

Accounts **2022**

Annual Accounts 2022

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

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Consolidated Financial Statements

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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, 2022, the consolidated income statement and the comprehensive income statement, the statement of changes in consolidated shareholders' equity and 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, 2022, 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.

Emphasis of Matter

We draw the attention to the note "*Correction of material errors - IAS 8*" to the consolidated financial statements, where the Directors report that certain errors, committed at least since the 2019 financial year, have been identified with respect to the accounting method used for costs and revenues relating to certain purchase orders within the Finance Division of the subsidiaries Engineering Ingegneria Informatica S.p.A. and Nexen S.p.A., which determined an overstatement of assets as at December 31, 2021 for Euro 46 million.

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. n. MI-1720239 | Partita IVA: IT 03049560166

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The Directors disclose they cannot precisely establish the relevant accrual periods of the Euro 46 million assets overstatement with regard to each financial year prior to the current financial period, as the information available in the management system does not allow the precise tracing back of the orders in which the aforementioned errors were generated. Therefore, given the inability to accurately and reasonably determine the period-specific effects of an error on corresponding data for prior periods presented, the Directors, as required by IAS 8, restated the opening balances of assets and equity as of January 1, 2022, for such amount.

Our opinion is not qualified in respect of this matter.

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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, 2022, 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, 2022 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, 2022 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 3, 2023

*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 December 31, 2022

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 March 28, 2022, the Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved as follows:

- the Director Michele Cinaglia resigned from his office of member of the Company's Board of Directors;
- Maximo Ibarra remains a member of the Board of Directors and Chief Executive Officer;
- Gaetano Micciché was appointed member of the Board of Directors and Chairman of the Board of Directors.

On September 28, 2022, the Director Armando Iorio resigned from his office of member of the Board of Directors of Engineering Ingegneria Informatica S.p.A..

On October 17, 2022, the Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. appointed Carlo Achermann as Director; previously, on September 28, 2022, Director Armando Iorio resigned from his office.

The composition of Corporate Bodies is as follows:

Gaetano Micciché	Chairman
Maximo Ibarra	Director and Chief Executive Officer
Carlo Achermann	Director
Aurelio Regina	Director
Christophe Patrick M. Jacobs van Merlen	Director
Fabio Cosmo Domenico Cané	Director
Giovanni Camera	Director
Luca Bassi	Director
Pietro Galli	Director
Stefano Bontempelli	Director
Stuart James Ashley Gent	Director
Riccardo Bruno	Director
Vito Cozzoli	Director

BOARD OF STATUTORY AUDITORS

Maurizio Salom	Chairman
Domenico Muratori	Statutory Auditor
Stefano Roberto Tronconi	Statutory Auditor
Monica Antonia Castiglioni	Alternate Auditor
Alice Lubrano	Alternate Auditor

SUPERVISORY BODY

Roberto Fiore	Chairman
Annalisa Quintavalle	Member
Frida Fransson	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

II. Introduction and consolidation scope

■ INTRODUCTION

The consolidated financial statements as of December 31, 2022 of the Engineering Ingegneria Informatica Group (hereinafter the “Engineering Group”, “Engineering” or simply the “Group”) have been prepared, as they have been since 2005, in accordance with the recognition and measurement criteria established under the International Financial Reporting Standards (IFRS) and the related interpretations of the IFRIC (International Financial Reporting Standard Interpretation Committee) previously named SIC (Standing Interpretation Committee) issued by the IASB (International Accounting Standards Boards) and endorsed by the European Union.

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 page 13 below, where movements are detailed in the following paragraph 3.4 of the explanatory notes. 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.

For the purposes of preparing these consolidated financial statements, the identification and measurement of the fair values of the assets acquired and the liabilities assumed following the acquisition of companies by the Group were completed (within 12 months from the acquisition date). As envisaged by IFRS 3, the data emerged 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 December 31, 2021, for details of which please refer to the following paragraphs of the explanatory notes.

In order to provide a better presentation, the Group’s financial assets and liabilities were also reclassified from trade receivables and payables to financial receivables and payables, also adjusting the comparison period to reflect the new exposure.

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

■ ALTERNATIVE PERFORMANCE MEASURES

A detailed description of the accounting standards, assumptions and estimates adopted is provided in the notes to the consolidated financial statements of the Engineering Group as of December 31, 2022, 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.

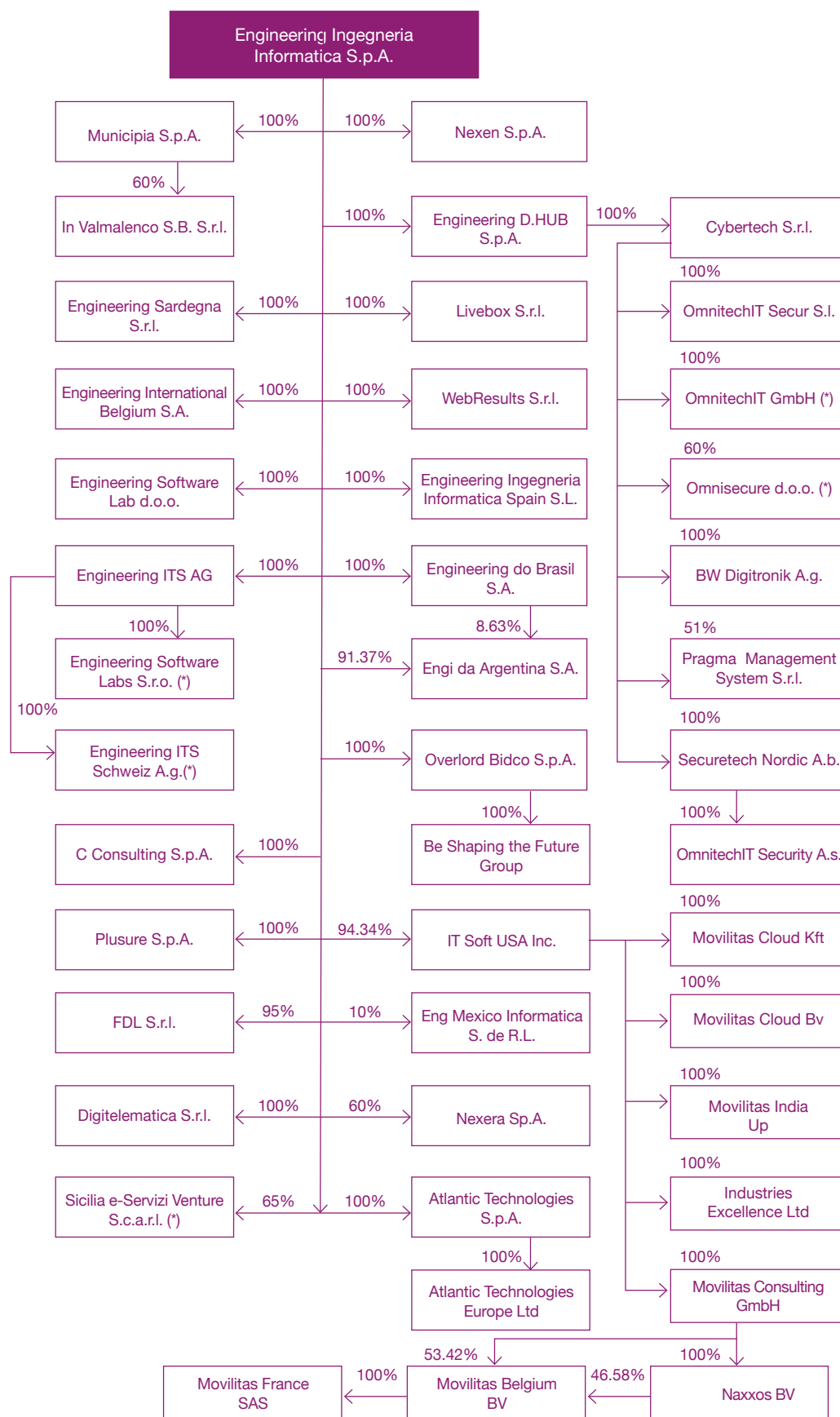
In particular, the following is highlighted:

- **Adjusted EBITDA**, alternative performance measure (APM), calculated by the Group as performance for the year, adjusted by the following items: income taxes, income (expenses) related to changes in liabilities on acquisition of non-controlling interests, 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), leaving incentives, charges related to the corporate valuation process, charges for corporate transactions relating to the acquisition of non-controlling interests and extraordinary charges of subsidiaries. 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.
- **EBIT** (*"Earning before interest and taxes"*): 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 Invested**: 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 invested, it also permits to evaluate the balance between utilisations and financing sources.
- **Net Financial Position**: (including financial liabilities for IFRS 16 rights of use) 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 (does not include financial liabilities for IFRS 16 rights of use).
- **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 invested, 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 Group's structure as of December 31, 2022 is the result of a careful policy of acquisitions and subsequent integration processes that have given rise to a Group consisting of seventy one companies, in addition to the Parent Company, of which sixty-six are in operation and five are in liquidation. 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.



(*) in liquidation.

The corporate composition of the Be Shaping The Future Group is reported below:

Company	Country	City	Owner	%
Be Shaping the Future S.p.A.	Italy	Rome	Overlord Bidco S.p.A.	100.0
Be Shaping the Future Corporate Services S.p.A.	Italy	Rome	Be Shaping the Future S.p.A.	100.0
Be Shaping The Future, Digitech Solutions S.p.A.	Italy	Rome	Be Shaping the Future S.p.A.	100.0
Tesla Consulting S.r.l.	Italy	Bologna	Be Shaping the Future S.p.A.	60.0
Be Shaping The Future, Management Consulting S.p.A.	Italy	Rome	Be Shaping the Future S.p.A.	100.0
Be Your Essence S.r.l.	Italy	Milan	Be Shaping The Future, Management Consulting S.p.A.	100.0
Quantum Leap S.r.l.	Italy	Rome	Be Shaping The Future, Management Consulting S.p.A.	60.0
Be Shaping the Future Management Consulting Ltd	Uk	London	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Shaping the Future Management Consulting Ltd (Italian Branch)	Italy	Rome	Be Shaping the Future Management Consulting Ltd	100.0
Payments and Business Advisors S.L. (PAYSTRAT)	Spain	Madrid	Be Shaping The Future, Management Consulting S.p.A.	80.0
Paystrat Solutions S.L. (PYNGO)	Spain	Madrid	Payments and Business Advisors S.L. (PAYSTRAT)	65.3
Be Shaping the Future GmbH	Germany	Munich	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Shaping the Future GmbH	Austria	Wien	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Shaping the Future AG	Swiss	Pfäffikon	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Shaping the Future – Financial Industry Solutions AG	Germany	Landshut	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Ukraine Think, Solve, Excute LLC	Ukraine	Kiev	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Think Solve Execute Ro s.r.l.	Romania	Bucarest	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Shaping the Future Sp.zo.o	Poland	Warsaw	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Shaping the Future S.a.r.l.	Luxembourg	Luxembourg	Be Shaping The Future, Management Consulting S.p.A.	100.0
Be Stf Czech Republic s.r.o.	Czech Republic	Prague	Be Shaping The Future, Management Consulting S.p.A.	100.0
Soranus AG	Swiss	Zurich	Be Shaping The Future, Management Consulting S.p.A.	55.0
Firstwaters GmbH – Germany	Germany	Aschaffenburg	Be Shaping The Future, Management Consulting S.p.A.	85.7
Firstwaters GmbH – Austria	Austria	Vienna	Firstwaters GmbH – Germany	100.0
Be TheChange S.r.l.	Italy	Milan	Be Shaping The Future, Management Consulting S.p.A.	100.0
Iquii S.r.l.	Italy	Rome	Be TheChange S.r.l.	100.0
Be World of Wonders S.r.l.	Italy	Milan	Be TheChange S.r.l.	75.0
Synapsy S.r.l.	Italy	Milan	Be TheChange S.r.l.	51.0
Crispy Bacon S.r.l.	Italy	Bassano del Grappa (VI)	Be TheChange S.r.l.	51.0
Crispy Bacon SHPK	Albania	Tirana	Crispy Bacon S.r.l.	90.0

III. Group activities and operations

Engineering is the Digital Transformation Company, leader in Italy and continuously expanding globally, with about 14,480 employees and over 70 offices in Europe, the United States and South America and about 18% of turnover abroad.

The Engineering Group, made up of over 70 companies in 14 countries, has been supporting companies and organisations in continuously evolving the way they work and operate for more than 40 years, thanks to in-depth knowledge of business processes in all market segments, and taking advantage of the opportunities offered by advanced digital technologies and proprietary solutions.

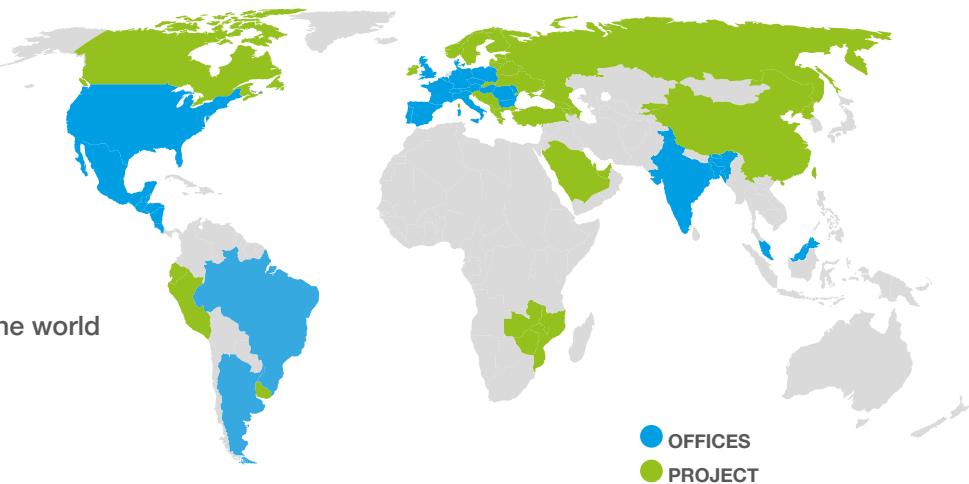
1.46 bn €
Revenue

40+
Years of growth

14,480+
Employees

70+
Offices around the world
Global HQ
Rome, Italy

30+
Proprietary solutions
for all market sectors



With a strong and constant focus on innovation, through the R&I division that includes over 450 researchers and data scientists (and a global innovation network of universities, start-ups and research centres), the Engineering Group invests in international research and development projects, exploring revolutionary technologies and designing new business solutions. The Group invests and believes in human capital, and through its internal IT & Management Academy “Enrico Della Valle” it provides continuous upskilling and reskilling courses for both company employees and stakeholders, providing over 32,000 training days per year.

The Engineering Group boasts a diversified portfolio based on proprietary solutions, best-of-breed market solutions and managed services, and continues to expand its experience through M&A transactions and partnerships with leading technology players. The presence for over 40 years in all market segments (from Finance to Healthcare, from Utilities to Manufacturing and many others) has made it possible to build a deep understanding of business needs and to anticipate them by constantly exploring the evolution of technologies, in particular in the Cloud, Cybersecurity, AI & Advanced Analytics, Digital Experience & Metaverse, Advanced Enterprise Platforms and the entire world of industrial automation.

Engineering is a key player in the creation of digital ecosystems to connect different markets, developing modular solutions for a continuous transformation of the world in which we live and work.

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). Engineering guarantees its customers the Technological Best Fit to always offer the most suitable technology for their organisation and their business. In parallel, it offers a set of proprietary solutions that represent one of the Group's main assets. Some of these are market benchmarks (e.g. Net@Suite, the Digital Finance platforms), others have been an integral part of our customers' core processes for several years (e.g. AREAS, jEnte, DiVE), others still represent innovative platforms developed recently (e.g. ellipse).

Below is a selection of the Group's main platforms:

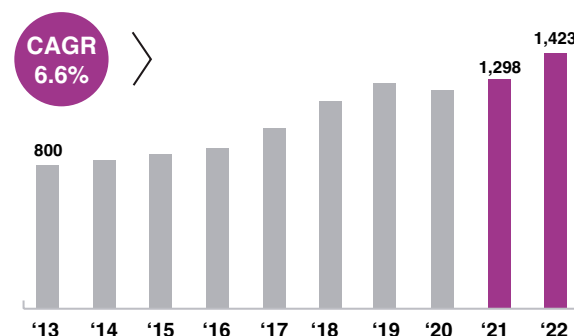
- DIGITAL ENABLER, an ecosystem platform to enable new business models based on the data economy;
- NET@SUITE, for the management of innovative payment models in the Utilities market services sector;
- ELLIPSE, an ecosystem platform for clinical-care, hospital and local activities, and for the related patient engagement activities;
- AREAS, an integrated platform for the digitalisation and integration of clinical and administrative healthcare processes;
- GRACE SUITE, to enable Bank Governance and allow decisions to be taken with the utmost confidence;
- INES CLOUD, for the complete management of urban mobility processes of the smart city;
- DIVE SUITE, for asset integration, performance monitoring and predictive analysis;
- MYCLIENTELING, Mobile App dedicated to store staff to learn about, retain and sell;
- MARKETSUITE, e-commerce platform for large-scale retail distribution;
- SICER, ERP of Local Authorities that integrates Financial, Economic, Capital and Analytical Accounting;
- JENTE, to rationalise the entire management of local authorities and their companies.

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

HIGHLIGHTS OVER THE LAST 10 YEARS

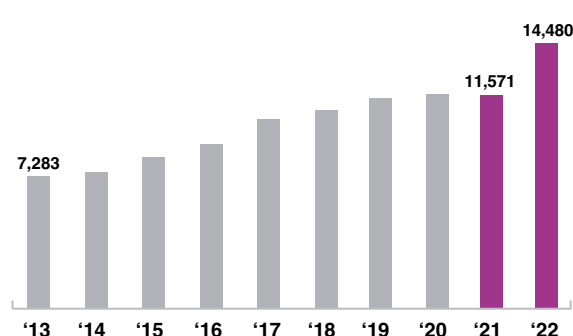
Revenues

(in Euro million)



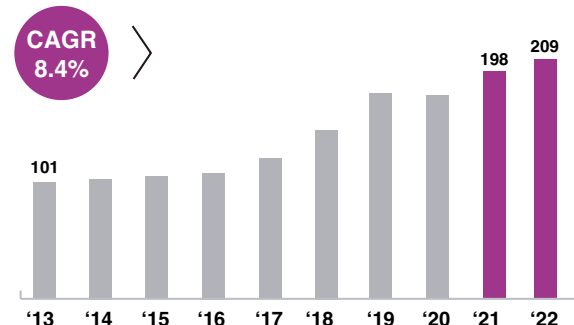
Employees

(Units)



Adjusted EBITDA

(in Euro million)



Pro-forma net financial position

(in Euro million)



IV. Market overview

■ MACROECONOMIC OVERVIEW

The global economy is facing new challenges on the geopolitical front: in a world in which the economic crisis linked to the Covid-19 pandemic is still leaving a mark, the consequences of the war between Russia and Ukraine and the related uncertainty are further impacting economic activities. This will contribute to a slowdown in real global Gross Domestic Product (GDP) growth in 2023, expected at 1.3% in 2023, compared to average growth of 2.7% in the last 10 years and 3.1% in 2022. In particular, one of the main factors of attention in the global macroeconomic scenario is the price growth rate, that has never been so high in advanced countries for decades. In OECD countries, the average inflation expected for 2022 is 9.4%, almost six times the average of 1.6% in the 2013-2019 period. The main challenge for the European and global economy in recent months is represented by tensions on the energy market. In fact, we have witnessed a sharp increase in energy prices, mainly linked to the countermeasures adopted by the Russian Federation in response to the economic sanctions of Western countries following the invasion of Ukraine, and linked to the change in energy raw material procurement policies by European countries. The prices of oil and natural gas can be taken as a reference for observing changes in energy prices: from the beginning of 2019 to the end of November 2022, there was an increase in prices of 54% and 392%, respectively, despite the recent reductions.

