over the period December 2017 – December 2020.
The options vested can be exercised (i) starting from the plan expiration notice and no later than the working day prior to the plan expiry date and (ii) upon the occurrence of a divestment at any time without any expiry condition.
The exercise of vested shares is permitted, without losing any vested rights, even to the so-called “good leaver” beneficiary who has terminated his employment relationship. If the so-called “good leaver” beneficiary ceases during the period December 2017 – December 2020, the same will be entitled to a pro-rata temporis of options to be exercised.

The fair value of rights assigned is calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model).

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

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

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

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

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

(in Euros)

	As of 31.12.2020		As of 31.12.2019	
	Average price for the exercise of the option	Number of options	Average price for the exercise of the option	Number of options
Available options		**937,471**		**929,994**
Beginning of the year	**42.15**	**896,441**		**888,964**
Granted during the year		0	42.15	10,668
Exercised during the year		(846,890)		0
Lapsed during the year		(49,551)		(3,191)
Year end	**42.15**	**0**	**42.15**	**896,441**

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

The average number of employees in 2020 increased by 229 individuals compared to the previous year, due to both organic growth and the entry of new companies into the consolidation scope.

(units)

Average number of employees	31.12.2020	31.12.2019	Change
Executives	411.7	406.0	5.7
Managers	2,086.3	2,102.0	(15.8)
Other employees	9,055.0	8,815.3	239.7
Total	**11,552.9**	**11,323.3**	**229.6**

44 Amortisation and depreciation

(in Euros)

Description	31.12.2020	31.12.2019	Change
Amortisation and depreciation	61,124,908	61,191,788	(66,881)

The breakdown is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Depreciation of property, plant and equipment	8,161,566	8,003,539	158,027
Amortisation of intangible assets	33,263,386	33,181,395	81,990
Depreciation and amortisation IFRS 16	19,699,956	20,006,854	(306,898)
Total	**61,124,908**	**61,191,788**	**(66,881)**

45 Provisions

(in Euros)

Description	31.12.2020	31.12.2019	Change
Provisions	8,700,300	39,450,458	(30,750,157)

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

(in Euros)

Description	31.12.2020	31.12.2019	Change
Allocation to doubtful debt provision	8,071,346	32,687,843	(24,616,497)
Risk provision	628,955	6,762,615	(6,133,660)
Total	**8,700,300**	**39,450,458**	**(30,750,157)**

Amounts recognised in the financial statements are the best estimates and assumptions based on the best information available at the reporting date.
The allocation to the bad debt provision includes the allocation to the bad debt provision of default interest of approximately Euro 5.7 million relating to the write-down of receivables due from the subsidiary Sicilia e-Servizi Venture S.c.a.r.l..
The Group applies the simplified approach of IFRS 9 to measure the expected credit loss on all trade receivables and customer contract assets to determine the allocation to doubtful debt provision.

46 Other costs

(in Euros)

Description	31.12.2020	31.12.2019	Change
Other costs	10,528,351	14,076,295	(3,547,944)

Other costs are broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Dues and subscriptions	970,602	776,989	193,613
Taxes	7,007,391	8,509,829	(1,502,438)
Gifts and donations	69,087	114,519	(45,432)
Charges for social causes	272,263	911,057	(638,794)
Other	2,209,007	3,763,901	(1,554,894)
Total	**10,528,351**	**14,076,295**	**(3,547,944)**

47 Net financial income/(expenses)

(in Euros)

Description	31.12.2020	31.12.2019	Change
Net financial income/(expenses)	(8,696,779)	(2,469,376)	(6,227,402)

Financial income is broken down as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Interest income	5,838,386	5,034,793	803,593
Fair value gain (differential from derivative)	13,683	78,095	(64,412)
Gain on exchange differences	1,414,123	3,315,284	(1,901,161)
Total	**7,266,192**	**8,428,172**	**(1,161,980)**

Interest income includes interest in arrears (around Euro 5.7 million) related to receivables from Sicilia Digitale S.p.A./the Sicilian Region, reference of which is made to the previous paragraph 16.

The “Gain on exchange differences” item comprises the exchange gains (equal to around Euro 1.4 million).

Financial expenses consist of:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Interest expense	8,359,174	6,585,873	1,773,301
Other	7,603,797	4,311,676	3,292,121
Total	**15,962,971**	**10,897,549**	**5,065,422**

Interest expense refers principally to loans detailed in Note 23 hereof.
During the year, the Group borne interest expenses on financial leases amounting to Euro 1.5 million.
The “Other” item comprises the exchange losses.