■ THE ITALIAN ECONOMY

Forecasts indicate real GDP growth for Italy of 3.8% in 2022 and 0.6% in 2023, while the inflation rate is estimated to rise from 8.2% in 2022 to 7.1% in 2023. Economic growth will be accompanied by a slight expansion in the labour market, with a reduction in the unemployment rate in the next year just below the 8% mark. The public deficit is expected to reach 5% in 2022 and 4.1% in 2023, and public debt is forecast to continue its descent from the peaks of the crisis linked to the pandemic, falling towards 145% of GDP, values that are, nonetheless, still very high. Economic growth and price increases will play a fundamental role in reducing the public debt/GDP ratio, also due to the activation of "nominal" factors (for example, an increase in the value of tax revenues). Forecasts remain subject to a scenario of considerable uncertainty and therefore present significant downside and upside risks, mainly linked to the reference global macroeconomic context.

■ THE IT SECTOR

According to Anitec-Assinform estimates, next year the turnover will reach over Euro 79 billion and then rise by 4.8% to Euro 83 billion in 2024 and 5.3% to Euro 87 billion in 2025, continuing the trend that already took hold in "2022, which was the beginning of a new positive cycle for the entire sector".

In the period 2023-2025, all segments are expected to grow, with the exception, once again, of Network Services. Furthermore, between 2022 and 2025, digital enablers are expected to continue to be an extraordinary driver for the development of the Italian digital market, thanks to the many digital transformation initiatives that companies will continue to spawn.

Cross-cutting the various sectors, digital enablers are the most innovative technologies and boasting the most marked dynamism. Those that will record the highest growth rates in the period 2022-2025 include: blockchain (+26.5%), cloud computing (+24.5%) and artificial intelligence (21.7%).

In industry, digital demand is expected to reach Euro 8.8 billion in 2022 (+3% compared to 2021) and Euro 10.5 billion in 2025. As regards the sectors with the highest growth in 2022, we note the Central Public Administration (+10.5%, Euro 2,489.5 million), Local Public Administration (+9.4%, Euro 1,486 million) and Healthcare (+8.8%, Euro 2,034.1 million). These three sectors will also be those that are estimated to have the greatest average growth in the 2022-2025 period: Central Public Administration +12.5%, Local Public Administration +11.5%, Healthcare +11.2%.

The year 2022 confirms the process of changing the way we live and work following the Covid-19 pandemic. Within this context, the companies that have reacted best to this momentous change are those that have always believed in innovation and research as distinctive factors for success, something that the Engineering Group has been able to carve into its DNA since its inception.

■ RESEARCH AND INNOVATION ACTIVITY

During 2022, the Group confirmed its commitment to Research and Innovation both in terms of participation in the main initiatives and Associations at national and European level, and in terms of operational commitment in over 110 projects that have made it possible to develop solutions and prototypes in various technological and application sectors for an investment of over Euro 30 million.

At national level, the Group participated in the calls published by the National Recovery and Resilience Plan (PNRR) and contributed in winning consortia in National Champions, Ecosystems for Innovation, Extended Partnerships and the Complementary National Plan. In addition, various initiatives were launched to finance industrial doctorates with leading national universities.

At European level, the Group consolidated its participation in the preliminary phase of the Important Projects of Common European Interest (IPCEI) program on the theme of the Cloud, in synergy with the European GAIA-X initiative. The Engineering group also continued its participation in HorizonEurope tenders, winning over 30 projects in 2022 with a success rate more than double the European average.

Lastly, the Group began a project to review the R&D role, enhancing the structure at Group level and bringing it, at the end of the year, to the presentation of the guidelines of the 2025 Research and Innovation plan to the Board of Directors, consolidating and enhancing the asset backlog and the projects acquired.

MARKET PERFORMANCE

■ FINANCE

For the financial sector, in Italy and Europe, the year 2022 was characterised by a more marked recovery in investments, already started the year before, after the crisis caused by the pandemic, with an increasingly strong interest in the adoption of advanced technologies. Above all, banks have shown interest in technological solutions aimed at improving their operational efficiency, the security of their data and the customer experience.

In the European field, banks have also highlighted the tendency to invest, with a special focus on data security and regulatory compliance; moreover, many of them now collaborate on a permanent basis with several technological start-ups, to capitalise on the opportunities offered by emerging innovations.

In Italy, similarly, financial institutions are investing in a wide range of technologies, such as artificial intelligence systems, blockchain, cloud computing and data analysis. These investments are intended, above all, to improve the customer experience, increase operational efficiency and reduce costs; all this is inevitably accompanied by considerable investments in security.

During 2022, the largest investments made by banks concerned:

- evolution in terms of Cloud Computing, with a particular incidence among larger banks;
- the modernisation of core banking systems and the adaptation of infrastructures to improve the agility and scalability of operations, through the use of blockchain technologies and artificial intelligence, which can help banks reduce costs and increase the accuracy of decisions;
- Data Governance initiatives: Data Quality, GDPR, ILM;
- re-engineering and automation of processes, through the use of technologies such as Robotic Process Automation and Intelligent BPM;
- the strengthening of Mobile Banking services;

- the management and mitigation of cyber risk, with particular regard to Cyber Threat Intelligence, which sometimes allows organisations to implement the necessary countermeasures before the risk event occurs;
- initiatives aimed at enhancing information assets: Big Data, Open Data, Business Intelligence, Advanced Analytics, Data Science;
- the redefinition of IT Governance paradigms and IT processes, with particular attention to the adoption of Agile and DevOps methodologies;
- dematerialisation initiatives, which concern, in particular, smaller banks and interbank outsourcers.

In prospective terms, moreover, the banks have undertaken important initiatives, which, over the next few years, will make it possible to respond to the need to enhance the opportunities of the sustainable banking transition, through the integration of ESG variables in the business, the increased focus on direct environmental impacts, the adoption of an open data logic for information related to sustainability and the implementation of integration projects aimed at proposing ESG products and services to the market.

In order to further strengthen its ability to respond to the dynamics and needs of the market, in terms of both business requirements and application architectures, Engineering continued in 2022 to strengthen the assets forming the basis of its offer portfolio; in particular through:

- the consolidation of specialist skills in the Financial Services area, with the development of a consulting area mainly focused on regulatory and business processes;
- the gradual adaptation of skills in core areas, such as cloud computing, cybersecurity, advanced analytics, data governance and artificial intelligence;
- the continuation of the functional and technological adjustment process of the product portfolio, especially in the credit area, data governance and for the insurance segment;
- the start of the integration process with the new strategic Group company, Be Consulting, which will complete and enhance our offer and our ability to stay on the Financial Services market, not only in Italy.

■ PUBLIC ADMINISTRATION AND MUNICIPALITIES

The 2022 brought major upheavals in the macroeconomic scenario, characterised by the impacts deriving from the Russia-Ukraine war: increase in raw material prices, increase in energy prices, severe inflationary pressure which, despite the healthy growth for the ICT market of the Public Administration, recorded an increase in production costs. In addition, the Government crisis in June 2022, which resulted in the fall of the Draghi government, the early dissolution of the Chambers and the holding of early elections in September 2022, also led to a partial slowdown due to the Spoil System in the main Ministries and Agencies, leading to a phase of uncertainty on some key projects.

This is augmented by the fact that push to implement the PNRR (National Recovery and Resilience Plan) has been slowed down both due to the discussion linked to its review with a view to greater energy autonomy determined by the effects of the war and due to the unavailability of CONSIP agreements to support digitalisation, unlocked only in October 2022 and have been able to generate extremely limited effects for the Company. The main PNRR funds were transferred to in-house companies (SOGEL, Invitalia, etc.).

Against this backdrop, 2022 was a year of growth for the Engineering Group, even if it was necessary to revise the budget, adjusting it to the macroeconomic scenario with lower revenues and margins; in particular in the Central Public Administration there was further growth and improvement in the overall positioning of the market, while in the Local Public Administration further consolidation of the position of market leader also due to the "Data Management" Agreement whose effects materialised in the second half of 2022.

In 2022, the new matrix work organisation between the Vertical and Horizontal structures was launched, which required a change management process and new more integrated and shared management, monitoring and governance tools, with a particular emphasis on hiring and procurement processes. Special attention was paid to the ability of vertical and horizontal structures to work together on offers for the market. In the near future, the structures will need to be more synergistic and rapidly develop a unified vision of the market and its business rules.

Engineering, through its subsidiary Municipia, is continuing to diversify its Digital Transformation value proposition for cities, acting mainly on public services: specifically, revenue management processes, urban mobility and public transport, safety, environment, energy efficiency and local development are the priorities of the customers at which the Company intends to direct its solutions.

To this end, Municipia already changed its organisational structure in 2021 by creating a team of experts for the different business lines capable of selecting the most interesting opportunities and supporting the commercial structure in the go-to-market. This structure made it possible to develop new business lines but still with modest revenue volumes, even if the commercial pipeline is interesting. The Company faces the difficulty of having to penetrate new market sectors without having an adequate portfolio of solutions and references in its assets. To overcome this weakness, choices are being assessed regarding the acquisition of companies or platforms and contracts.

The offer is structured in two established ways: technology and related deployment and system integration services on the one hand, and outsourcing services on the other. Depending on the lines of business, one or the other of these methods is prevalent, depending on the needs of customers and the prevailing business models. The Company's commitment to making proposals according to the contractual model of public-private partnership and project finance continues.

Main events: at the end of the year, the tender for the outsourcing of the revenue management of the Municipality of Naples was awarded following the proposal for a private initiative PPP. This initiative represents a particularly significant event as it is the first case of this type in Italy and is also one of the tools for the budget rebalancing of the Municipality envisaged by the Pact for Naples. Also in 2022, the first ITI (integrated territorial investment) project was awarded, again under the PPP regime for a grouping of municipalities. For both of these initiatives, dedicated project companies are established as required by the procurement code.

■ HEALTH

For the Healthcare segment, 2022 was a year of slow recovery to normality following the acute phase of the Covid pandemic. In fact, although in 2021 many non-core projects had been put on standby by customers, focused almost exclusively on the health management of the pandemic emergency, during the course of 2022 many of those projects finally restarted. Furthermore, with the start of the vaccination campaign, several opportunities were seized to increase our revenues by launching specific new initiatives on the topic, such as in the Lombardy Region with the development of the vaccination platform, in the Tuscany Region where the portal for booking vaccines for the over eighties was implemented, and in the Apulia Region for the logistical management of vaccines.

The 2022 financial results were slightly below the budget, but significantly higher than the previous year, both in terms of revenues and margins, confirming the steady growth trend of recent years in the Healthcare segment. As already mentioned, this growth was due both to the restart of some projects that had been on standby, and to the contracting of new activities. The increase mainly concerned the Northern regions (+18% in revenues) and Southern regions (+39% in revenues), while the Central area showed more moderate growth (+2.5% in revenues).

■ INDUSTRY & SERVICES

AUTOMOTIVE DEPARTMENT

In 2022, the car market was greatly affected by weak demand due to the well-known consequences of the pandemic, the war in Ukraine, inflation and the shortage of raw materials (semiconductor shortages) and the rising costs of energy products.

In Western Europe (EU + EFTA + UK), the decline stood at 4.1% compared to 2021, and 28.6% compared to 2019, i.e. the year before the pandemic.

In this context, we have been working on strategic actions relating to the two verticals that characterise the Department (Sales and Manufacturing) with a view to consolidation and better preparation for growth in the coming years.

On the leading “dealers group” market, the launch of the new “digital hub” to support mobility needs was created for Autotorino (the first Italian automotive dealer group), which allows Engineering to boast a cutting-edge reference on the market.

The 2022-2026 renewal of the Data Centre contracts on MARELLI (“Innovation Island” and “Marelli AfterMarket”) consolidates and strengthens Engineering’s presence at this important Customer.

TRANSPORT AND INFRASTRUCTURES DEPARTMENT

The Transport and Infrastructure market, after being the one most affected by the outbreak of the pandemic, recovered well between 2021 and 2022.

The Department’s results saw significant growth in terms of revenues and margins. The road segment, Anas, Gavio, Gruppo Autostrade/Telepass saw the most significant growth.

With regard to the Airports area, in 2022 the presence on the outsourcing component of the ADR datacentre and on the application component of the core systems of SEA (Aeroporti Milano) was consolidated.

In the FS area, despite the non-renewal of activities directly with the end customer, there was a strong push towards new initiatives with Almoviva, confirming the FS group as the main customer of the Department.

INDUSTRY DEPARTMENT

2022 was a year marked by the turbulence of the conflict between Russia and Ukraine, which led to chain consequences that were also strongly felt in the manufacturing and retail markets. In particular, the increase in the prices of raw materials and energy (which started even before the conflict) and the inflationary pressure have led to a slowdown in activities that will continue in 2023. The year was therefore characterised by a two-speed trend, with the first part showing excellent resilience in the post-Covid recovery scenario and a second part characterised by a progressive deterioration of the internal and foreign operating context, affected by major global uncertainty.

In line with the general trend of the Italian economy, the digital market was also marked by lower growth than in 2021.

Despite this not so encouraging picture, our performance was in line with expectations, recording excellent results in all market sectors. In particular, we can mention as positive figures the growth in EBITDA over 2021 and the ability to absorb the extraordinary events described above.

Looking at the individual markets, the manufacturing sector has seen growth in the Cloud proposition, with particular attention to the world of Cybersecurity, which is in any case an indisputable interest and priority for companies in the years to come. Cloud Transformation also provided impetus in the Hospitality market, where performances at the end of the year were extremely positive, even though they had not yet returned to pre-pandemic market values.

Returning to the manufacturing market, the offering in the Data & Analytics, ERP and consulting areas, both SCM and CRM, was warmly appreciated. In particular, for the industrial manufacturing market, the latter has been the driving force of numerous projects. We must mention, as regards the successful lines of offer, the world of the smart factory, which has given us special satisfaction, especially in the CPG area, food & beverage in particular.

In the Fashion area, the re-engineering of our MyClienteling was important, which will allow us to be more competitive in the future; remaining in the segment of store operations, significant efforts were made in the POS and End Users Services area, which resulted in international projects (Benetton) and will continue to do so in the future. Excellent performances were also achieved in the Retail and Large-Scale Retail Distribution sectors, which saw Digitelematica’s solutions be appreciated with tremendous growth, and which pushes us to verify the target of international customers.

The core business of Industries eXcellence (IndX) is represented by the creation of digital solutions for the industrial world and, in particular, for the manufacturing, energy utilities and transport sectors. IndX provides its main customers with high value-added consultancy and solutions. Leveraging its unique expertise in the implementation and integration of its entire digital tools offering, the Industries eXcellence team facilitates the adoption, implementation, integration and digital transformation journey for manufacturers across all industries globally. A growing number of companies today are looking to Industry 4.0 to improve processes, product and service quality and become more efficient, while also increasing the flexibility of said processes.

The Industries eXcellence proposal is focused on the implementation and creation of the extended digital twin. Engineering's digital twin is a virtual representation not only of the product and process, but also of factory and supply chain operations.

In 2022, IndX consolidated its global presence in various industrial sectors with a special focus on automotive (especially electric vehicles), defence, aerospace, agriculture, CPG, lifescience and transport sectors. The organisation focused on laying the foundations for future business growth in new geographical areas both in the Americas (US, Canada, Mexico, Brazil) and Europe (Germany, France, Belgium, Spain) as well as in Italy. IndX can also make use of an offshoring structure in India, which in 2022 doubled in terms of headcount. In 2022, IndX continued to expand its capabilities by exploiting cutting-edge technologies/solutions, such as Low Code, Machine Learning and Data Science applied to manufacturing and logistics processes.

In 2022, particular attention was paid to consolidating the integration of the two companies acquired in 2021 (Design Automation Associates and Movilitas) by implementing a "global to local" governance that made it possible to standardise the strategy and the go-to-market between the various countries in addition to allowing the expansion of knowledge in new regions through the opening of some of the aforementioned practices in regions where they were not present.

A further acquisition of the company Plusure was also completed in Italy, active in the market of Product Lifecycle Management (Design Practice) solutions, which made it possible to expand the skills in this area in Italy. As part of the integration process, the brands of all three acquired companies were disposed of and the organisations were aligned at the branding level with that of Engineering and, in particular, with the value proposition of the Industries eXcellence division through the internal reorganisation initiative called OneIndX.

As part of the partnerships, IndX has strengthened its collaboration with leading technology providers such as Siemens, SAP, Google, AWS, Aveva and many others, providing cutting-edge strategic solutions based on these platforms. In fact, the channel remains one of the most important market strategies for the division and this has allowed Engineering IndX to be recognised by technology vendors as one of the global market leaders in the Industry 4.0 sector.

With regard to internal strategic initiatives for the years immediately following the 2023, Industries eXcellence expects to continue the expansion of its practices at global level both in terms of knowledge and customer portfolio.

■ ENERGY & UTILITIES

After the effects of the pandemic, still present in the first part of 2021, in 2022 the Energy & Utilities market was characterised by the effects of the escalation in Ukraine with the consequent repercussions on the price of energy and, consequently, on the entire supply chain: from production, logistics/transport, to sales and ancillary services. However, the main players have returned to investing in innovation and technology, also on the basis of the Next Generation EU (PNRR) plan; investments that have also involved sectors that were previously more resistant to technological upgrading such as water or waste management. The E&U BUs have been able to capitalise on the change in the market, continuing the trend of acquiring new positions on the main customers already underway since the second half of 2021; also continuing the process of strengthening in the key operating areas of the major customers.

More broadly speaking, for services connected with Digital Transformation or System Integration, Engineering is consolidating its position as the main player and partner of the major Energy & Utilities companies, continuously renewing and evolving its offering for all market sectors, from Oil to Power, Energy, Gas, Extra Commodity, Water and Waste, etc. along the entire operational chain from production to sales in partnership with the main solution providers on the market, such as SAP, Salesforce, AWS, Azure, RedHat, Schneider, Siemens, etc.

In particular, the oil market not only confirmed the growth trends of the second half of 2021 (after the oil crisis and the 2020 pandemic), but showed a decisive consolidation of results and, consequently, of investments in IT services and projects; the confirmation of our positioning in the Downstream and Retail area has allowed us to identify investments aimed at digital transformation and the customer experience.

As regards transport and distribution operators, investments in digitalisation initiatives continued, and in particular in the areas of cartography, maintenance, asset management and works management (WFM/FSM), launched in the second half of 2021.

The Energy & Utilities BU for 2023, based on market expectations, and the results obtained by business development activities, expects further improvement in the positioning on the acquired perimeter, with positive repercussions on revenues and overall margins.

■ TELCO & MEDIA

In 2022, the Telco sector in Italy, in line with the trend of recent years, recorded again a reduction in revenues and margins compared to 2021. In the Telco 2022 report, Mediobanca shows that already in the first half of the year, the revenues of Italian operators fell by 4.6%, of which -3.1% on mobile and -5.8% on fixed-line. In particular, the contraction in turnover hit TIM (-7.5%), Windtre (-6.1%) and Vodafone (-2.5%) the most, while Fastweb grew slightly (+1.5%), PosteMobile (+3.3%) and Iliad (+15%) compared to the first half of 2021. The elements that are harming this market are the worsening of the competitive context, the need to make new investments to implement stand-alone 5G on a large scale and increase the diffusion of fibre, and finally the significant inflationary pressures of a highly energy-intensive sector.

In this context, operators are reacting to the unfavourable market through:

- the creation of operating synergies for the sharing of investments, such as the Windtre Fastweb agreement for the construction of the 5G network;
- consolidation between operators, such as the Linkem Tiscali merger;
- the unbundling of the value chain for the enhancement of infrastructural assets (e.g. spin-off of the TIM fixed network and possible merger with Open Fiber) on which to attract new investors;
- the defence of its customer base by leveraging customer experience, loyalty programmes and upselling policies with new offers sold in bundles with the traditional Telco offer;
- the strong push on the B2B market, which promises to grow much more than the B2C market in the coming years.

In the Media sector, the Home Video & OTT, Gaming & Entertainment and Digital Advertising segments continue to grow, a clear sign of how the pandemic crisis has irreversibly changed the way media content is used by leveraging digital platforms. Vice versa, the crisis and the reduction in revenues of the various publishing sectors (e.g. books, magazines, etc.) continue. Migration to the Cloud remains one of the hottest topics in the sector not only on IT components but also on core production processes, especially in the broadcasting sector. Engineering recorded a decrease in revenues mainly due to the decrease in IT spending on the main customer in the market and in part on customers in the Media segment, while it maintained expectations for all other customers in the market.

In October 2022, in line with the corporate strategy, which aims to position the Group as a “Digital Tech Champion” on the national and international scene, the Digital Technology Business Unit was created.

The Digital Technology Business Unit aims to support the digital transformation of our customers end-to-end through a dedicated Go-To-Market workforce and Centres of Excellence organised for specific technological capabilities: Advanced Enterprise Platform, Cloud & Infrastructure, Cybersecurity, Data & Analytics and Digital Experience.

a. ADVANCED ENTERPRISE PLATFORM

In 2022, the Advanced Enterprise Platforms Centre of Excellence (AEP) continued its implementation of projects and services relating to the major market technological platforms (e.g. SAP, Microsoft and Salesforce). The main areas of competence relate to Enterprise resource planning and Customer relationship management, for which the growth started in previous years continues, which led to a situation where the budget targets set for the year in 2022 were exceeded (Euro 125 million of revenues compared to Euro 112 million, with the relative EBITDA of Euro 14.6 million compared to Euro 14.2 million expected).

- The SAP structure has increased the customer base and experiences on the new SAP S/4HANA platform in all Public Sector markets (e.g. Lombardy, Campania and Apulia Region), Finance (e.g. Intesa Sanpaolo) and Enterprise (e.g. ENEL, Terna and ENI, Petronas, Ferrero), also in international contexts. On more vertical solutions, the consolidation of cloud skills (i.e. SuccessFactors), the expansion of partnerships (e.g. with UKG and BOARD), the launch of Extended Warehouse Management activities for Leonardo, and the collaboration with Movilitas.
- With regard to the Microsoft structure, 2022 began with the integration of the dedicated company Engineering 365, favouring the process started in previous years of improving efficiency and consolidating all customers with the addition of the acquisition of a new important customer in the Microsoft Dynamics CRM area (i.e. Uteco Converting S.p.A.).
- With regard to Salesforce, the activities focused on the integration of the company WebResults and the correction of previously identified methodological and process gaps, for the benefit of continuous synergies and consolidation of project activities on customers (e.g. ENEL, ENI, Intesa Sanpaolo, Open Fiber, Rai).

b. CLOUD & INFRASTRUCTURE

In 2022, the Cloud & Infrastructure Centre of Excellence focused on infrastructure projects and services, workstation management and cloud initiatives mainly in the IaaS area, continuing the growth started in previous years (+10% on 2021) and achieving excellent results compared to the budget targets set for the year, despite the significant increase in energy costs (approximately Euro 2 million) due to the current geopolitical crisis (Euro 178 million in revenues compared to Euro 183 million with the relative EBITDA of Euro 29 million compared to Euro 32 million expected).

Specifically, the year was characterised by the consolidation of activities on all services and solid growth in cloud activities, in particular on the Public Sector segments (e.g. Consip, IaaS/PaaS related to AWS) and Enterprise (e.g. Autostrade, ENI). The latter supported by the increase in technological skills, also through the acquisition of a sizeable number of individual certifications and the strengthening of partnerships with the main Cloud Service Providers.

Simultaneously, a series of extraordinary efficiency initiatives were launched to contain the incidence of energy costs of data centres:

- raising the temperature of the bunkers by 1°C;
- precision air conditioning of the Pont Saint Martin and Vicenza cages;
- modernisation of the Pont Saint Martin hydronic system.

These initiatives made it possible to improve the power usage effectiveness (PUE) of data centres, in particular that of the data centre in Pont Saint Martin, which fell from 1.57 to 1.4.

In continuity with 2021, process automation activities continued, mainly in the area of infrastructure

management and software distribution, also with a view to the continuous improvement of services and the quality provided.

c. CYBERSECURITY

In 2022, the CyberSecurity Centre of Excellence further consolidated its product portfolio to fully cover the security needs of its customers, providing Advisory, Implementation Services and Managed security services. Despite not having fully achieved the budget targets set for the year (Euro 34 million of revenues against Euro 39 million and related EBITDA of Euro 0.4 million against Euro 3.7 million expected), the results for the year show growth of 17% of revenues compared to 2021 and a positive EBITDA (i.e. Euro -1.8 million of cybertech EBITDA in 2021), despite the significant negative impact of foreign affiliates.

The year was characterised by the consolidation of activities on all services and by healthy growth in the Managed Services area, in particular in the Public Sector segments (e.g. MISE, ARIA) and Enterprise (e.g. Zambon, Eni, Eon), supported by the growth of technological skills, also through the acquisition of a sizeable number of individual certifications and the start of the restructuring of the commercial sales group.

Lastly, in order to contain the significant volatility of the Group's internal specialist personnel and attract new talent to the market, there was a focus on retention and talent acquisition policies, launching the "Cybersecurity Academy" in order to train and integrate new graduates and develop the specific skills required.

d. DATA & ANALYTICS

During 2022, the Data & Analytics centre of excellence focused on projects and services in the areas of Data Strategy and Governance, Data visualisation, Advanced Analytics and Data management.

Specifically, the year was characterised by the consolidation of activities and participation in various innovative initiatives in all markets, with a particularly broad field of action such as the implementation of Modern BI, cloud analytical architecture services or even Artificial Intelligence applications.

In 2022, were implemented several projects that allowed Engineering to position itself and be recognised as a valuable partner in the Data & Analytics area, in particular in SNAM, Polizia Scientifica and Costa Crociere:

- in SNAM (Energy & Utilities), Engineering supports decisions relating to the core business, by collecting and analysing data from meters with the Summer BI system, based on a hybrid platform (Azure-Cloudera). In particular, the choice of AI made it possible to explain and quantify the economic losses due to Unrecognised Gas;
- in "Polizia Scientifica" (Public Sector), a set of applications was completed in which, thanks to Artificial Intelligence techniques applied to images, an innovative tool was created to support "forensic artists" with the aim of creating photorealistic identikits, in addition to the numerous functions for modifying the somatic characteristics (ageing, make-up, aesthetic operations, etc.);
- in Costa Crociere (Industry), the first Data Strategy project was implemented, proposed and sold as such, which created a precedent that can be spent on the more advisory front.

In addition, the desire to further develop the Centre of Excellence was confirmed by the integration of the BI team of the former Engineering 365 company and the recruitment during the year of 20 new graduates trained in the Academy, reaching a total of approximately 200 staff at the end of the year. This growth is supported by the achievement of over 80 individual certifications in 2022, the result of the virtuous process launched in 2018 that encourages certifications on distinctive technologies in the Data & Analytics topics and the focus on Hyperscalers (i.e. AWS, MS Azure and GCP).

e. DIGITAL EXPERIENCE

In 2022, the Digital Experience Centre of Excellence consolidated its consulting, implementation and management of services and infrastructures to meet the needs of customers in all fields relating to Digital Experience.

- The Customer Experience and service design and the strategic consulting component based on design thinking approaches have overcome the traditional User Experience (UX) and User Interface (UI) activities through the management of important digital transformation projects for customers such as SNAM, BASKO, INPS and BFF, further expanding the level of market coverage.

- In the Learning Services area, an important training plan on digital transformation was created for TIM executives. The scheduling of new plans relating to SOGEI and INVALSI was also implemented.
- Digital brand communication activities also saw significant development, which in 2022 involved the awarding of an important tender for the MITE digital campaign, similar in terms of structuring and media visibility to the WEB Publishing project under way on behalf of INAIL.
- In addition, it was a year of consolidation of the offering of the Centre of Excellence with growth in the Digital Experience Platform (e.g. e-commerce ecosystem in Autotorino, Intesa Sanpaolo on Adobe), which obtains a firm position alongside the now permanent projects Mobile app and Front-end web (e.g. in Rai, Trenitalia).
- Finally, the offer of the Centre of Excellence was completed to propose services related to the Metaverse, stimulating significant customer interest and contributing to the innovative image of the Group.

f. TECH ALLIANCES

In the Tech Alliances area, the year 2022 was characterised by a significant investment in collaboration with the main Technological Partners. The investment involved the establishment of a large group dedicated to the management of relations with the main Vendors and the introduction of dedicated professionals to the Company (i.e. Partner Business Managers, Partner Technical Coordinators and Partner Marketing Managers). In addition, marketing funds were allocated to support activities with Partners that will see Engineering attend the main sector events with the highest level of sponsorship.

The change of pace had a major impact in the sector, with extremely positive feedback from all market operators. Engineering is increasingly confirmed as a reference partner in digital transformation processes, gathering widespread consensus among its technological partners.

2022 also saw the start of the consolidation of partnership activities at international level and the recognition of Engineering as a global operator.

■ FOREIGN COMPANIES

ENGINEERING DO BRASIL

Also in 2022, the process of growth and consolidation of Engineering in Brazil is continuing (about 1,000 direct employees), as a strategic partner in the digital transformation of the main companies operating in South America.

The digital offer in Brazil is based on the dominance of innovative technologies in the field of Artificial Intelligence (AI) and APIs, which has led Engineering to be a central player in helping organisations reconfigure operations and decision-making processes by putting AI at the heart of creating a competitive advantage and adopting (API-first) business architectures that take advantage of digital ecosystems to radically innovate the value chain, redesign products and services and create new revenue streams.

The need for businesses to adopt agile and data-driven architectures, to improve the customer experience, rapidly evolve their value proposition and experience new forms of monetisation, is confirmed in the growth that has taken place in Brazil, not only in the sectors where Engineering has been operating successfully for some time (Telco and Energy & Utilities) but also in the retail and services sectors in general.

During 2022, the “AI/Data Science” and “API/composable business” offer was standardised into products aimed at enhancing these important skills for the benefit of the Group, also outside Brazil.

Also in 2022, Engineering do Brasil confirmed the obtainment of the prestigious GPTW (great place to work) award with an even higher score than the previous year, demonstrating its focus on and appreciation of human capital and its efforts for an increasingly more collaborative working environment, again being certified as an ethical company by ABES (Associação Brasileira das Empresas de Software).

The core business of Engineering in North America is focused almost exclusively on the market pertaining to the Industries eXcellence division.

In this region, Engineering mainly implements digital solutions for the industry with a particular focus on the manufacturing and transport sector, providing Fortune 500 companies with high value-added consultancy and solutions following the go-to-market strategy of the IndX solutions portfolio. The solutions proposed are actually composed primarily of the implementation of solutions in the Industry 4.0 domain, in the various areas ranging from the conception, implementation and use of the product and the process to produce them.

Leveraging on its unique experience in the implementation and integration of the entire offer of digital tools, the team facilitates the adoption, implementation, integration and digital transformation process in various industrial sectors at global level. A growing number of American companies today look at Engineering solutions in order to improve their processes, the quality of products or services, and increase the flexibility of the systems.

Engineering Industries Excellence, in addition to being the operating branch of the IndX BU in the US, also represents the holding company of all the other branches of Industries eXcellence present in the various countries (Germany, Belgium, Mexico, Spain, UK, Hungary and India) while the teams of IndX in Italy and Brazil are respectively within Engineering Ingegneria Informatica S.p.A. and Engineering do Brasil S.A..

In 2022, Engineering consolidated its presence in North America in various industrial sectors with particular attention to the automotive (especially electric vehicles), defence, aerospace, agriculture, CPG, lifescience and transport sectors. In addition, special attention was paid to consolidating the integration of the two companies acquired in 2021 (Design Automation Associates and Movilitas) by standardising the strategy and the go-to-market for the entire organisation in North America. As part of the integration process, the brands of both companies acquired in the US were disposed of and the organisations were aligned in terms of branding to that of Engineering and in particular to the value proposition of the Industries eXcellence division through the internal reorganisation initiative called OneIndX.

During 2022, the Mexican subsidiary of Engineering Industries eXcellence Inc. continued to grow and currently represents a significant branch both for a commercial presence in Mexico and as a pool of “near-shoring” resources that are involved in projects in the US. During the year, the successful implementation of projects in the transport sector both in the US and in Canada, to such an extent that the potential opening of the Canadian branch in 2023 is now being evaluated.

As of December 31, 2022, the Group's workforce (persons with employment contracts, open-ended and permanent) amounted to 14,480, of which 1,737 were employed abroad (they were 11,571 and 1,517 respectively as of December 31, 2021).

In 2022, the policy of hiring staff continued with the recruitment of 1,596 people in Italy (compared to 1,069 in 2021), with a close focus on young graduates and new diploma holders.

In Italy, there were 948 exits (in 2021 there were 796 people).

Some detailed figures are provided below, related to 2022, with reference to the Group workforce:

- the number of graduates totalling 60.43%;
- women totalling 31.94%;
- the average age is 43;
- the number of executives was equal to 3.95%;
- employees with Super Management/Management qualifications total around 20.48%.

■ TRAINING

The IT & Management Academy "Enrico Della Valle" recorded a substantial increase in 2022 in the training activities carried out for Engineering Group personnel, bringing the indicator of synchronous training days/person per year to over 32,000 units, equal to +26 % compared to 2021 and +113% compared to 2020.

This increase in training activities is to be understood as structural and should be included in the trend of evolution and diversification of training opportunities made available to Group employees, which now provides for a balance between "remote" training initiatives in web classrooms and through specially prepared multimedia products and "in-person" training courses, which in 2022 saw the great reopening of the Ferentino headquarters of the IT & Management Academy after the pandemic period.

The meeting between learners and the various teachers brought back the added value of physical presence, the sharing of ideas and helped to facilitate networking and team building within a phygital context of excellence, understood as alternation between virtual and physical hubs within which personnel can pool their expertise and welcome new frontiers of thinking.

The Academy Programs Project, which involved 500 Young Talents from the best Universities and Technical Institutes in 2022, also contributed to the significant increase in indicators relating to training activities, structured with the aim of aligning technical and methodological skills and stimulate the personal attitudes of the candidates to prepare them to successfully join the prestigious Engineering projects.

The structure of each Academy has made provision for the integration of 3 learning dimensions to develop all-round technical and domain skills and personal attitudes. A significant training component was of an experiential nature through in-person training modules at the Academy of Ferentino, aimed at instilling a mindset that encourages people to face the changes brought about by Digital Transformation and to learn about the importance of teamwork in the phygital context.

The many training projects activated in 2022 also include:

- the Hybrid Leadership program, intended for all Executives of the Engineering Group with the aim of creating a discussion on the issues of Digital Sustainability, on the identification of a Work Life balance with a view to safeguarding the relational capital of the team and presenting the main characteristics of the corporate Smart Working model. Particular focus was given to the issues most impacted by smart working at an organisational and relational level, such as People management, Teamwork, Work organisation, Communication and Customer relations.
- Of particular interest was the launch of the training course made available to over 100 young people in the San Patrignano Community by the IT & Management Academy of Engineering. Consisting of more than 150

hours of training activities focused on the acquisition and improvement of digital skills, the ultimate goal of the training project is to support the transition to professions in the IT world and facilitate their entry into the job market. In this context, Digital Literacy is positioned as an inclusive factor and able to integrate children into a reality that increasingly requires a Digital Mindset. The experimental project in collaboration with Assoknowledge launched with ITIS Enrico Fermi of Frascati was also concluded in 2022. Conceived as a single highly professional training three-year course in STEM disciplines, the project initially involved 60 candidates from whom the Engineering team selected 20.

- In line with its Phygital mission, the Academy has implemented new teaching methods linked to the innovative use of technologies during classroom lessons, thus focusing on the centrality of the learner and on the possibility of differentiating educational paths and on the possibility of operating with a considerable level of autonomy. Along these lines, many training tools were provided, with the traditional classroom course alternating with Short Educational Videos and Podcasts in Foreng to allow personnel to receive training in small instalments, in a short period of time and at the times chosen by the learner. In this context, the multimedia training offer, consisting entirely of original content and productions, made available to the Group's employees by the Academy in 2022 was rich in innovative features. In support of change management processes and the need to distribute corporate guidelines, new WBTs were developed focussed on security awareness, on new regulations in the areas of anti-corruption, 231 and privacy, the Company's Digital Transformation offer, etc., which reached over 11,600 views.
- Lastly, the Engineering Group's constant focus on the certification of professional skills on the main technological innovation drivers on the market (Cloud, Data & Analytics, Cybersecurity, Software Methodologies, etc.) and on the governance standards of the most widespread projects should be emphasised at international level (Project & Service Management, IT Governance, Business Analysis, Agile Methodologies, etc.). This commitment translated into the acquisition of 1,355 new Professional Certifications in 2022.

VII. Outlook

2022 was a year of great change for the Engineering Group, which saw a tendency to refocus on the market segments and the fastest growing technological offers.

From the second half of 2021, a comprehensive change management process began, leading to the replacement of the Group CEO, CFO, General Counsel and CHRO. The process of strengthening the management team, also by adding new professionals such as the Executive VP Digitech, the Executive VP Financial Services, the Executive VP Enterprise, the Chief Strategy & Transformation and the Chief Institutional Affairs, will be completed in the first half of 2023.

Starting from November 2021, a project got under way aimed at preparing the strategic plan with a view to 2022-2025, which defined the strategic and operational objectives for the Company; this plan was approved in mid-2022.