48 Income/(expenses) from investments

(in Euros)

Description	31.12.2020	31.12.2019	Change
Income/(expenses) from investments	8,684,421	3,240,594	5,443,827

The breakdown is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Gain on Earn Out/call - put options	12,758,903	4,060,134	8,698,769
Losses on Earn Out/call - put options	(3,156,506)	(828,604)	(2,327,902)
Non-recurring income (charges)	(917,976)	9,064	(927,040)
Total	**8,684,421**	**3,240,594**	**5,443,827**

The “Gains on earn out/call-put options” item mainly refers, in the amount of Euro 7.3 million, to unrecognised earn outs due to failure to fulfil the agreed benchmarks and, in the amount of Euro 5.5 million, to the exercise of call/put options. The “Losses on earn out/call-put options” refers to the exercise of call-put options.

49 Taxes

(in Euros)

Description	31.12.2020	31.12.2019	Change
Income taxes	(100,648,452)	17,871,407	(118,519,860)

The breakdown of taxes is as follows:

(in Euros)

Description	31.12.2020	31.12.2019	Change
Current	40,805,843	24,942,286	15,863,557
Deferred	(141,454,296)	(7,070,879)	(134,383,417)
Total	**(100,648,452)**	**17,871,407**	**(118,519,860)**

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 IRES tax	31.12.2020		31.12.2019	
	Amount	%	Amount	%
Profit before taxes	90,107,544		61,950,487	
Ordinary rate applied	**21,625,811**	**+24.0%**	**14,868,116**	**+24.0%**
Tax effects deriving from:				
Income taxable in prior years	4,533,725	+5.0%	4,623,392	+7.5%
Income not taxable	(7,331,770)	-8.1%	(3,668,917)	-5.9%
Expenses not deductible	7,326,778	+8.1%	19,558,528	+31.6%
IAS differences	(365,096)	-0.4%	(365,096)	-0.6%
Other changes reducing taxable IRES	(6,531,440)	-7.2%	(9,910,655)	-16.0%
Utilisation of previous years tax losses	(2,887,495)	-3.2%	(2,909,704)	-4.7%
Effect of foreign tax rates	(448,880)	-0.5%	(2,446,563)	-3.9%
Total assessable IRES	**66,340,133**		**82,287,925**	
Tax/tax rate	**15,921,632**	**+17.7%**	**19,749,103**	**+31.9%**

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 11 “Deferred tax assets” and 25 “Deferred tax liabilities”.
With regards the release of deferred tax liabilities due to the realignment of the brand and other intangible assets, reference is made to paragraph 26.

COMMITMENTS UNDERTAKEN

The following table summarises the commitments of the Group as of 31 December 2020.

(in Euros)

Description	31.12.2020
Third party sureties	369,514,362
Bank sureties in favour of other companies	9,559,215
Bid Bonds and Performance Bonds	59,037,518
Total commitments undertaken	**438,111,095**

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.

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

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

Therefore, the following table highlights the measurement hierarchical level of fair value, for financial assets and liabilities measured at fair value as of 31 December 2020:

(in Euros)

Items as of 31.12.2020	Assets at amortised cost	Assets at FVOCI	Assets at FVPL
Other non-current assets	2,262,186	3,240,170(*)	
Trade receivables	617,545,173		
Other current assets	46,788,557		
Cash and cash equivalents	141,219,539		
Total assets	**807,815,454**	**3,240,170**	**0**

(in Euros)

Items as of 31.12.2019	Assets at amortised cost	Assets at FVOCI	Assets 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 31.12.2020	Liabilities at amortised cost	Liabilities at FVOCI	Liabilities at FVPL
Non-current financial liabilities	131,730,432	0	
Other non-current liabilities	16,908,595		14,200,000(**)
Current financial liabilities	59,001,381		
Other current liabilities	163,807,498		
Trade payables	343,529,300		
Total liabilities	**714,977,207**	**0**	**14,200,000**

(in Euros)

Items as of 31.12.2019	Liabilities at amortised cost	Liabilities at FVOCI	Liabilities 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**	**0**	**36,962,485**

(*) 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.