During 2022, a series of Transformation projects were also launched in different areas aimed at implementing the objectives defined in the strategic plan:

- completion of the new organisational structure of the Company, also reviewing and rationalising the job profiles for all employees where necessary;
- commercial acceleration in all markets, reviewing the main account plans, the offer portfolio of digital products and services, and the sales incentive schemes and approaches;
- relaunch and modernisation of the main company products also through specific investment and development plans;
- scouting, acquisition and integration of various champion companies in their market environment;
- simplification of the main internal processes and start of the modernisation of company IT solutions;
- continuous focus on the PNRR (National Recovery and Resilience Plan) in order to address emerging opportunities on all markets in which Engineering operates.

In addition, in 2022, the acquisition of Be Shaping the Future, a leading company in consulting and technological solutions for the Banking and Insurance market, and of Atlantic Technologies, a company specialised in the implementation of CRM and ERP solutions, was completed; following the purchase of the two companies, an intense post-merge integration project was launched to maximise synergies between the two companies and the Engineering Group.

For 2023, Engineering will continue the transformation project undertaken with the aim of fully achieving the objectives of the strategic plan, in particular:

- continue and strengthen the growth process in all markets in which the Company operates, also through targeted high added value M&A transactions;
- improve performance also by reviewing internal operational logics and approaches;
- complete the simplification of internal processes and the complete renewal of corporate IT solutions;
- seize all opportunities in digital transformation, strengthening and evolving the Company's technological skills;
- building paths for growth and development of talent, becoming an increasingly attractive company also for young school leavers and recent graduates.

VIII. Financial highlights

■ MAIN DATA

The main economic and capital data related to the year 2022 are shown hereunder compared with the previous year, as described hereunder.

(in Euro million)			
Description	2022	2021 Restated	Change % YoY
Total revenues	1,460.0	1,321.3	+10.5
Net revenues	1,422.6	1,298.0	+9.6
Adjusted EBITDA (*)	208.6	198.2	+5.2
% of net revenues	+14.7	+15.3	
Ebit	45.8	70.2	-34.8
% of net revenues	+3.2	+5.4	
Net profit	29.5	47.4	-37.8
% of net revenues	+2.1	+3.7	
Shareholders' equity	815.4	792.6	+2.9
Net financial position (with IFRS 16)	(616.0)	(249.0)	+147.4
Pro-forma net financial position (without IFRS 16)	(447.1)	(106.1)	+321.5
Roe % (N.P./N.E.)	+3.6	+6.0	-39.5
Roi % (EBIT/N.C.E.)	+3.2	+6.7	-52.6
No. of employees	14,480	11,571	+25.1

(*) Adjusted EBITDA is EBITDA gross of non-recurring charges.

The Engineering Group ended the 2022 financial year with growth in profitability in absolute terms on all the main indicators.

In detail:

- **total revenues** stood at Euro 1,460 million, up 10.5% compared to 2021;
- **adjusted EBITDA** amounted to Euro 208.6 million, up 5.2% compared to the previous year, with profitability on net revenues amounting to 14.7% (15.3% in 2021);
- **EBIT** amounted to Euro 45.8 million (Euro 70.2 million in 2021) with a percentage profitability of approximately 3.2%; the decrease is essentially due to higher amortisation/depreciation and provisions compared to 2021;
- **consolidated profit for the year** amounted to Euro 29.5 million compared to Euro 47.4 million in 2021, the change is due not only to the aforementioned increase in amortisation/depreciation and provisions but also to higher interest expense relating to the increase in financial payables;
- **net financial position (with IFRS 16)** came in at Euro -616,0 million compared to Euro -249,0 million as of December 31, 2021, with an increase mainly due to the acquisitions of equity investments in the period;
- **proforma net financial position (without IFRS 16)** registered an amount of Euro -447.1 million compared to Euro -106.1 million as of December 31, 2021, with an increase mainly due to the acquisitions of equity investments in the period cited above.

The alternative performance indicator, adjusted EBITDA, is calculated as follows:

(in Euro million)

Description	Note	2022	2021 Restated
Consolidated profit for the year		29.5	47.4
Income taxes		6.9	16.1
(Income)/expenses from equity investments		(8.6)	4.6
Financial income		(8.7)	(10.4)
Interest expense (excluding interest on leases)	(1)	25.4	11.0
Interest on leases		1.3	1.5
Depreciation of property, plant and equipment		7.3	7.4
Depreciation of right-of-use assets	(1)	19.9	18.8
Amortisation of intangible assets		44.1	30.1
Provisions and write-downs		50.5	23.4
Leaving incentives/change management	(2)	10.2	21.1
Charges related to the corporate strategic valuation process	(3)	27.2	7.0
OVT extraordinary charges	(4)	0.0	12.2
Charges for corporate transactions and moving	(5)	3.5	8.0
Adjusted EBITDA		208.6	198.2

(1) As from January 1, 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 January 1, 2019, equal to zero.

(2) Charges related to early-leaving incentives paid over the year, exceeding already existing provisions and charges incurred during the year for change management.

(3) Charges related to the corporate valuation process.

(4) Non-ordinary charges relating to the subsidiary Overit, which left the Group's consolidation scope on December 1, 2021.

(5) Charges for corporate transactions and costs of moving to the new offices.

In accordance with IFRS 8, we report below the breakdown of net revenues and adjusted EBITDA by market. 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 Euro million)

Description	2022		2021		Change	
		%		%		%
Total revenues						
Finance	291.7	+20.5%	279.1	+21.5%	12.6	+4.5%
Public Administration	314.9	+22.1%	296.0	+22.8%	18.9	+6.4%
Health	117.0	+8.2%	98.1	+7.6%	18.9	+19.3%
Industry & Services	374.9	+26.3%	292.9	+22.6%	81.9	+28.0%
Telco & Media	115.1	+8.1%	133.5	+10.3%	(18.4)	-13.8%
Energy & Utilities	209.0	+14.7%	198.4	+15.3%	10.6	+5.4%
Total net revenues	1,422.6	+100.0%	1,298.0	+100.0%	124.6	+9.6%
Other revenues	37.3		23.3		14.1	
Total revenues	1,460.0		1,321.3		138.7	+10.5%

(in Euro million)

Description	2022		2021		Change	
		%		%		%
Adjusted EBITDA						
Finance	57.2	+27.4%	73.2	+36.9%	(16.0)	-21.9%
% of net revenues	+19.6%		+26.2%			
Public Administration	43.5	+20.8%	36.9	+18.6%	6.6	+17.8%
% of net revenues	+13.8%		+12.5%			
Health	25.7	+12.3%	20.5	+10.3%	5.2	+25.2%
% of net revenues	+21.9%		+20.9%			
Industry & Services	42.2	+20.2%	29.3	+14.8%	12.8	+43.6%
% of net revenues	+11.2%		+10.0%			
Telco & Media	11.5	+5.5%	13.1	+6.6%	(1.6)	-12.0%
% of net revenues	+10.0%		+9.8%			
Energy & Utilities	28.6	+13.7%	25.2	+12.7%	3.4	+13.6%
% of net revenues	+13.7%		+12.7%			
Total adjusted EBITDA	208.6	+100.0%	198.2	+100.0%	10.4	+5.2%
% of net revenues	+14.7%		+15.3%			

■ OPERATING EXPENSES

Operating expenses increased by a total of Euro 163.1 million compared to 2021 (+13.0% compared to 2021).

(in Euro)

Description	2022	2021 Restated	Change	
			Absolute	%
Personnel costs	718,931,619	673,994,989	44,936,630	+6.7
Service costs	501,210,492	437,762,484	63,448,008	+14.5
Raw materials and consumables	58,339,548	35,098,362	23,241,186	+66.2
Amortisation and Depreciation, Provision	121,827,625	79,769,860	42,057,765	+52.7
Other costs	13,879,390	24,461,737	(10,582,347)	-43.3
Total operating expenses	1,414,188,674	1,251,087,432	163,101,241	+13.0

Analysing the increase in absolute values, the main items affected were:

- personnel costs, which increased (+6.7%) and is directly related to the increase in sales volumes;
- service costs rose by Euro 63.4 million compared to 2021, they too essentially linked to the increase in revenues; expenditure on services actually comprises mainly professional resources used in our production cycle as an element of flexibility and increases proportionally to the increase in sales;
- the cost for raw materials is closely linked to resale activities of HW material;
- the cost of Depreciation, Amortisation and Provisions, which increased by Euro 42.1 million, due mainly to higher provisions made during the year, details of which are provided in the following sections of the notes;
- the decrease in Other Costs is due to the presence, in 2021, of extraordinary charges related to corporate transactions for the acquisition of minority interests.

■ EBIT AND CONSOLIDATED PROFIT FOR THE YEAR

Consolidated profit for the year stood at Euro 29.5 million, down from Euro 47.4 million in 2021. The decrease is essentially due not only to the higher provisions for the year but also to the higher interest expense recorded in the period against the Group's financial debt.

(in Euro)

Description	12.31.2022	12.31.2021 Restated	Change %
Difference between total revenues and operating expenses after amortisation and depreciation (EBIT)	45,778,137	70,212,476	-34.8
Financial Income (Expenses)	(17,937,691)	(2,127,176)	+743.3
Income/(Expenses) from equity investments	8,578,148	(4,563,501)	-288.0
Profit before taxes	36,418,594	63,521,799	-42.7
% of net revenues	+2.6%	+4.9%	
Income taxes	6,927,962	16,138,762	-57.1
tax rate	+19.0%	+25.4%	
Net profit	29,490,632	47,383,037	-37.8
% of net revenues	+2.1%	+3.7%	
of which:			
Engineering Group	32,885,099	48,013,209	-31.5
Non-controlling interest	(3,394,467)	(630,172)	+349

IX. Statement of financial position

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

At year end, short-term cash and cash equivalents increased by Euro 78.3 million and stood at Euro 211.2 million as of December 31, 2022. The cash flow from operating activities (Euro +278.9 million) and financing activities (Euro +324.3 million) actually fully covered the investment needs of the period (Euro -524.9 million).

(in Euro)		
Description	12.31.2022	12.31.2021
Cash collected from the sales of products/services - third parties	1,776,906,287	1,480,163,966
Cash paid for goods and/services - third parties	(752,249,686)	(606,750,141)
Personnel costs	(687,924,433)	(654,813,819)
Interest received for operating activities	167,591	68,079
Interest paid for operating activities	(2,702,073)	(282,089)
Exchange differences	(1,637,337)	(366,521)
Income tax payments and reimbursements	(53,671,574)	(62,544,654)
A) Total cash flow from operating activities	278,888,776	155,474,820
Sale of property, plant and equipment	50,599	34,144
Purchase of property, plant and equipment	(10,148,580)	(6,881,640)
Purchase of intangible assets	(44,545,645)	(16,444,756)
Collections for the sale of minority interests	1,596,468	0
Consideration paid for acquisition of businesses	(473,674,092)	(62,325,879)
Purchase of other investments and securities	(441,750)	(450)
Sale of other investments and securities	2,287,871	493,440
B) Total cash flow from investing activities	(524,875,129)	(85,125,140)
New loans	693,901,127	191,140,000
Repayment of loans	(363,155,886)	(141,974,323)
Payments for the acquisition of minority interests	(4,447,246)	(3,000,000)
Dividends distribution	(17,500,000)	(63,000,000)
Capital increase and reserves	53,770,334	523,021
Interest paid for financing activities	(15,461,842)	(8,212,629)
Repayment of lease liabilities	(22,836,789)	(21,626,445)
C) Total cash flow from financing activities	324,269,697	(46,150,377)
D) Cash flow absorbed from assets and liab. held for distr. to owners	0	(32,500,000)
E) = (A + B + C + D) change in cash and cash equivalents	78,283,345	(8,300,697)
F) Cash and cash equivalents at beginning of the period	132,918,842	141,219,539
G) = (E + F) cash and cash equivalents at end of the period	211,202,186	132,918,842

The pro-forma net financial position (not including lease liabilities for IFRS 16 right of use) shown below stands at Euro -447.1 million, up from the end of the 2021 financial year (Euro -106.1 million). The cash flows generated did not support the increase in both current and non-current financial debt.

In order to provide a better presentation, the Group's financial assets and liabilities were reclassified from trade receivables and payables to financial receivables and payables, also adjusting the comparison period to reflect the new exposure.

(in Euro)		
Description	12.31.2022	12.31.2021 Restated
A) Cash and cash equivalents	211,202,186	132,918,842
B) Current financial receivables	465,543	0
Current bank payables	(11,464,228)	(167,756)
Current borrowing	(98,220,870)	(92,920,373)
Other current financial liabilities	(58,281,858)	(13,650,947)
C) Current financial liabilities	(168,050,289)	(106,739,076)
D) Net current financial position (A+B+C)	43,617,441	26,179,765
E) Non-current financial receivables	1,969,379	902,353
Non-current borrowing	(492,582,295)	(132,650,416)
Other non-current liabilities	(135,794)	(508,325)
F) Non-current financial liabilities	(492,718,089)	(133,158,741)
G) Pro-forma net financial position (D+E+F)	(447,131,269)	(106,076,623)

The net financial position including lease liabilities is also reported:

(in Euro)		
Description	12.31.2022	12.31.2021 Restated
A) Cash and cash equivalents	211,202,186	132,918,842
B) Current financial receivables	465,543	0
Current financial liabilities	(168,050,289)	(106,739,076)
Current lease liabilities	(26,051,088)	(20,836,918)
C) Current borrowing	(194,101,377)	(127,575,994)
D) Net current financial position (A+B+C)	17,566,353	5,342,847
E) Non-current financial receivables	1,969,379	902,353
Non-current financial liabilities	(492,718,089)	(133,158,741)
Non-current lease liabilities	(142,840,257)	(122,061,288)
F) Non-current borrowing	(635,558,346)	(255,220,029)
G) Net financial position (D+E+F)	(616,022,615)	(248,974,830)

■ CENTRALISED TREASURY

The presence of important credit lines, the long-established adoption of cash pooling and the appropriate management of liquidity ensured that financial requirements were adequately covered.

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. 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 trend of cyclical cash flows, which historically characterises current operations, the securitisations with Banca Intesa and periodic non-recourse factoring transactions have accompanied the recourse to hot money procurement transactions. For the latter, during the year, transactions were finalised, for which a weighted average annual interest rate of 0.80% was paid to the banks against an average monthly exposure of around Euro 23.8 million. Non-recourse factoring transactions, arranged on a monthly basis, amount to a total of approximately Euro 787.8 million compared to Euro 90.2 million in 2021. In return for these transfers, the factoring companies were paid an average rate of 0.60% in commissions and interest, which had been 0.27% in 2021.

As part of the acquisition by the Bain Capital and NB Renaissance Funds, which involved the Group on July 23, 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 million. 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, a loan repaid for Euro 17.8 million on September 29, 2022.

For the Overlord project aimed at the acquisition of BE Shaping The Future S.p.A., Centurion Bidco disbursed Euro 365.5 million to Engineering Ingegneria Informatica S.p.A..

■ NET WORKING CAPITAL

Net working capital decreased by Euro 194.7 million (-68.1%) compared to 2021, amounting to Euro 91.2 million. It is to be noted that gross of outstanding factoring and write-downs of receivables, net working capital would be Euro 345.9 million in 2022 compared to Euro 330.9 million in 2021, with an increase of Euro 15.0 million and an improvement in the Net Working Capital/Revenues ratio, which changed from 25.5% in 2021 to 24.3% in 2022.

Description	12.31.2022	12.31.2021	(in Euro)	
			Change	
			Absolute	%
Current assets				
Customer contract assets	207,513,187	211,668,336	(4,155,149)	-2.0%
Deferred contract costs	17,023,698	17,447,808	(424,110)	-2.4%
Trade receivables	543,763,318	623,113,637	(79,350,319)	-12.7%
Other current assets	71,725,431	62,185,988	9,539,443	+15.3%
Total	840,025,633	914,415,768	(74,390,135)	-8.1%
Current liabilities				
Trade payables	(469,928,023)	(407,449,871)	(62,478,152)	+15.3%
Other current liabilities	(278,875,366)	(221,022,453)	(57,852,913)	+26.2%
Total	(748,803,389)	(628,472,324)	(120,331,065)	+19.1%
Net working capital	91,222,245	285,943,445	(194,721,200)	-68.1%

■ RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The Group's balance sheet shows a very solid structure, with a ratio of 0.6x Shareholders' Equity/Fixed Assets, down from the previous year (0.9x).

Description	12.31.2022	12.31.2021 Restated	(in Euro)	
			Change	
			Absolute	%
Real Estate Property	32,637,691	25,704,985	6,932,706	+27.0
Right of use	161,966,034	136,282,572	25,683,462	+18.8
Intangible assets	575,097,186	554,180,081	20,917,105	+3.8
Goodwill	670,055,013	140,921,341	529,133,672	+375.5
Equity investments	1,108,318	14,818	1,093,500	+7,379.5
Fixed assets	1,440,864,241	857,103,797	583,760,445	+68.1
Short-term assets	840,025,633	914,415,768	(74,390,135)	-8.1
Short-term liabilities	(748,803,389)	(628,472,324)	(120,331,065)	+19.1
Net working capital	91,222,245	285,943,445	(194,721,200)	-68.1
Other non-current assets	57,640,982	36,401,491	21,239,491	+58.3
Post-employment benefits	(79,465,342)	(71,630,985)	(7,834,357)	+10.9
Other non-current liabilities	(78,821,400)	(66,269,513)	(12,551,887)	+18.9
Net capital employed	1,431,440,726	1,041,548,235	389,892,491	+37.4
Group shareholders' equity	825,292,636	798,860,324	26,432,312	+3.3
Non-controlling interests shareholders' equity	(9,874,525)	(6,286,919)	(3,587,605)	+57.1
D - Shareholders' equity	815,418,111	792,573,405	22,844,706	+2.9
(Available)/Financial indebtedness LT	633,588,968	254,317,677	379,271,291	+149.1
(Available)/Financial indebtedness ST	(17,566,353)	(5,342,847)	(12,223,506)	+228.8
(Available)/Financial indebtedness	616,022,615	248,974,830	367,047,785	+147.4
Total sources	1,431,440,726	1,041,548,235	389,892,491	+37.4

■ RECONCILIATION

Reconciliation between Engineering Ingegneria Informatica S.p.A.'s financial statements as of December 31, 2022 and the Group's consolidated financial statements at the same date is shown below:

Description	(in Euro)	
	Net profit for the year	Shareholders' equity
Net profit and shareholders' equity of Engineering Ingegneria Informatica S.p.A.	101,127,575	863,549,540
Net profit and shareholders' equity of consolidated companies	19,575,486	234,075,829
Aggregated total	120,703,060	1,097,625,369
Elimination of the net book value of equity investments in consolidated subsidiaries and any intercompany dividend	(111,000,000)	(897,803,373)
Other adjustments	19,787,572	615,596,115
Total consolidated net profit and shareholders' equity	29,490,632	815,418,111
of which non-controlling interests net profit/(loss) and shareholders' equity	(3,394,467)	(9,874,525)
Group consolidated net profit and shareholders' equity	32,885,099	825,292,636

The significant events are detailed below:

- on March 1, 2022, but with economic effect from January 1, 2022, Engineering Ingegneria Informatica S.p.A. formalised the merger by incorporation of the following subsidiaries:
 - Engineering 365 S.r.l.;
 - DEUS Technology S.r.l.;
 - Engiweb Security S.r.l..

Given the nature of these transactions, they had no accounting impact on the consolidated financial statements of Engineering Group in terms of the value of the assets and liabilities of the companies involved.

- On March 1, 2022, Engineering Ingegneria Informatica S.p.A. acquired 100% of the share capital of the company Plusure S.p.A.;
- on July 25, 2022, the company Overlord Bidco S.p.A. was established with payment of the entire share capital of Euro 50,000 by Engineering Ingegneria Informatica S.p.A.. On September 23, 2022, a further Euro 60,772,685 was paid in as a future share capital increase;
- on September 8, 2022, the purchase by the subsidiary Municipia S.p.A. of 60% of the shares of the company In Valmalenco S.B. S.r.l. was finalised;
- on September 26, 2022, the purchase by the subsidiary Overlord Bidco S.p.A. of 51.2% of the ordinary shares of BE Shaping the Future S.p.A. was finalised;
- on October 1, and with economic effect from October 1, 2022, IT Soft USA Inc. formalised the merger by incorporation of the following Movilitas Group companies:
 - Movilitas Consulting LLC;
 - Stretford Holding LLC;
 - Movilitas Cloud LLC.
- on October 18, 2022, but with economic effect from January 1, 2022, Movilitas Consulting GmbH IT Soft formalised the merger by incorporation of Movilitas Consulting Germany Holdings GmbH;
- on November 15, 2022, Engineering acquired 100% of Atlantic Technologies S.p.A.. As a result of this transaction, Engineering Ingegneria Informatica S.p.A. indirectly holds full control of Atlantic Technologies Europe Ltd;
- on November 25, 2022, Cybertech acquired the remaining 49% of the equity investment of BW digitronik A.G.;
- on November 30, 2022, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired the remaining 20% of the equity investment of Digitelematica S.p.A.;
- on December 28, 2022, the Compulsory Takeover Bid promoted pursuant to Articles 102 and 106, paragraph 1, of the Consolidated Law on Finance on the entirety of the shares of BE Shaping the Future S.p.A. was concluded; thus, Overlord Bidco S.p.A. became the holder of 100% of the share capital of BE Shaping the Future S.p.A..

XI. Shareholders and treasury shares

■ SHAREHOLDERS

The whole share capital of Engineering Ingegneria Informatica is held by Centurion Bidco S.p.A., as Sole Shareholder. In relation to the provisions of Article 2497-bis, paragraph 5, of the Italian Civil Code, it should be noted that no commercial transactions took place with Centurion Bidco S.p.A. during the year.

■ 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 February 23, 2023, the Board of Directors approved the plan for the reverse merger of the parent company Centurion Bidco S.p.A. in Engineering Ingegneria Informatica S.p.A., which is expected to be completed during the first half of 2023 and will take effect retroactively from January 1, 2023.

■ TRANSACTIONS WITH RELATED PARTIES

Pursuant to IAS 24, enacting provisions concerning transactions with related parties, Engineering Ingegneria Informatica S.p.A. approved, through Board of Directors' resolution of November 12, 2010, the procedure for the identification and carrying out of Transactions with Related Parties. During the year, transactions were carried out with related entities under normal market conditions. These transactions relate to trade activities carried out in favour of primary customers which produced profitability in line with the Company's profitability parameters.

■ MAIN RISKS AND UNCERTAINTIES

The Engineering Group adopts specific procedures for the management of risk factors that might affect the Company's results. As in all companies, risk factors which may affect the Group'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 related to general economic conditions

The Covid-19 pandemic, which has spread globally since January 2020 and continued throughout 2021, has saw all countries all over the world, including Italy, having to deal with a complex health emergency, with implications also at a social, political, economic and geopolitical level.

The conflict between Russia and Ukraine is having major consequences at global level not only due to the serious humanitarian crisis that has ensued, but also due to the possible economic effects on global markets, which were immediately reflected not only in increases in the costs of some commodities such as gas and oil, but also in sharp reductions in the share values of the major world markets.

Our Group has no particular direct risks in these countries related to either customers or suppliers.

As a result of the pandemic and the conflict above-mentioned, the forecast that energy prices will remain high for a longer period than estimated is confirmed, exerting a greater dampening effect on the economy and increasing inflationary pressures.

Economic activity is recovering, helped by normalising supply conditions and reducing inflationary pressures. Looking beyond the short-term turmoil, it is clear that the fundamentals underpinning the current expansionary phase continue to be sound.

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 evolution 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

For 2023, the increase in cyber security threats is confirmed, in line with the trend of recent years, in particular a general increase in attacks is expected, thanks to the increase in the digitalisation of users and companies, the related geopolitical situation the Russian-Ukrainian conflict and the resulting energy emergency. The growing demands of the market and regulatory bodies for an increase in cyber security controls are part of this context.

The Engineering 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. The complexity of this infrastructure and the relevant interconnections continue to grow, even with the use of mobile technologies, social media and cloud-based services, with the subsequent increase in the potential risk of security breaches and cyber-attacks.

The Engineering Group continues to invest in the protection of assets through a model based on “continuous” improvement that takes into account the evolution of cyber threats.

In particular, the Group is adopting consolidated security mechanisms to prevent and detect cyber-attacks, through appropriate technological, organisational and public-private collaboration solutions.

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 framework 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 has Executive Managers who play a decisive role in the management of the Group’s activities and a management structure capable of ensuring continuity in the management of corporate activities even in the event of the immediate leave of one of the key persons to be adequately replaced.

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 and Utilities). The breakdown of business is fairly balanced and there are no significant positions relating to turnover concentration on individual customers.

C1. Risks related to contractual responsibilities towards customers

The 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. If this 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 18% 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 0.01% 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 assume 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 "17. Trade receivables" of Notes to the consolidated financial statements.

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 change 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.

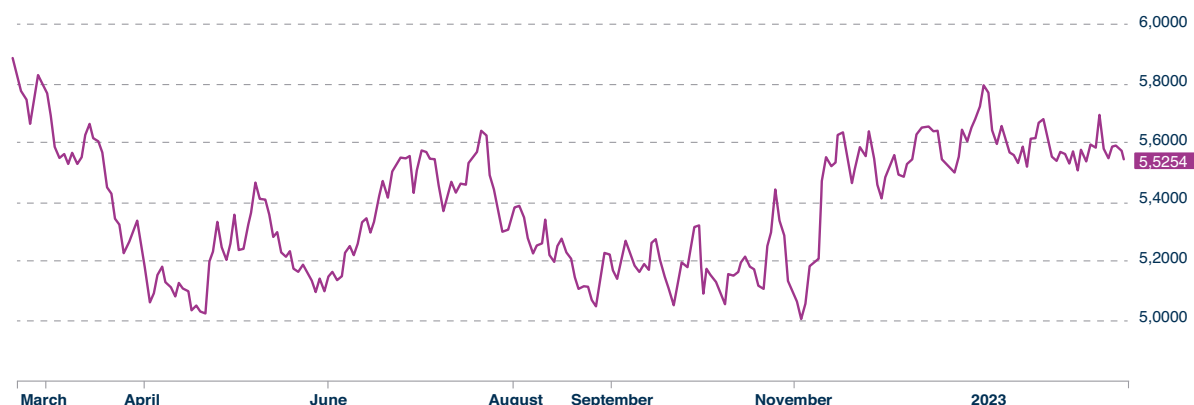
IFRS 7 requires the Group to introduce simulation and sensitivity analysis processes to value potential losses deriving from unfavourable changes in the sector environment concerning:

- 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..

SYNTHETIC DATA ON THE EURO – REAL EXCHANGE RATE

EURBRL - 5,5254 BRL - 0,0339 -0.61%



ECONOMIC AND FINANCIAL RISKS IN BRAZIL

International risks

The main international risk is still the war between Russia and Ukraine, for which there is apparently no date set for a peace agreement, and obviously this causes economic destabilisation in all countries.

National risks

The new federal government taking office in January of this year still does not have a defined economic policy, which causes instability in the market. The government is preparing this new economic plan and is committed to presenting it to the market and to the Brazilian Congress for approval next March. We must wait for the publication of this new economic package and see how the market behaves, which could directly affect inflation and exchange rates in Brazil. Another important point, which affects and destabilises the market, is the new government's announcement of a tax reform that will be presented in the first half of this year. Market expectations are high as there is a significant possibility of increased tax pressure in general.

These are the main important points that would affect inflation and exchange rates in the short and medium term.

See below the projections of the main economic and exchange rates for the coming years, made by the Central Bank of Brazil.

Main Index projection - Brazil - Central Bank of Brazil	2023	2024	2025
GDP	0.76%	1.50%	1.85%
OFFICIAL INFLATION - IPCA	5.79%	4.00%	3.60%
INTEREST RATE	12.75%	10.00%	9.00%
USD EXCHANGE RATE PROJECTION	5.25	5.3	5.3
EURO EXCHANGE RATE PROJECTION	5.67	5.72	5.72

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 "National Tax Consolidation" arrangement is in place, as per Articles 117 et seq. of Presidential Decree no. 917 of December 22, 1986 between the companies Engineering Ingegneria Informatica S.p.A., Engineering D.HUB S.p.A., Municipia S.p.A., Nexen S.p.A. and WebResults S.r.l. with the parent company Centurion Newco S.p.A. as from tax year 2021.

■ TAX AUTHORITY RELATIONS

In 2021, the subsidiary Livebox received a notice of challenge from the Inland Revenue Office - Provincial Directorate I of Rome for the purpose of recovering the tax credit used in offsetting in 2015, 2016 and 2017. The Tax Court of First Instance of Rome ruled on the appeal filed by the Company, rejecting it and the appeal is pending at present. At the same time as the notice of dispute in question, the Company also received payment orders for the same years 2015, 2016 and 2017, issued following the automated control of the returns, with a clear duplication of the tax claim against which it filed an appeal.

In 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 credit for "Research and Development" as per Article 3 of Legislative Decree no. 145/2013 and subsequent amendments. The Inland Revenue Office - Provincial Directorate II of Rome challenged the undue use of the credit in question, which took place in offsetting through F24, deeming the expenses incurred in R&D not eligible. Also considering the non-existent receivable, it extended joint and several liability to the transferee Cybertech, applying to the case reported in paragraph 4 of Article 14 of Italian Legislative Decree 472/1997. To date, the Company, after filing its briefs, has not received any notice of investigation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Euro)

Statement of Financial Position - Assets	Note	12.31.2022	12.31.2021 Restated
A) Non-current assets			
Property, plant and equipment	6	32,637,691	25,704,985
Intangible assets	7	575,097,186	554,180,081
Right of use	8	161,966,034	136,282,572
Goodwill	9	670,055,013	140,921,341
Equity investments	10	1,108,318	14,818
Deferred tax assets	11	52,380,465	33,576,568
Other non-current assets	12	5,260,517	2,824,924
Non-current financial assets	13	1,969,379	902,353
Total non-current assets		1,500,474,602	894,407,641
B) Current assets			
Inventory	14	2,221,073	2,909,588
Customer contract assets	15	205,292,113	208,758,748
Deferred contract costs	16	17,023,698	17,447,808
Trade receivables	17	543,763,318	623,113,637
Other current assets	18	71,725,431	62,185,988
Current financial assets	19	465,543	0
Cash and cash equivalents	20	211,202,186	132,918,842
Total current assets		1,051,693,363	1,047,334,610
C) Assets held for sale and held for distribution to owners		0	0
Total assets (A + B + C)		2,552,167,965	1,941,742,251

(in Euro)

Statement of Financial Position - Equity and Liabilities	Note	12.31.2022	12.31.2021 Restated
D) Shareholders' equity			
Share capital	22	34,095,537	34,095,537
Reserves	23	588,020,898	518,782,304
Retained earnings	24	170,291,101	197,969,275
Profit for the period		32,885,099	48,013,209
Group shareholders' equity		825,292,636	798,860,324
Capital and reserves of non-controlling interests		(6,480,058)	(5,656,748)
Profit/(loss) for the period of non-controlling interests		(3,394,467)	(630,172)
Total shareholders' equity	21	815,418,111	792,573,405
E) Non-current liabilities			
Non-current financial liabilities	25	492,718,089	133,158,741
Non-current lease liabilities	26	142,840,257	122,061,288
Deferred tax liabilities	27	36,168,139	29,467,576
Non-current provisions for risks and charges	28	4,743,178	3,495,074
Other non-current liabilities	29	37,910,083	33,306,862
Post-employment benefits	30	79,465,342	71,630,985
Total non-current liabilities		793,845,088	393,120,527
F) Current liabilities			
Current financial liabilities	31	168,050,289	106,739,076
Current lease liabilities	32	26,051,088	20,836,918
Current tax payables	33	27,659,206	12,528,848
Current provisions for risks and charges	34	23,107,359	18,048,435
Other current liabilities	35	228,108,801	190,445,171
Trade payables	36	469,928,023	407,449,871
Total current liabilities		942,904,765	756,048,318
G) Total liabilities (E + F)		1,736,749,854	1,149,168,846
H) Liabilities held for sale and held for distribution to owners	36	0	0
Total liabilities & shareholders' equity (D + G + H)		2,552,167,965	1,941,742,251

CONSOLIDATED INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

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(in Euro)			
Income Statement	Note	12.31.2022	12.31.2021 Restated
A) Total revenues			
Revenues	37	1,422,630,044	1,298,023,534
Other revenues	38	37,336,767	23,276,375
Total revenues		1,459,966,811	1,321,299,909
B) Operating expenses			
Raw materials and consumables	40	58,339,548	35,098,362
Service costs	41	501,210,492	437,762,484
Personnel costs	42	718,931,619	673,994,989
Amortisation and depreciation	43	71,361,971	56,370,920
Provisions	44	50,465,654	23,398,941
Other costs	45	13,879,390	24,461,737
Total operating expenses	39	1,414,188,674	1,251,087,432
C) Operating profit (A - B)		45,778,137	70,212,476
Financial income		8,740,632	10,379,954
Financial expenses		26,678,323	12,507,129
D) Net financial income (expenses)	46	(17,937,691)	(2,127,176)
E) Income/(expenses) from investment on acquisitions of NCI	47	8,578,148	(4,563,501)
F) Profit before taxes (C + D + E)		36,418,594	63,521,799
G) Income taxes	48	6,927,962	16,138,762
H) Consolidated profit for the period (F + G)		29,490,632	47,383,037
I) Profit/(loss) from discontinued operations, net of tax effect		0	0
L) Consolidated profit/(loss) for the year (H + I)		29,490,632	47,383,037
Non-controlling interest		(3,394,467)	(630,172)
Attributable to shareholders of the parent		32,885,099	48,013,209

(in Euro)			
Comprehensive Income Statement	Note	12.31.2022	12.31.2021 Restated
L) Income for the year		29,490,632	47,383,037
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		(3,500,575)	(1,666,648)
Tax effect related to other income/(loss) which will not be reclassified in income/(loss) for the year		819,490	399,996
Total other comprehensive income/(loss) which will not be reclassified in income/(loss) for the year, net of tax effect		(2,681,084)	(1,266,653)
N) Total other comprehensive income/(loss) which will be reclassified in income/(loss) for the year:			
Exchange gains/losses on non-euro accounts		3,046,712	(64,503)
Total other comprehensive income/(loss) which will be reclassified in income/(loss) for the year, net of tax effect		3,046,712	(64,503)
Total other comprehensive income/(loss), net of tax effect		365,627	(1,331,156)
O) Total comprehensive income for the year (L + M + N)		29,856,260	46,051,881
Non-controlling interest		(3,398,610)	(642,788)
Attributable to shareholders of the parent		33,254,870	46,694,669

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euro)

Group shareholders' equity							
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
Note	22	23	24				21
Balance as of 01.01.2021	34,095,537	514,617,549	107,473,717	190,603,374	846,790,177	(9,962,753)	836,827,424
Net profit for the year			-	48,013,209	48,013,209	(630,172)	47,383,037
Other net comprehensive items		(64,503)	(1,254,036)		(1,318,539)	(12,616)	(1,331,156)
Comprehensive income for the year	-	(64,503)	(1,254,036)	48,013,209	46,694,669	(642,788)	46,051,881
Allocation of the residual result of the previous year to retained earnings			190,603,374	(190,603,374)	0	-	0
Dividends distribution	-		(63,000,000)	0	(63,000,000)	-	(63,000,000)
Recognition of Put/Call Options for acquisitions and takeovers		4,229,257	(14,760,645)	-	(10,531,388)	-	(10,531,388)
Change in interests in subsidiaries and scope of consolidation			8,500,000	-	8,500,000	4,318,622	12,818,621
Change in interests for assets and liabilities held for sale and held for distribution to owners			(31,793,973)	-	(31,793,973)	-	(31,793,973)
Other changes			2,200,839	-	2,200,839	-	2,200,839
Transactions with shareholders and other movements	-	4,229,257	91,749,594	(190,603,374)	(94,624,522)	4,318,622	(90,305,902)
Balance as of 12.31.2021	34,095,537	518,782,304	197,969,275	48,013,209	798,860,324	(6,286,919)	792,573,405
Effect of IAS 8 reclassifications			(45,956,934)		(45,956,934)		(45,956,934)
Net profit for the year				32,885,099	32,885,099	(3,394,467)	29,490,632
Other net comprehensive items		3,046,712	(2,676,941)		369,771	(4,143)	365,627
Comprehensive income for the year	0	3,046,712	(2,676,941)	32,885,099	33,254,870	(3,398,610)	29,856,260
Allocation of the residual result of the previous year to retained earnings		450,000	47,563,209	(48,013,209)	0		0
Dividends distribution			(17,500,000)		(17,500,000)		(17,500,000)
Recognition of Put/Call Options for acquisitions and takeovers		11,971,549	(11,971,549)		0		0
Change in interests in subsidiaries and scope of consolidation					0	(188,995)	(188,995)
Reserve for payment for future capital increase	-	53,770,334			53,770,334		53,770,334
Other changes			2,864,042		2,864,042		2,864,042
Transactions with shareholders and other movements	0	66,191,883	20,955,701	(48,013,209)	39,134,376	(188,995)	38,945,381
Balance as of 12.31.2022	34,095,537	588,020,898	170,291,101	32,885,099	825,292,636	(9,874,525)	815,418,111

CONSOLIDATED CASH FLOW STATEMENT

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(in Euro)

Description	12.31.2022	12.31.2021
Cash collected from the sales of products/services - third parties	1,776,906,287	1,480,163,966
Cash paid for goods and/services - third parties	(752,249,686)	(606,750,141)
Personnel costs	(687,924,433)	(654,813,819)
Interest received for operating activities	167,591	68,079
Interest paid for operating activities	(2,702,073)	(282,089)
Exchange differences	(1,637,337)	(366,521)
Income tax payments and reimbursements	(53,671,574)	(62,544,654)
A) Total cash flow from operating activities	278,888,776	155,474,820
Sale of property, plant and equipment	50,599	34,144
Purchase of property, plant and equipment	(10,148,580)	(6,881,640)
Purchase of intangible assets	(44,545,645)	(16,444,756)
Collections for the sale of minority interests	1,596,468	0
Consideration paid for acquisition of businesses	(473,674,092)	(62,325,879)
Purchase of other investments and securities	(441,750)	(450)
Sale of other investments and securities	2,287,871	493,440
B) Total cash flow from investing activities	(524,875,129)	(85,125,140)
New loans	693,901,127	191,140,000
Repayment of loans	(363,155,886)	(141,974,323)
Payments for the acquisition of minority interests	(4,447,246)	(3,000,000)
Dividends distribution	(17,500,000)	(63,000,000)
Capital increase and reserves	53,770,334	523,021
Interest paid for financing activities	(15,461,842)	(8,212,629)
Repayment of lease liabilities	(22,836,789)	(21,626,445)
C) Total cash flow from financing activities	324,269,697	(46,150,377)
D) Cash flow absorbed from assets and liab. held for distr. to owners	0	(32,500,000)
E) = (A + B + C + D) change in cash and cash equivalents	78,283,345	(8,300,697)
F) Cash and cash equivalents at beginning of the period	132,918,842	141,219,539
G) = (E + F) cash and cash equivalents at end of the period	211,202,186	132,918,842

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 June 6, 1980.