51 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 2020, eliminated for consolidation purposes:

Description	Engineering Ingegneria Informatica S.p.A.	Engineering D.HUB S.p.A.	Municipia S.p.A.	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 Software Labs d.o.o.	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.
Engineering Ingegneria Informatica S.p.A		10,921,342.50	4,768,044.14	1,017,207.31	265,460.94	6,158,236.17	305,473.21	60,000.00	1,711,359.97	1,666,726.03	94,866.06	71,215.74	553,007.39	213,941.97	335,877.29	2,202,243.69
Engineering D.HUB S.p.A.	30,080,724.00		1,069,903.44	21,428.55	24,982.00	160,564.21	147,175.33			46,081.30	(0.01)			21,922.46		610,143.00
Municipia S.p.A.	920,519.72	100,666.81														
LG-NET S.r.l.			110,112.97													
Engineering Sardegna S.r.l.	742,263.76	467,401.82								251,610.52						
Engiweb Security S.r.l.	12,739,163.60	69,116.95	239,622.95			62,329.00							185,704.84			25,225.74
Nexen S.p.A.	3,136,971.07															
OverIT S.p.A.	34,550,448.88	41,070.00	96,000.00								393,899.42	57,264.54				
Engineering 365 S.r.l.	6,609,935.31	15,805.00	3,905.00	47,060.48		421,257.40								228.81	10,703.00	
WebResults S.r.l.	8,669,003.40	5,207.00							5,207.00		22,022.83	91,754.90				
Engineering do Brasil S.A.	149,516.46						214,488.80			62,975.28		34,435.79				
Engi da Argentina S.A.							45,723.50				41,127.09					
Engineering International Belgium S.A.	506,008.03															
Engineering Sofware Lab d.o.o.	6,518,694.79															
Sofiter Tech S.r.l.	420,771.59															
Sogeit Solutions S.r.l.	4,115,904.10															
OverIT International Inc.																
Engineering SL	764,961.87						95,198.08									
Engineering DSS GmbH		2,130.00														
Engineering BSC GmbH																
Engineering USA Inc.	164,779.99										(0.00)					
EITS – Engineering ITS																
Engineering Software Labs s.r.o.																
Engineering Software Labs GmbH																
Securetech Nordic S.A.																
OmnitechIT Secur s.l.																
Omnisecure d.o.o.																
FDL Servizi S.r.l.	44,000.00															
Pragma	9,169.06						1,160.00									
Cybertech	4,588,432.47	1,928,576.08	94,595.61	-												
Digitelematica S.r.l.	302,353.95															
Deus Technology S.r.l.	16,000.00					1,217,600.00										
Total revenues	**115,049,622.05**	**13,551,316.16**	**6,382,184.11**	**1,085,696.34**	**290,442.94**	**8,019,986.78**	**809,218.92**	**60,000.00**	**1,716,566.97**	**2,027,393.13**	**551,915.39**	**254,670.97**	**738,712.23**	**236,093.24**	**346,580.29**	**2,837,612.43**

(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 A.b.	OmnitechIT Secur s.l.	Omnisecure d.o.o.	BW Digitronik A.G.	OmnitechIT Security AS	OverIT GmbH	FDL Servizi S.r.l.	Pragma	Cybertech	Digitelematica S.r.l.	Deus Technology S.r.l.	Total costs
	793,725.74			945,486.45	1,573,171.03		1,299,393.36							9,477.04	2,347.00	1,035,130.50	121,866.88	739,453.52	36,865,053.94
		44,793.46		119,090.54	155,749.97									3,488.07	3,920.82	259,344.94	7,137.79		32,776,449.88
																			1,021,186.53
																			110,112.97
																			1,461,276.10
	13,529.89															5,149.00			13,339,841.97
																		16,032.50	3,153,003.57
26,804.75													369,877.21						35,535,364.80
		1,895.00																	7,110,790.00
																			8,793,195.13
				356,640.81															818,057.14
																			86,850.59
																			506,008.03
										29,988.88									6,548,683.67
																			420,771.59
																			4,115,904.10
				19,137.10															19,137.10
							276,923.79												1,137,083.74
			103,095.25		631,525.40		89,473.12						13,640.50						839,864.27
		402,523.03			97,270.25	51,877.40	12,589.00												564,259.68
																			164,779.99
		949,361.87	547,101.95				614,721.16												2,111,184.98
		50,000.00			60,000.00		2,498.41												112,498.41
			389,642.31																389,642.31
												86,693.77							86,693.77
																75,892.53			75,892.53
																664,039.00			664,039.00
																			44,000.00
																293,800.53			304,129.59
								154,617.64	13,582.78	18,619.54	47,780.94				73,869.94				6,920,075.01
																			302,353.95
																			1,233,600.00
26,804.75	807,255.63	1,448,573.36	1,039,839.51	1,440,354.90	2,517,716.65	51,877.40	2,295,598.84	154,617.64	13,582.78	48,608.42	47,780.94	86,693.77	383,517.71	12,965.11	80,137.76	2,333,356.50	129,004.67	755,486.02	167,631,784.32