With approx. 14,480 employees, and more than 70 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group generates approx. 18% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Banking, Energy & Utilities, Health and Public Administration sectors. It operates in the outsourcing and Cloud Computing market through an integrated network of 3 data centres located in Pont-Saint-Martin (AO), Turin and Vicenza, which manage 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) and mobile platforms for TLC.

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

These consolidated financial statements as of December 31, 2022 were approved by the Board of Directors of Engineering Ingegneria Informatica S.p.A. at the meeting on 16 March 16, 2023.

Following the implementation of the vaccination plan globally, albeit in different ways by individual states, it seems that the risk of running into a health emergency again has been significantly reduced.

Following the approval of the National Recovery and Resilience Plan (“PNRR”) by the Italian Government, the Group’s reference market will see a positive impact on demand. The PNRR envisages that numerous financial resources will be allocated to the implementation of the digitalisation of the country’s entire production system.

The other assumptions referring to the development of the macroeconomic scenario (such as, for example, the inflation rate, the GDP of the countries in which the Group operates and the trend in prices), the trend in financial markets and in exchange rates for the currencies to which the Group is exposed for purchases and sales, as well as the related effects on the development of the economic and equity aggregates underlying the Economic and Financial Plan, do not take into consideration the possible effects of the current conflict between Russia and Ukraine, as these cannot be quantified to date.

Moreover, note that the Group has no economic relations with customers in these countries.

With regard to access to the credit market and the trend of interbank interest rates to which the Group is subject for the repayment of financial payables, note that the Group’s debt cost is almost entirely tied to fixed rates, with medium/long-term maturities; therefore, any fluctuations have a negligible impact. An exception are hot money lines, whose use is limited and related to temporary cash needs, for which the rate refers to the 3-month Euribor depending on financial market trends.

With regard to the evolution of the criminal proceeding pending before the Public Prosecutor’s Office at the Court of Milan (R.G. 33849/18), note that, after the notification of the notice of conclusion of the preliminary investigations, a request for indictment was made for several natural persons and legal entities initially involved in the investigation, as reported in the press. However, the request for indictment did not concern Engineering, whose position was dismissed.

The consolidated financial statements as of December 31, 2022 were prepared in accordance with the International Accounting Standards (IAS/IFRS) and take into account the adjustments made to correct errors - as defined by IAS 8 - that arose as a result of a process checking the cost and revenue accounting methods of some of the contracts relating to Engineering’s Finance Division and the subsidiary Nexen S.p.A. (also

part of the Group's Finance Division), also carried out with the help of external consultants. This process has finished and refers to the current and previous years, as illustrated in detail in the explanatory notes to the consolidated financial statements. Therefore, in the financial statements, the data will be recorded in accordance with the aforementioned provisions in line with IAS 8.

For the purpose of preparing these consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities assumed were also completed (within 12 months from the acquisition date) in relation to the acquisition of companies by the Group. As envisaged by IFRS 3, the data emerged 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 December 31, 2021.

In order to provide a better presentation, the Group's financial assets and liabilities were also reclassified from trade receivables and payables to financial receivables and payables, also adjusting the comparison period to reflect the new exposure.

■ 1.1 CORRECTION OF MATERIAL ERRORS - IAS 8

IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) regulates, among other things, how to recognise and represent errors, including those from previous years.

As a result of the incorrect method of accounting for the costs and revenues of certain contracts of the Engineering's Finance Division and of the subsidiary Nexen S.p.A. (also part of the Group's Finance Division), it was necessary to make changes to the financial statements in application of IAS 8.

The following is a summary of the facts and accounting methods adopted.

In September 2022, Engineering's management, as a result of some deviations found between budget and final data referring to the end of August 2022, activated a process for checking the cost and revenue accounting methods of some of the contracts related to the Engineering's Finance Division and to the subsidiary Nexen S.p.A., also carried out with the help of external consultants. The audits concerning these contracts have been completed and led to the identification of errors committed, at least since the 2019 financial year, which had two results: an overestimation of balance sheet assets and the operating profit of the Engineering Group.

This was due to errors resulting from the allocation of costs in the management system, which led to the recognition - already in the years prior to the current one - of revenues:

- (i) not contractually defined, including by means of an association between the aforementioned costs and revenues contractually envisaged in subsequent financial years, but originating from cost components other than those that gave rise to the balance sheet assets as an offsetting item to the revenues;
- (ii) in advance of their accrual.

As a result of the errors referred to in points i) and ii), non-recoverable balance sheet assets have arisen during the financial years, including those prior to the current one, relating to Inventories of Customer contract assets (recognised in the financial statements under current assets in the item "Customer contract assets"), because they cannot be invoiced to customers.

The assessments were completed at the end of this financial year and allowed the Company to quantify the following accounting effects at Group level as of December 31, 2022:

- i. overestimation of the operating profit for the 2022 financial year by Euro 10.9 million;
- ii. overestimation of the balance sheet assets as of January 1, 2022 of Euro 46.0 million.

On the basis of the audits carried out, the Group is not materially able to establish with a precise determination the accrual of the overestimate of Euro 46.0 million in relation to each of the years prior to the current one, in that the information available in the management system does not allow to trace back in a precise manner the contracts in which the aforementioned errors were generated in previous years as it is not possible to keep track of them once they have been closed. On the other hand, the reconstruction is possible for the 2022

financial year in consideration of the availability of current information on the progress of the Group Finance Division's contracts and their current monitoring.

With regard to errors from previous years, the provisions of paragraphs 42 to 47 of IAS 8 apply. In the case at hand, as it is not possible to accurately and reasonably determine the effects of the error with regard to each financial year prior to the current one, owing to the process described above, which prevented the preservation of the historicity of the relevant data, it is deemed appropriate to adjust the opening balance of assets and shareholders' equity of 2022, when the error occurred, in order to reflect the lower value of the assets of Euro 46.0 million, by setting up a specific adjustment provision with the opening shareholders' equity of 2022 as a balancing entry.

With regard to the accounting treatment of the correction of errors referring to the current financial year, these must be corrected prior to the approval of the financial statements, as required by IAS 8 (par. 5), according to which "potential errors of the current financial year discovered in the same financial year shall be corrected before the publication of the financial statements is authorised". Therefore, in this specific case, the items in question have been corrected in the income statement for the current 2022 financial year, generating a corresponding impact on the operating profit, which was affected by the overestimation of Euro 10.9 million, and the corresponding amounts recognised in the statement of financial position.

Following the audits conducted within the Engineering's Finance Division, these analyses were also extended to all the other Market Divisions with the help of independent consultants; these analyses did not reveal any cases similar to those identified in the Finance Department.

In any case, specific provisions were made prudentially, amounting to approximately Euro 7.0 million (of which Euro 6.1 million relating to contract work in progress and Euro 0.9 million to invoices to be issued), on some positions relating to assets accrued in previous years and not yet invoiced, exclusively attributable to technical/commercial issues that emerged during the execution of the orders.

■ 1.2 OPERATIONS OF REORGANISATION OF CORPORATE STRUCTURE OF THE GROUP

Completion of accounting activities connected with acquisitions

C Consulting S.p.A.

In November 2021, Engineering Ingegneria Informatica S.p.A. acquired 100% of the company C Consulting S.p.A..

For the purpose of preparing these consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities assumed were completed (within 12 months from the acquisition date) in relation to the acquisition of C Consulting S.p.A. by the Parent Company.

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

(in Euro)			
Net assets acquired	Provisional fair value of net asset acquired	Fair value adjustments	Fair value of net asset acquired
Property, plant and equipment	53,498		53,498
Intangible assets	223,788	5,770,127	5,993,915
Right of use	362,597		362,597
Other non-current assets	61,329		61,329
Non-current financial assets	4,655		4,655
Trade receivables	1,458,480		1,458,480
Cash and cash equivalents	1,892,409		1,892,409
Other current assets	225,894		225,894
Non-current lease liabilities	(232,243)		(232,243)
Other non-current liabilities	(839,539)	(1,609,865)	(2,449,404)
Current financial liabilities	(1,579,585)		(1,579,585)
Current lease liabilities	(118,873)		(118,873)
Other current liabilities	(894,729)		(894,729)
Total net assets acquired	617,681	4,160,261	4,777,943
Total amount			15,029,000
Goodwill			10,251,057
Cash and cash equivalents			1,892,409
Net outflow resulting from the acquisition			13,136,591

As part of the fair value measurement of the assets acquired and liabilities assumed in accordance with IFRS 3, a net fair value adjustment of Euro 4.2 million emerged, against the recognition under intangible assets of Order Backlog, Customer Relationship, Technology and Brand of Euro 5.8 million (before deferred taxes of Euro 1.6 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 14.4 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 "Industry & Services".

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 balance-sheet and equity figures already temporarily included in the consolidated financial statements for the year ended December 31, 2021.

Movilitas Group

In December 2021, IT Soft USA Inc. acquired 100% of the US Movilitas Group.

For the purpose of preparing these consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities assumed were completed (within 12 months from the acquisition date) in relation to the acquisition of the Movilitas Group.

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

	(in Euro)		
Net assets acquired	Provisional fair value of net asset acquired	Fair value adjustments	Fair value of net asset acquired
Property, plant and equipment	302,362		302,362
Intangible assets	784,185	24,028,380	24,812,565
Other non-current assets	264,390		264,390
Trade receivables	8,037,515		8,037,515
Cash and cash equivalents	4,443,311		4,443,311
Other current assets	513,341		513,341
Other non-current liabilities	(204,709)		(204,709)
Other current liabilities	(3,894,072)		(3,894,072)
Trade payables	(4,699,216)		(4,699,216)
Total net assets acquired	5,547,107	24,028,380	29,575,487
Total amount			46,582,621
Goodwill			17,007,134
Cash and cash equivalents			4,443,311
Net outflow resulting from the acquisition			42,139,310

As part of the fair value measurement of the assets acquired and liabilities assumed in accordance with IFRS 3, a net fair value adjustment of Euro 24.0 million emerged, against the recognition under intangible assets of Order Backlog, Customer Relationship of Euro 24.0 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 41.0 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 "Industry & Services".

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 figures already temporarily included in the consolidated financial statements for the year ended December 31, 2021.

Plusure S.p.A.

On March 1, 2022, Plusure S.p.A. was wholly acquired by Engineering Ingegneria Informatica S.p.A..

Plusure is a dynamic company with experienced people who have been working in the high-end manufacturing industry for more than ten years. Plusure's core business is focused on IT professional services, including PLM (Product Lifecycle Management), MOD (Manufacturing Operations Management) and Enterprise Management Consulting solutions for companies aiming to improve their strategic business areas. The target sectors are Automotive, Aerospace & Defence, White Goods, Machinery where Plusure has a significant presence.

For the purpose of preparing these consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities assumed were completed (within 12 months from the acquisition date) in relation to the acquisition of Plusure S.p.A..

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

(in Euro)			
Net assets acquired	Provisional fair value of net asset acquired	Fair value adjustments	Fair value of net asset acquired
Property, plant and equipment	32,389		32,389
Intangible assets		2,050,245	2,050,245
Right of use	178,221		178,221
Equity investments	20,000	(20,000)	0
Other non-current assets	47,587		47,587
Non-current financial assets	5,750		5,750
Trade receivables	889,350		889,350
Cash and cash equivalents	363,124		363,124
Other current assets	18,557		18,557
Non-current lease liabilities	(104,095)		(104,095)
Other non-current liabilities	(572,837)	(572,018)	(1,144,855)
Current lease liabilities	(65,256)		(65,256)
Other current liabilities	(383,141)		(383,141)
Trade payables	(21,457)		(21,457)
Total net assets acquired	408,192	1,458,227	1,866,419
Total amount			5,600,000
Goodwill			3,733,581
Cash and cash equivalents			363,124
Net outflow resulting from the acquisition			5,236,876

As part of the fair value measurement of the assets acquired and liabilities assumed in accordance with IFRS 3, a net fair value adjustment of Euro 1.5 million emerged, against the recognition under intangible assets of Order Backlog, Customer Relationship of Euro 2.1 million (before deferred taxes of Euro -0.6 million).

As required by IFRS 3, the goodwill that emerged following the above accounting for the transaction was allocated to CGU "Industry & Services".

The full consolidation of this business combination from the acquisition date led to the recognition of revenues and net profit on the consolidated financial statements of the Engineering Group amounting to Euro 2.2 million and Euro 0.2 million, respectively.

If the acquired company had been fully consolidated from January 1, 2022, the consolidated revenues and consolidated net profit of 2022 of the Engineering Group would have been Euro 0.5 million and Euro 0.1 million higher, respectively.

The consideration paid as of the date of these financial statements was Euro 5.6 million (see paragraph 1.3 below).

Acquisitions for the period

Acquisition of the BE Shaping the Future Group

Effective from September 26, 2022, Overlord Bidco S.p.A. acquired 51.2% of the share capital of BE Shaping the Future S.p.A.. Subsequently, on December 28, 2022, the Compulsory Takeover Bid promoted pursuant to Articles 102 and 106, paragraph 1, of the Consolidated Law on Finance on the entirety of the shares of BE Shaping the Future S.p.A. was concluded; thus, Overlord Bidco S.p.A. became the holder of 100% of the share capital of BE Shaping the Future S.p.A.. BE Shaping the Future S.p.A. is an important and accredited company in consulting and solutions provider in the banking and insurance sector. The group operates in eight European countries offering services ranging from business consulting to the development of operational and technological solutions, with the aim of bringing innovation and excellence to its customers.

For the purpose of preparing these consolidated financial statements, the transaction was recognised, in accordance with IFRS 3, using the acquisition method, which entailed making a provisional estimate of the fair value of the assets acquired and the liabilities assumed.

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

(in Euro)	
Description	Provisional fair value of net assets acquired
Property, plant and equipment	2,692,880
Intangible assets	17,512,340
Unconsolidated equity investments	2,986,981
Right of use	8,854,825
Other non-current assets	975,078
Non-current financial assets	981,833
Trade receivables	70,826,410
Current financial assets	515,959
Cash and cash equivalents	17,292,019
Other current assets	1,660,857
Non-current financial liabilities	(20,551,814)
Non-current lease liabilities	(6,270,965)
Other non-current liabilities	(28,843,747)
Current financial liabilities	(24,085,211)
Current lease liabilities	(3,444,314)
Other current liabilities	(47,671,018)
Trade payables	(30,760,711)
Provisional fair value of assets acquired	(37,328,598)
Share capital	100.0%
Cost of acquisition	440,773,855
Goodwill	478,102,453
Cash and cash equivalents	(17,292,019)
Net outflow resulting from the acquisition	423,481,836

As permitted by IFRS 3, in the consolidated financial statements as of December 31, 2022, the fair value of the assets and liabilities of the Shaping the Future Group were recognised provisionally, entering the entire difference between the purchase cost and the assets acquired, net of the liabilities assumed, under “Goodwill” (Euro 478.1 million). More specifically, it was deemed appropriate to temporarily recognise the book values of the assets and liabilities already recorded in the consolidated financial statements of the BE Group, appropriately adjusted to render them compliant and consistent with the accounting standards and valuation criteria applied in the preparation of these consolidated financial statements, allocating the entire difference with respect to the acquisition cost to goodwill.

As required by IFRS 3, the goodwill that emerged following the above recognition of the transaction was allocated to CGU “Finance” and was subjected to impairment test on the acquisition date based on the method set out in IAS 36. Furthermore, this goodwill value will be fiscally non-deductible. Based on the valuation activities underway, the following main items will be impacted: intangible assets and deferred tax assets and liabilities and related effects on the income statement.

The full consolidation of this business combination from the acquisition date led to the recognition of revenues and net profit on the consolidated financial statements of the Engineering Group amounting to Euro 73.2 million and Euro 3.2 million, respectively.

If the acquired company had been fully consolidated from January 1, 2022, the consolidated revenues and consolidated net profit of 2022 of the Engineering Group would have been Euro 193.1 million higher and Euro -2.9 million lower, respectively.

The provisional fair value of receivables acquired is equal to Euro 70.8 million. The consideration paid as of the date of these financial statements was Euro 440.8 million (see paragraph 1.3 below).

Acquisition of the Atlantic Group

On November 15, 2022, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired 100% of the share capital of Atlantic Technologies S.p.A., which in turn holds 100% of the share capital of Atlantic Technologies Europe Ltd.

For the purpose of preparing these consolidated financial statements, the transaction was recognised, in accordance with IFRS 3, using the acquisition method, which entailed making a provisional estimate of the fair value of the assets acquired and the liabilities assumed.

(in Euro)	
Description	Provisional fair value of net assets acquired
Property, plant and equipment	237,020
Intangible assets	209,837
Right of use	3,636,006
Other non-current assets	205,096
Non-current financial assets	38,263
Trade receivables	7,188,088
Current financial assets	777,834
Cash and cash equivalents	4,494,074
Other current assets	2,765,168
Non-current financial liabilities	(1,959,331)
Non-current lease liabilities	(4,227,515)
Other non-current liabilities	(371,507)
Current financial liabilities	(982,663)
Other current liabilities	(6,214,565)
Trade payables	(3,187,270)
Provisional fair value of assets acquired	2,608,536
Share capital	100.0%
Cost of acquisition	49,407,918
Goodwill	46,799,382
Cash and cash equivalents	(4,494,074)
Net outflow resulting from the acquisition	44,913,844

As permitted by IFRS 3, in the consolidated financial statements as of December 31, 2022, the fair value of the assets and liabilities of the Atlantic Group were recognised provisionally, entering the entire difference between the purchase cost and the assets acquired, net of the liabilities assumed, under goodwill (Euro 46.8 million). More specifically, it was deemed appropriate to temporarily recognise the book values of the assets and liabilities already recorded in the financial statements of the Atlantic Group, appropriately adjusted to render them compliant and consistent with the accounting standards and valuation criteria applied in the preparation of these consolidated financial statements, allocating the entire difference with respect to the acquisition cost to goodwill.

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

Based on the valuation activities underway, the following main items will be impacted: intangible assets and deferred tax assets and liabilities and related effects on the income statement.

The provisional fair value of receivables acquired is equal to Euro 7.2 million.

The full consolidation of this business combination from the acquisition date led to the recognition of revenues and losses in the consolidated financial statements of the Engineering Group amounting to Euro 3.3 million and Euro -0.2 million, respectively.