(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.a.r.l.	Engineering 365 S.r.l.	Engineering do Brasil S.A.	Engi da Argentina S.A.	Engineering International Belgium S.A.	Engineering Sofware Lab d.o.o.	Sogeit Solutions S.r.l.	OverIT International Inc.	Eits – Engineering ITS	Engineering Software Labs s.r.o.	Cybertech	Total charges
Engineering Ingegneria Informatica S.p.A.	29.88	753,500.07	20,328.22	2,357.16	920.18	40,687.38	486,147.23	111.70	27,073.97	191.44	2,405.91		70,115.64			1,403,868.78
Engineering D.HUB S.p.A.	313,160.72														194,303.43	507,464.15
Municipia S.p.A.	564,913.81															564,913.81
Engiweb Security S.r.l.	32,164.49															32,164.49
Nexen S.p.A.	65,192.60															65,192.60
OverIT S.p.A.												3,424.40				3,424.40
WebResults S.r.l.	4,577.53															4,577.53
Sogeit Solutions S.r.l.	1,597.82															1,597.82
Engineering Software Labs GmbH														1,369.34		1,369.34
FDL Servizi S.r.l.	234.25															234.25
Deus Technology S.r.l.	7,537.38															7,537.38
Total income	**989,408.48**	**753,500.07**	**20,328.22**	**2,357.16**	**920.18**	**40,687.38**	**486,147.23**	**111.70**	**27,073.97**	**191.44**	**2,405.91**	**3,424.40**	**70,115.64**	**1,369.34**	**194,303.43**	**2,592,344.56**

Description	Engineering Ingegneria Informatica S.p.A.	Engineering D.HUB S.p.A.	Municipia S.p.A.	Engineering Sardegna S.r.l.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Sicilia e-Servizi Venture S.c.a.r.l.	Engineering 365 S.p.A.	WebResults S.r.l.	Engineering do Brasil S.A.	Engi da Argentina S.A.	Engineering International Belgium S.A.	Engineering Sofware Lab d.o.o.	Sogeit Solutions S.r.l.	OverIT International Inc.	Engineering SL
Engineering Ingegneria Informatica S.p.A.	-	10,233,348.68	28,215,595.65	3,396,781.53	243,880.13	5,562,509.98	699,600.53	50,192,573.07	5,841,627.31	1,546,457.36	12,073,002.40	2,375,167.32	2,976,009.37	681,856.74	3,631,268.78		892,535.11
Engineering D.HUB S.p.A.	91,611,700.40	-	425,298.77	67,981.21	28,947.56	74,796.28	102,269.62		-	46,256.50	(0.00)		33.36	48,114.71	33,226.00		
Municipia S.p.A.	3,163,286.10	76,340.93	-	4,059.13													
Engineering Sardegna S.r.l.	1,281,762.80	724,289.74							-	251,610.53							
Engiweb Security S.r.l.	9,500,897.17	69,116.95	239,622.95		-	62,329.00				-			185,704.84		21,587.93		13,529.89
Nexen S.p.A.	10,660,798.27	-			83,642.93				10,948.33								
OverIT S.p.A.	24,231,398.65	270,735.30	106,000.00	-							123,015.71	303,125.62				947,306.85	
Sicilia e-Servizi Venture S.c.r.l.	33,295.03																
Engineering 365 S.p.A.	4,958,369.40	16,055.20	3,050.00	259,860.00		304,073.06								(0.00)			
WebResults S.r.l.	4,488,268.26	20,164.12							8,277.46	-	913.20	192,884.59					
Engineering do Brasil S.A.	331,339.69						37,483.53			5,512.40		22,771.49					
Engi da Argentina S.A.	16,593.28						85,648.50				34,225.84						
Engineering International Belgium S.A.	879,854.32	33.36	-														
Engineering Sofware Lab d.o.o.	2,108,676.93								(0.00)								
SOGEIT Solutions	3,367,375.99																
OverIT International Inc.							6,199.57										
Engineering SL	647,442.26						35,715.00										
Engineering DSS GmbH	24,216.34	2,130.00															
Engineering BSC GmbH																	
Engineering USA Inc.	154,999.59	98.89									1,333.75					6,455.71	
EITS – Engineering ITS	3,778.00						-										
Engineering Software Labs s.r.o.																	
Engineering Software Labs GmbH	160,000.00																
Securetech Nordic S.A.																	
Omnitechit Secur S.L.																	
Omnitechit GmbH																	
Omnisecure d.o.o.																	
FDL Servizi S.r.l.	408,234.25																
Pragma	10,429.33																
Cybertech	1,848,482.35	717,991.66	38,418.65	2,100.69													
Digitelematica S.r.l.	235,783.64																
Deus Technology S.r.l.	1,259,990.91					1,310,880.00											
Total assets	**161,386,972.96**	**12,130,304.83**	**29,027,986.02**	**3,730,782.56**	**356,470.62**	**7,314,588.32**	**966,916.75**	**50,192,573.07**	**5,860,853.10**	**1,849,836.79**	**12,232,490.89**	**2,893,949.01**	**3,161,747.57**	**729,971.45**	**3,686,082.71**	**953,762.56**	**906,065.00**

(in Euros)

	Engineering DSS GmbH	Engineering BSC GmbH	Engineering USA Inc.	EITS – Engineering ITS	Engineering Software Labs s.r.o.	Engineering Software Labs GmbH	Securetech Nordic A.b..	Omnitechit Secur s.l.	OminitechIT Turkey S.L.	Omnitechit GmbH	Omnisecure d.o.o.	BW Digitronik A.G.	OmnitechIT Security AS	OverIT GmbH	FDL Servizi S.r.l.	Euroams SRB d.o.o.	Pragma	Cybertech	Digitelematica S.r.l.	Deus Technology S.r.l.	Total liabilities
			592,710.90	5,820,176.29		2,674,288.78									1,753.99		15,653.11	1,556,859.24	106,214.95	832,384.95	140,162,256.17
	77,300.00		53,715.31	632,521.63											2,470.91		4,783.40	10,004,796.58	8,393.80		103,222,606.04
																		11,219.00			3,254,905.16
																					2,257,663.07
																		5,149.00			10,097,937.73
																				19,286.85	10,774,676.38
			-											65,362.51							26,046,944.64
																					33,295.03
	1,895.00																				5,543,302.66
																					4,710,507.63
			75,086.06																		472,193.17
																					136,467.62
																					879,887.68
											3,004.36					0.00					2,111,681.29
																					3,367,375.99
			24,268.76																		30,468.33
						23,534.95															706,692.21
		237,090.29		1,249,787.68										2,637.16							1,515,861.47
	-			152,990.97	-	61.88															153,052.85
																					162,887.93
	9,766.63	138,936.55				20,894.55															173,375.73
	50,000.00	12,072.50		60,000.00																	122,072.50
	1,628.54	116,833.68		1,791,078.69	379,840.65																2,449,381.56
													134,527.66					15.28			134,542.94
											181.28							11,537.80			11,719.08
											67,575.66										67,575.66
								139,945.00										87,520.00			227,465.00
																					408,234.25
																		227,843.85			238,273.18
							157,462.20	253,924.17	13,606.79	3,000.00	80,137.97	26,317.90					42,502.96				3,183,945.35
																					235,783.64
																					2,570,870.91
	140,590.17	**504,933.02**	**745,781.04**	**9,706,555.26**	**379,840.65**	**2,718,780.16**	**157,462.20**	**393,869.17**	**13,606.79**	**3,000.00**	**150,899.27**	**26,317.90**	**134,527.66**	**67,999.67**	**4,224.90**	**0.00**	**62,939.47**	**11,904,940.75**	**114,608.75**	**851,671.80**	**325,463,902.85**

52 Events occurring after 31 December 2020

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

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

- on 12 March 2021, the Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved to proceed with the distribution, in favour of the Sole Shareholder, of the merger reserve including earnings for an amount equal to Euro 17,000,000.00 (seventeen million/00);

- on 16 March 2021, the Merger Deed was signed concerning the German companies Engineering Software LABS, Engineering DSS GmbH, Engineering BSC GmbH in Engineering ITS, with registered office in Stuttgart, Germany. The accounting effects of the merger are retrospective as of 1 January 2021;

- on 29 March 2021, Sogeit Solutions S.r.l. acquired a business unit from Livebox S.r.l., including an important innovative product, vDesk, a smart working and collaboration platform for enterprise companies.

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

BOARD OF DIRECTORS

On 23 July 2020, after the resolution of the Company's Ordinary Shareholders' Meeting and following the resolution of the Board of Directors held on the same day, a new Board of Directors and a new Board of Statutory Auditors were elected and will remain in office until the approval of the financial statements as of 31 December 2022. On 2 March 2021, Aurelio Regina was appointed by the Board of Directors as an additional director.
The current composition of Corporate Bodies is as follows:

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

BOARD OF STATUTORY AUDITORS

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

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Paolo Pandozy

SUPERVISORY BODY

Roberto Fiore	Chairman
Spartaco Pichi	Member
Annalisa Quintavalle	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

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