If the acquired company had been fully consolidated from January 1, 2022, the consolidated revenues and consolidated net profit of 2022 of the Engineering Group would have been Euro 23.3 million and Euro 2.2 million higher, respectively.

The consideration paid as of the date of these financial statements was Euro 39.4 million (see paragraph 1.3 below).

■ 1.3 PURCHASE OF INVESTMENTS IN SUBSIDIARIES

During the year 2022, 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 Euro)												Total
12.31.2022	C Consulting S.p.A.	In Valmalenco S.B. S.r.l.	BE Shaping the Future S.p.A.	Movilitas group	BW digitronik A.G.	Atlantic Tech. S.p.A.	Plusure S.p.A.	Inf.Or	Nexera S.p.A.	Design Automation Associates (DAA)	Livebox S.r.l.	
Cash payments leading to obtaining control		57,000	440,773,855		1,069,167	39,407,918	3,555,511					484,863,451
Cash and cash equivalents acquired			(17,292,019)			(4,335,708)	(363,124)					(21,990,851)
Earn out payment	764,719			4,687,793			445,000	621,260	382,834	2,632,142	1,267,744	10,801,492
Cash flow for the purchase of subsidiaries investments, net of cash and cash equivalents	764,719	57,000	423,481,836	4,687,793	1,069,167	35,072,210	3,637,387	621,260	382,834	2,632,142	1,267,744	473,674,092

Argentina has a long history of political and economic instability with significant growth fluctuations every year. In 2022, the Country had an estimated GDP growth of 4%. South America's second largest economy was again affected by the highest inflation in the last twenty years, accumulating over 94%, and the local currency depreciated by 62% in 2022.

Consistent with the provisions set out in IAS 29 - Financial Reporting in Hyperinflationary Economies, the restatement of the financial statements as of December 31, 2022 as a whole entailed 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 December 31, 2022. For the purpose of converting the income statement thus redetermined into Euro, the exchange rate as of December 31, 2022 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 0.05 million for 2022;
- with regard to the statement of financial position, the monetary elements have not been restated since 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 of initial recognition of assets and liabilities to the end of the period;
- the effect determined on the net monetary position for the portion generated during 2022 (total income of Euro 1.0 million) was recognised in the income statement under net financial income.

2 Form, contents and accounting standards

These consolidated financial statements as of December 31, 2022 have been prepared under International Financial Reporting Standards (IFRS), as defined hereinafter, issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission as per the procedure set down by Article 6 of Regulation (EC) 1606/2002 of the European Parliament and the European Council of July 19, 2002. The IFRS Standards also include all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Standard Interpretations Committee, previously named "Standard Interpretations Committee" (SIC). The IFRS standards have been applied consistently with the periods disclosed herein and, taking account of the best literature on this issue, any future directions and interpretation updates will be reflected in the following financial statements, according to modalities envisaged from time to time by the reference standards.

These 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 financial liabilities, deferred tax assets and liabilities and customer contract 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.

In 2022, the Group updated the estimation model relating to the calculation of the expected credit loss which supports the specific provisions. In particular, on the basis of the historical series recorded, write-down percentages have been defined for overdue credit. These percentages are applied to the aging brackets regardless of the type of customer and/or segment and are calculated automatically on a monthly basis on the credit portfolio open on that date.

Impairment of assets (Goodwill and Trademark)

As explained in more detail in paragraph "Goodwill" 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 2023 and, for subsequent years, the forecasts included in the 2023 - 2027 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 "Finalization of accounting activities related to purchase price allocation on 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:

- margins 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.

Trade receivables

The Management carefully reviews the outstanding trade receivables, also considering their seniority, collection time and credit risk coverage. The specific and general impairment losses recognised are based on the Management's best estimates at the reporting date.

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 2022, the Company did not encounter any particular problems with the collection of trade receivables. All market segments do not report any specific problems in relation to the persistent Covid-related emergency and most of the customers are large companies with primary creditworthiness.

After evaluating the historical and forward-looking information, the Company decided, however, to use a new credit management procedure, starting from 2022, which combines specific provisions with a generic method based on objective elements. This method also makes it possible to correctly hedge the entire portfolio in proportion to the risk.

Receivable from Sicilia Digitale S.p.A.

As explained in more detail in paragraph "Trade receivables" of these notes, receivables from customers include receivables as of December 31, 2022 from Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A. or "SISE"), which amounted to Euro 131.1 million (not including the related allowance for bad debt provision amounting to Euro 37.8 million and the related allowance for bad debt provision for interest on arrears equal to Euro 52.4 million), of which 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 May 21, 2007 and expired on December 22, 2013.

(in Euro million)

Description	12.31.2022
Trade receivables and customer contract assets	131,1
Allowance for bad debt provision	(90,2)
Total	40,9

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 December 31, 2022 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%
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 S.r.l.	Rome	10,000 Euro		100.00%	100.00%
Omnitechit Secur s.l.	Madrid	3,000 Euro		100.00%	100.00%
Omnitechit GmbH ^(*)	Geilenkirchen (Germany)	25,000 Euro		100.00%	100.00%
BW digitronik A.G.	Ulster (Svizzera)	400,000 CHF		100.00%	100.00%
Securetech Nordic A.b.	Stockholm	50,000 SEK		100.00%	100.00%
OmnitechIT Security AS	Oslo	30,000 NOK		100.00%	100.00%
Omnisecure d.o.o. ^(*)	Belgrade	2,466,177 Rsd		60.00%	60.00%
Pragma	Sommacampagna	100,000 Euro		51.00%	51.00%
Nexen S.p.A.	Padua	1,500,000 Euro	100.00%		100.00%
Engineering software lab d.o.o.	Belgrade	452,000 Rsd	100.00%		100.00%
Nexera S.p.A.	Naples	678,750 Euro	60.00%		60.00%
F.D.L. Servizi S.r.l.	Breno	20,800 Euro	95.00%		95.00%
Engi da Argentina S.A.	Buenos Aires	49,900,000 Ar\$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	Sao Paulo (Brazil)	51,630,020 Reais	100.00%		100.00%
Engineering Ingegneria Informatica Spain S.L.	Madrid	100,000 Euro	100.00%		100.00%
Engineerin Eng USA INC.	Chicago	260,800 Usd	94.34%		94.34%
Engineering Mexico Informatica S. de R.L.	Monterrey (Mexico)	2,015,140 MXN	10.00%	87.62%	97.62%
Movilitas Consulting Uk Ltd	United Kingdom	100 GBP		94.34%	94.34%
Movilitas Cloud KFT	Hungary	3,000,000 HUF		94.34%	94.34%
Movilitas India LLP	India	7,000,000 INR		94.34%	94.34%
Movilitas Consulting GmbH	Germany	8,714,214 Euro		94.34%	94.34%
Naxxos BV	Belgium	777,583 Euro		94.34%	94.34%
Movilitas Belgium BV	Belgium	4,208,081 Euro		94.34%	94.34%
Movilitas France SAS	France	30,000 Euro		94.34%	94.34%
Movilitas Cloud BV	Belgium	18,550 Euro		94.34%	94.34%
Plusure S.p.A.	Milan	50,000 Euro	100.00%		100.00%
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%

Company	Registered office	Share Capital	Percentage of share capital held		
			Direct	Indirect	Total
Livebox s.r.l. (former Sogeit Solutions S.r.l.)	Rome	100,000 Euro	100.00%		100.00%
Atlantic Technologies S.p.A.	Milan	50,000 Euro	100.00%		100.00%
Atlantic Technologies Europe S.p.A.	London	1,000 GBP		100.00%	100.00%
Digitematica S.r.l.	Lomazzo	100,000 Euro	100.00%		100.00%
C Consulting S.p.A.	Genoa	174,395 Euro	100.00%		100.00%
Be Shaping the Future S.p.A	Rome	27,109,165 Euro	100.00%		100.00%
Be Shaping the Future Corporate Services S.p.A.	Rome	450,000 Euro		100.00%	100.00%
Be DigiTech Solutions S.p.A.	Rome	7,548,441 Euro		100.00%	100.00%
Be Management Consulting S.p.A.	Rome	120,000 Euro		100.00%	100.00%
Be The Change S.r.l.	Milan	10,000 Euro		100.00%	100.00%
Iquii S.r.l	Rome	10,000 Euro		100.00%	100.00%
Be Your Essence S.r.l.	Milan	300,000 Euro		100.00%	100.00%
Be Think Solve Execute RO S.r.l.	Bucharest	22,000 RON		100.00%	100.00%
Be Shaping the Future sp z.o.o	Warsaw	1,000,000 PLN		100.00%	100.00%
Be Ukraine LLC	Kiev	20,116 UAH		100.00%	100.00%
Be Shaping the Future Management Consulting Ltd	London	91,898 GBP		100.00%	100.00%
Be Shaping The Future - Performance, Transformation, Digital GmbH	Munich	102,258 Euro		100.00%	100.00%
Be Shaping The Future AG	Munich	1.882,000 Euro		100.00%	100.00%
Be Shaping The Future GmbH	Wien	35,000 Euro		100.00%	100.00%
Be TSE Switzerland AG	Zurich	100,000 CFH		100.00%	100.00%
Be Shaping the Future SARL	Luxembourg	12,000 Euro		100.00%	100.00%
Be Shaping the Future Czech republic s.r.o.	Prague	120,000 CZK		100.00%	100.00%
Firstwaters GmbH	Wien	125,000 Euro		100.00%	100.00%
Crispy Bacon Shpk	Tirana	10,000 ALL		90.00%	90.00%
Firstwaters GmbH	Frankfurt	40,000 Euro		85.71%	85.71%
Payments and Business Advisors S.l.	Madrid	3,000 Euro		80.00%	80.00%
Be World of Wonders S.r.l	Rome	10,000 Euro		75.00%	75.00%
Tesla Consulting S.r.l.	Bologna	10,000 Euro		60.00%	60.00%
Quantum Leap S.r.l.	Rome	21,276 Euro		60.00%	60.00%
Paystrat Solutions SL (Pyngo)	Madrid	10,265 Euro		65.26%	65.26%
Soranus AG	Zurich	100,000 CFH		55.00%	55.00%
Synapsy S.r.l	Milan	10,000 Euro		51.00%	51.00%
Crispy Bacon S.r.l.	Marostica	12,000 Euro		51.00%	51.00%
In Valmalenco S.B. S.r.l.	Rome	66,500 Euro	60.00%		60.00%
Overlord Bidco S.p.A.	Milan	50,000 Euro	100.00%		100.00%
Engineering Its Ag	Berlin	50,000 Euro	100.00%		100.00%
Engineering Software Labs s.r.o. ^(*)	Prague	100,000 CZK		100.00%	100.00%
Engineering Its Schweiz A.g. ^(*)	Zurich	100,000 CFH		100.00%	100.00%

(*) In liquidation

Changes in the consolidation scope compared to December 31, 2021, relate to transactions carried out during the period as summarised below:

- on March 1, 2022, but with economic effect from January 1, 2022, Engineering Ingegneria Informatica S.p.A. formalised the merger by incorporation of the following subsidiaries:
 - Engineering 365 S.r.l.;
 - DEUS Technology S.r.l.;
 - Engiweb Security S.r.l..

Given the nature of these transactions, they had no accounting impact on the consolidated financial statements of Engineering Group in terms of the value of the assets and liabilities of the companies involved.

- On March 1, 2022, Engineering Ingegneria Informatica S.p.A. acquired 100% of the share capital of the company Plusure S.p.A.;
- on July 25, 2022, the company Overlord Bidco S.p.A. was established with payment of the entire share capital of Euro 50,000 by Engineering Ingegneria Informatica S.p.A.. On 23 September 2022, a further Euro 60,772,685 was paid in as a future share capital increase;
- on September 8, 2022, a new company called “In Valmalenco S.B. S.r.l.” was established, a project company (special purpose vehicle) for the management of a concession that Municipia S.p.A. was awarded as agent of a RTI (temporary association of companies) in 2022. 60% of the share capital of the project company is held by Municipia and the remaining 40% by the company CISA, principal in the RTI that won the tender;
- on September 26, 2022, the purchase by the subsidiary Overlord Bidco S.p.A. of 51.2% of the ordinary shares of BE Shaping the Future S.p.A. was finalised;
- on October 1, 2022 and with economic effect from October 1, 2022, IT Soft USA Inc. formalised the merger by incorporation of the following Movilitas Group companies:
 - Movilitas Consulting LLC;
 - Stretford Holding LLC;
 - Movilitas Cloud LLC;
- on October 18, 2022, but with economic effect from January 1, 2022, Movilitas Consulting GmbH It Soft formalised the merger by incorporation of Movilitas Consulting Germany Holdings GmbH;
- on November 15, 2022, Engineering acquired 100% of Atlantic Technologies S.p.A.. As a result of this transaction, Engineering Ingegneria Informatica S.p.A. indirectly holds full control of Atlantic Technologies Europe Ltd;
- on November 25, 2022, Cybertech acquired the remaining 49% of the equity investment of BW digitronik A.G.;
- on November 30, 2022, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired the remaining 20% of the equity investment of Digitelematica S.p.A.;
- on December 28, 2022, the Compulsory Takeover Bid promoted pursuant to Articles 102 and 106, paragraph 1, of the Consolidated Law on Finance on the entirety of the shares of BE Shaping the Future S.p.A. was concluded; thus, Overlord Bidco S.p.A. became the holder of 100% of the share capital of BE Shaping the Future S.p.A..

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 statements.

(in Euro)

Company	Share held by non-controlling holders		Profit/(loss) held by non-controlling holders		Equity held by non-controlling holders	
	12.31.2022	12.31.2021	12.31.2022	12.31.2021	12.31.2022	12.31.2021
Sicilia e-Servizi Venture S.c.a.r.l.	35.0%	35.0%	(3,687,566)	(32,989)	(9,340,784)	(9,307,795)
Pragma S.r.l.	49.0%	49.0%	27,704	14,813	155,659	153,748
Omnisecure d.o.o.	40.0%	40.0%	4,933	12,712	69,893	53,214
Nexera S.p.A.	40.0%	40.0%	(109,190)	(248,930)	347,970	430,875
In Valmalenco S.B. S.r.l.	40.0%		14,800		26,600	
Other non-controlling interests	n/a	n/a	354,852	(375,777)	2,260,605	3,013,210
Total			(3,394,467)	(630,172)	(6,480,058)	(5,656,748)

The table below represents the balances before intercompany eliminations:

(in Euro)

Description	Sicilia e-Servizi Venture S.c.a.r.l.		Pragma S.r.l.		Omnisecure d.o.o.		Nexera S.p.A.		In Valmalenco S.B. S.r.l.	
	12.31.2022	12.31.2021	12.31.2022	12.31.2021	12.31.2022	12.31.2021	12.31.2022	12.31.2021	12.31.2022	12.31.2021
Non-current assets	0	0	192,074	203,982	31	19,075	2,517,970	2,012,129	366,000	
Current assets	42,252,205	52,679,468	4,398,151	3,055,585	255,573	313,800	3,311,910	2,357,800	290,891	
Non-current liabilities	328	328	571,360	528,495	20,044	25,232	1,891,242	1,869,566		
Current liabilities	79,475,735	79,367,096	3,644,656	2,387,069	48,496	142,831	3,341,687	2,045,499	553,391	
Group shareholders' equity	(17,347,171)	(17,285,905)	162,012	160,024	104,839	79,820	521,956	646,313	39,900	
Non-controlling interest shareholders' equity	(9,340,784)	(9,307,795)	155,659	153,748	69,893	53,214	347,970	430,875	26,600	
Revenues	4,784	2,064	4,356,719	3,409,361	480,165	561,037	3,022,232	2,099,089	224,391	
Expenses	(10,540,686)	(96,318)	(4,300,181)	(3,379,131)	(467,833)	(529,258)	(3,295,206)	(2,721,414)	(187,391)	
Profit/(Loss) for the year	(10,535,902)	(94,254)	56,538	30,230	12,333	31,779	(272,975)	(622,325)	37,000	
Group Profit/(Loss) for the year	(6,848,337)	(61,265)	28,834	15,417	7,400	19,067	(163,785)	(373,395)	22,200	
Profit/(Loss) for the year of non-controlling interest	(3,687,566)	(32,989)	27,704	14,813	4,933	12,712	(109,190)	(248,930)	14,800	
Cash flow from operating activities	(35,264)	(110,980)	638,668	(6,438)	53,381	(33,119)	542,235	1,113,165	0	
Cash flow from investing activities	0	0	(72,130)	(8,438)	0	0	(107,533)	(1,013)	0	
Cash flow from financing activities	0	0	(57,274)	(72,839)	0	(37,579)	(518,223)	(978,500)	66,500	
Total Cash Flows	(35,264)	(110,980)	509,265	(87,714)	53,381		(83,521)	133,652	66,500	

The company In Valmalenco S.B. S.r.l. was acquired by Municipia S.p.A. on September 8, 2022.

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 indicators show 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

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; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

The liability is subsequently restated to take account of any new valuations or changes in the lease or revision of substantially fixed payments, it is reduced as a result of payments and is increased to reflect interest. Variable payments that do not depend on indices or rates and are therefore not reflected in the liability relating to the lease contract must be recorded in the income statement when the instalment is paid.

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

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

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

The right of use assets 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 asset 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 (recognised 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.

■ 4.3 INTANGIBLE ASSETS

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
Rights, patents and licenses	1 - 5 years
Engineering Trademark	Indefinite
Concessions, licenses and trademarks	1 – 8 years
Customer Relationship/Customer list	1 – 5 years

The amortisation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each 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 recorded during the financial year in which they are incurred.

Concessions, licenses and trademarks

Costs associated with the purchase of rights, concessions, patents, 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 (CGU) 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, assuming 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 OTHER 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 for obtaining a contract

IFRS 15 allows for the capitalisation of costs for 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 recorded 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 recorded 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.

As shown in the section “Key sources of estimation uncertainty”, in 2022 the Group updated the estimation model relating to the calculation of the expected credit loss which supports the specific provisions. In particular, on the basis of the historical series recorded, write-down percentages have been defined for overdue credit. These percentages are applied to the aging brackets regardless of the type of customer and/or segment and are calculated automatically on a monthly basis on the credit portfolio open on that date.

■ 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 capital reserves for specific purpose.

■ 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, differently from the derivative instruments, are initially recorded 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 not dependent to the mere elapsing of time (unwinding of price discount);
- (ii) recorded 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.

■ 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. However, information is provided in this regard.

■ 4.22 REVENUES AND COSTS

Revenues

The Group recognises revenues deriving from contracts with customers and the related effects on accounts through the following steps:

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

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

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

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

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

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

The difference between the revenue recognised and the billing already carried out to certify the progress of the work is recorded as "Activities deriving from contracts with customers".

Any up-front fees (non-refundable) received by the customers 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 rates.

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 by the Group has been provided (e.g. tax has been paid by the tax payer).

The direct costs charged to the tax collection activity which are considered recoverable through the fees that are reasonably expected to be collected over the duration of the contract are recognised, up to the moment the obligation is fulfilled, among the "Deferred contract costs".

Any up-front fees (non-refundable) received by the customer are recognised over the duration of the service.

Assistance - and maintenance-based contracts

This type of contract generally includes assistance and maintenance services, innovative cloud services, and licensing granted as a service, therefore on a right-to-access basis.

Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services provided by the Group.

The amount to be invoiced is representative of the service provided monthly/quarterly to the customer.

Any up-front fees (non-refundable) received by the customer 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 are related to cost components, they are recorded as revenues, and systematically allocated to different periods in order to offset the costs to which they relate.

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

The 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 "Trade receivables" 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 November 12, 2010, effective on January 1, 2011. During the financial year the Company carried out transactions with a number of related parties.

All balances with related parties were determined under normal market conditions. The general conditions governing transactions with 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 December 31, 2022 were applied.

Accounting standards, amendments and IFRS interpretations applied as of January 1, 2022

The following accounting principles, amendments and IFRS interpretations were applied for the first time by the Group as of January 1, 2022.

- On May 14, 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 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 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.

The adoption of these amendments had no impact on the Group's consolidated financial statements.

IFRS accounting standards, amendments and interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance by the Group as of December 31, 2022

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

The aim of the new standard is to ensure that an entity provides relevant information that accurately represents the rights and obligations arising from insurance contracts issued. 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; and,
- 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 January 1, 2023 but early application is allowed solely for entities which apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. No significant effect on the Group's consolidated financial statements is expected by the Directors from the adoption of this standard.

- On December 9, 2021, the IASB published the "**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information**". The amendment is a transition option relating to comparative information about financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thereby improve the usefulness of comparative information for readers of financial statements. The amendments will be applied as from January 1, 2023, together with the application of the IFRS 17. No significant effect on the Group's consolidated financial statements is expected by the Directors from the adoption of this amendment.

- On February 12, 2021, the IASB published two amendments: **“Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2”** and **“Definition of Accounting Estimates – Amendments to IAS 8”**. The purpose of the amendments is to improve the disclosure of accounting policies in order to provide more useful information to investors and to other primary users of financial statements as well as to help companies distinguish the changes in accounting estimates from changes in the accounting policy. The amendments will be applied as from January 1, 2023 but earlier application is permitted. The Directors are currently evaluating the possible effects of the introduction of these amendments on the Group’s consolidated financial statements.
- On 7 May 2021, the IASB published the **“Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”**. The document clarifies how deferred tax relating to transactions that may generate assets and liabilities of an equal amount, such as leases and dismantling obligations should be recognised. The amendments will be applied as from January 1, 2023 but earlier application is permitted. No significant effect on the Group’s consolidated financial statements is expected by the Directors from the adoption of this amendment.

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 January 23, 2020, the IASB published the **“Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”** and on October 31, 2022 published the **“Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”**. The documents aim to clarify how payables and other short or long-term liabilities should be classified. The amendments are applicable as from January 1, 2024 but earlier application is permitted. No significant effect on the Group’s consolidated financial statements is expected by the Directors from the adoption of this amendment.
- On December 9, 2021, the IASB published the **“Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information”**. The amendment is a transition option relating to comparative information about financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thereby improve the usefulness of comparative information for readers of financial statements. The amendments will be applied as from January 1, 2023, together with the application of the IFRS 17. No significant effect on the Group’s consolidated financial statements is expected by the Directors from the adoption of this amendment.
- On September 22, 2022, the IASB published the **“Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback”**. The document requires the seller-lessee to assess the lease liability deriving from a sale and leaseback transaction so as not to recognise an income or a loss that refers to the retained right of use. The amendments will be applied as from January 1, 2024 but earlier application is permitted. No significant effect on the Group’s consolidated financial statements is expected by the Directors from the adoption of this amendment.
- On January 30, 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. As the Company/the Group is not a first-time adopter, this standard is not applicable.

■ 4.30 SEASONALITY OF GROUP TRANSACTIONS

The activities of the Group are not subject to seasonality directly related to the type of business involved.

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 the costs of central structures, 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 Euro million)

Description	12.31.2022		12.31.2021	
Total revenues				
Finance	291.7	+20.5%	279.1	+21.5%
Public Administration	314.9	+22.1%	296.0	+22.8%
Health	117.0	+8.2%	98.1	+7.6%
Industry & Services	374.9	+26.3%	292.9	+22.6%
Telco & Media	115.1	+8.1%	133.5	+10.3%
Energy & Utilities	209.0	+14.7%	198.4	+15.3%
Total revenues	1,422.6	+100.0%	1,298.0	+100.0%
Other revenues	37.3		23.3	
Total revenues	1,460.0		1,321.3	

There are not any intersegment revenues.

The main services offered by the Group are indicated in note 37. 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.

Below is an analysis of the Group's adjusted EBITDA by operating segment.

(in Euro million)

Description	12.31.2022		12.31.2021	
Adjusted EBITDA				
Finance	57.2	+27.4%	73.2	+36.9%
% of revenues	+19.6%		+26.2%	
Public Administration	43.5	+20.8%	36.9	+18.6%
% of revenues	+13.8%		+12.5%	
Health	25.7	+12.3%	20.5	+10.3%
% of revenues	+21.9%		+20.9%	
Industry & Services	42.2	+20.2%	29.3	+14.8%
% of revenues	+11.2%		+10.0%	
Telco & Media	11.5	+5.5%	13.1	+6.6%
% of revenues	+10.0%		+9.8%	
Energy & Utilities	28.6	+13.7%	25.2	+12.7%
% of revenues	+13.7%		+12.7%	
Total adjusted EBITDA	208.6	+100.0%	198.2	+100.0%
% of revenues	+14.7%		+15.3%	

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 Euro million)

Description	12.31.2022					12.31.2021				
	Customer list	Intangible assets	Total intangible assets	Goodwill	Total	Customer list	Intangible assets	Total intangible assets	Goodwill	Total
Finance	23,707,790	0	23,707,790	533,198,077	556,905,867	25,926,790	0	25,926,790	55,424,246	81,351,036
Goodwill of Public Sector & Municipalities	710,364	0	710,364	21,932,723	22,643,087	1,416,942	0	1,416,942	21,932,723	23,349,665
Healthcare	0	0	0	10,796,515	10,796,515	0	0	0	10,796,515	10,796,515
Industry & Services	23,204,423	0	23,204,423	79,789,021	102,993,444	34,234,917	0	34,234,917	28,429,180	62,664,098
Telco & Media	0	0	0	10,292,146	10,292,146	0	0	0	10,292,146	10,292,146
Energy & Utilities	0	0	0	14,046,531	14,046,531	0	0	0	14,046,531	14,046,531
Total operating sectors	47,622,577	0	47,622,577	670,055,013	717,677,590	61,578,650	0	61,578,650	140,921,341	202,499,990
Unallocated assets	0	527,474,608	527,474,608	0	527,474,608	0	492,601,431	492,601,431	0	492,601,431
Total	47,622,577	527,474,608	575,097,186	670,055,013	1,245,152,198	61,578,650	492,601,431	554,180,080	140,921,341	695,101,421

A) Non-current assets

6 Property, plant and equipment

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Property, plant and equipment	32,637,691	25,704,985	6,932,706

(in Euro)						
Description	Land and buildings	Plant and machinery	Ind. and comm. equipment	Other assets	Leasehold improvements	Total
Historical cost as of 12.31.2021	8,943,276	9,267,139	34,824,177	8,329,994	562,076	61,926,662
Acc. depreciation as of 12.31.2021	1,668,158	5,033,549	24,787,623	4,443,061	289,285	36,221,677
Balance as of 12.31.2021	7,275,118	4,233,590	10,036,554	3,886,933	272,791	25,704,985
Historical cost as of 12.31.2022	8,937,385	10,485,054	28,247,973	15,651,634	1,083,537	64,405,582
Acc. depreciation as of 12.31.2022	2,011,964	6,068,883	14,388,064	8,889,798	409,181	31,767,891
Balance as of 12.31.2022	6,925,421	4,416,170	13,859,908	6,761,836	674,355	32,637,691

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

(in Euro)						
Description	Land and buildings	Plant and machinery	Ind. and comm. equipment	Other assets	Leasehold improvements	Total
Balance as of 01.01.2021	7,573,935	3,244,785	10,748,216	4,480,385	358,964	26,406,285
Business combination	0	118	176,624	229,218	512	406,473
Exchange difference effect	(22,530)	(5)	9,236	9,484	3,729	(86)
Increase	61,346	1,972,730	4,184,182	385,670	0	6,603,928
Disposal	0	0	(360,886)	(204,599)	(3,680)	(569,165)
Depreciation	(337,633)	(984,039)	(4,720,817)	(1,013,226)	(86,735)	(7,142,450)
Balance as of 12.31.2021	7,275,118	4,233,590	10,036,554	3,886,933	272,791	25,704,985
Business combination	0	143,297	50,550	2,298,192	472,983	2,965,022
Exchange difference effect	(67,891)	631	27,844	22,238	34,522	17,344
Increase	62,000	1,075,291	9,108,298	2,070,154	13,955	12,329,699
Disposal	0	(40,173)	(572,679)	(360,185)	(65,863)	(1,038,900)
Depreciation	(343,806)	(996,465)	(4,790,660)	(1,155,495)	(54,033)	(7,340,460)
Balance as of 12.31.2022	6,925,421	4,416,170	13,859,908	6,761,836	674,355	32,637,691

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.

The increases are substantially due to purchases of assets made during the year, while the decreases relate to the disposal of obsolete assets.

- “Plant and machinery” increases are due to the installation of air conditioning, telecommunications and safety systems in a number of Group 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, as well as following the closure of the Assago office.
- The increase in “Other assets” refers to the purchase of furniture and fittings.

7 Intangible assets

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(in Euro)			
Description	12.31.2022	12.31.2021	Change
Intangible assets	575,097,186	554,180,081	20,917,105

(in Euro)						
Description	Development costs	Industrial patents and intellectual property	Concessions, licenses and trademarks	Assets in progress	Customer relationship/customer list	Total
Historical cost as of 12.31.2021	47,333,401	33,230,110	453,440,441	3,016,592	189,866,008	726,886,552
Acc. depreciation as of 12.31.2021	18,959,614	25,367,837	91,663	0	128,287,358	172,706,472
Balance as of 12.31.2021	28,373,788	7,862,273	453,348,778	3,016,592	61,578,650	554,180,081
Historical cost as of 12.31.2022	72,574,455	53,938,166	453,441,700	19,327,592	230,677,972	829,959,885
Acc. depreciation as of 12.31.2022	27,488,699	44,222,316	96,290	0	183,055,395	254,862,700
Balance as of 12.31.2022	45,085,756	9,715,850	453,345,410	19,327,592	47,622,577	575,097,186

The changes in intangible assets are detailed as follows:

(in Euro)						
Description	Development costs	Industrial patents and intellectual property	Concessions, licenses and trademarks	Assets in progress	Customer relationship/customer list	Total
Balance as of 01.01.2021	12,490,645	7,100,665	453,291,366	7,743,189	46,038,684	526,664,548
Business combination	1,842,290	611,759	58,614	0	102,432	2,615,095
Exchange difference effect	72	31,171	31	3,999	8,749	44,022
Increase	11,721,437	6,165,963	2,716	2,837,073	34,241,170	54,968,358
Reclassification	7,567,668			(7,567,668)		0
Disposal	(1,222)	(264,457)	3,405	0	920	(261,354)
Depreciation	(5,247,101)	(5,782,828)	(7,354)	0	(18,813,305)	(29,850,588)
Balance as of 12.31.2021	28,373,788	7,862,273	453,348,778	3,016,592	61,578,650	554,180,081
Business combination	31,569	3,884,353	11	6,017,303	7,788,940	17,722,176
Exchange difference effect	(48,321)	75,881	365	56,919	(1,054,382)	(969,537)
Increase	24,077,574	7,494,688	0	12,329,904	5,014,198	48,916,364
Reclassification	2,093,126			(2,093,126)		0
Disposal	(606,805)	0	0	0	0	(606,804)
Depreciation	(8,835,175)	(9,601,345)	(3,744)	0	(25,704,830)	(44,145,094)
Balance as of 12.31.2022	45,085,756	9,715,850	453,345,410	19,327,592	47,622,577	575,097,186

Intangible assets reported a total addition of Euro 48.9 million, mainly due to:

- The increase in the item “development costs” refers to internal products, reclassified from fixed assets in progress, in use from 2022 with the consequent start of their amortisation:
 - in the Finance area:
 - Solution called UltraQuant of Euro 156 thousand, which will be amortised over 3 years.
 - Solution Framework Openonlife of Euro 328 thousand, which will be amortised over 2 years.
 - Claps/Grace platform evolution project of Euro 4,364 thousand, which will be amortised over 5 years.
 - In the Health area:
 - several projects (Eliot Areas - DE4Bios - Evolution of AMC Areas - Evolution of HR Areas - Evolution of CUP Areas - ellipse platform - phase 2 evolutions - Creation of the Learning Center of the Health Products Department and other - Evolutions of the CPOE ellipse module and other) for a total of Euro 1,446 thousand, which will be amortised over 3 years.
 - “International CCE Consolidation, Pharmaceutical Completion, Ellipse Functional Completion” project of Euro 1,621 thousand, which will be amortised over 5 years.

- In the PAC PAL area:
 - “European and Complementary Fund Management” System Project of Euro 499 thousand, which will be amortised over 5 years.
 - Sicer Cloud project of Euro 1,533 thousand, which will be amortised over 5 years.
 - “Transversal Solutions Public Administration Customer Projects” of Euro 1,088 thousand, which will be amortised over 5 years.
 - “Augmented city” project of Euro 2,249 thousand, which will be amortised over 5 years.
- In the Utilities area:
 - “NET@SaaS OCI Module” project of Euro 4,056 thousand, which will be amortised over 5 years.
 - “V-Desk” software project of Euro 3,745 thousand, which will be amortised over 5 years.
- In the TELCO area:
 - “Extension of the Integrated Monitoring Platform of the IT Infrastructure of the Customer Tiscali” project of Euro 1,064 thousand, which will be amortised over 5 years.
- In the Industry area:
 - Several projects (Levante - Digital Signature - MyClienteling) - for a total of Euro 201 thousand, which will be amortised over 3 years.
 - “Levante/digital/ipse/Bi Planning product development” project of Euro 302 thousand, which will be amortised over 5 years.
- “Industrial patents and intellectual property rights” increased by Euro 7.5 million following the purchase of new software programmes.
- “Assets in progress” increased by Euro 12.3 million due to internal investments in new solutions:
 - in the Health area:
 - a module of the ellipse suite called “Ellipse Telemonitoring” is being developed. The product started in 2021 and will continue in 2023. Costs of Euro 850 thousand were incurred during 2022.
 - several projects are being developed (MDR compliance - ellipse for hospital - ellipse for proximity medicine - Cloud - Datawarehouse evolution - Flow Manager: evolutions), all of which started during the year under review at a cost incurred of Euro 1,933 thousand and will continue in 2023.
 - In the Energy Utilities area:
 - several projects are being developed (Net@SIAL Extension Modules - Net@2D Extension Modules - Utilities area investment - Project Preparation Net@SaaS MultiCloud - Transition activities on Oracle Public Cloud - Cloud Containerisation Project - 2022 Evolutive activities - Net@2D/Net@SIAL - Implementation of vDesk infrastructure x Net@ video portal), all started during the year under review at a cost of Euro 4,465 thousand and will continue in 2023.
 - In the Industry area:
 - “Digital Enabler and DiVE” integration project started as early as 2021 and will continue in 2023. Costs of Euro 248 thousand were incurred during 2022.
 - two projects (Save Project and Lapelling Project) started in 2022 with a total incurred cost of Euro 189 thousand and will continue in 2023.
 - Internal information system:
 - several projects are being implemented, from the Enhancement Controlling Model Project for the implementation of an Enterprise Performance Management system to support Planning & Forecast, Closing Management, Corporate reporting processes, integrated with the transactional systems with Consolidated Financial Statements (Statutory), to the “Governance Risk & Compliance” Project, as well as several Digitize Projects.
 - Some started as early as 2021; total costs of Euro 3,277 thousand were incurred in 2022 and all will continue development in 2023.

The decrease in fixed assets in progress, equal to Euro 2.1 million, represents the value of assets manufactured internally, which ended the development phase in 2021 and started the production phase in 2022. 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 and subsequent reverse merger of Mic Bidco 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., which took place in 2020.

(in Euro)				
Description	12.31.2021	Change in consolidation scope	Write-downs	12.31.2022
Gross value - Trademark	453,288,401	0	0	453,288,401
Acc. impairment losses	-	-	-	-
Net value – Trademark	453,288,401	0	0	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 December 31, 2022 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 essential parameters relating to the impairment test of the Engineering trademark correspond to what is illustrated in note 9 “Goodwill” with reference to the Group’s aggregate development plan and WACC.

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: Plusure S.p.A., Movilitas Group, C Consulting S.p.A.. With regard to the companies C Consulting S.p.A. and Movilitas Group, there was also a retrospective adjustment of the 2021 values.

8 Rights of use

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Right of use	161,966,034	136,282,572	25,683,462

(in Euro)						
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
Historical cost as of 12.31.2021	169,133,171	250,713	10,447,863	15,644,543	0	195,476,289
Acc. depreciation as of 12.31.2021	42,405,671	146,298	7,068,804	9,572,943	0	59,193,717
Balance as of 12.31.2021	126,727,499	104,415	3,379,058	6,071,599	0	136,282,572
Historical cost as of 12.31.2022	208,172,527	669,996	9,056,798	22,503,206	0	240,402,528
Acc. depreciation as of 12.31.2022	59,050,488	207,011	6,421,001	12,757,994	0	78,436,494
Balance as of 12.31.2022	149,122,040	462,985	2,635,797	9,745,212	0	161,966,034

(in Euro)

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 01.01.2021	140,629,516	190,536	3,937,713	7,497,775	25,486	152,281,026
Business Combination	(384,161)	0	0	342,622	0	(41,539)
Exchange difference effect	67,618	(8)	(5,111)	6,190	0	68,689
Increase	1,519,596	276,473	2,644,213	2,945,694	0	7,385,976
Disposal	(396,935)	1,156	(4,017)	(523,213)	(114)	(923,123)
Depreciation	(14,708,134)	(363,742)	(3,193,739)	(4,197,469)	(25,372)	(22,488,456)
Balance as of 12.31.2021	126,727,499	104,415	3,379,058	6,071,599	0	136,282,572
Beginning balance of leased assets	424,242	0	0	285,870	0	710,112
Business Combination	11,195,920	0	59,794	1,413,337	0	12,669,051
Exchange difference effect	128,441	0	(118,059)	56,075	0	66,457
Increase	40,382,800	491,695	2,403,844	6,634,644	0	49,912,983
Disposal	(13,056,131)	(2,744)	0	(298,960)	0	(13,357,835)
Depreciation	(16,680,732)	(130,380)	(3,088,841)	(4,417,354)	0	(24,317,306)
Balance as of 12.31.2022	149,122,040	462,985	2,635,797	9,745,212	0	161,966,034

The Group has several assets including buildings, cars and IT equipment identified as leases. The average life is 2, 3 and 6 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.

Increases related to the item "Buildings IFRS 16" (lease payments for real estate properties), amounting to around Euro 40.4 million, refer to new rental contracts or renewals signed in 2022. While the related decrease of Euro 13.1 million is mainly attributable to the early termination of the lease contract for a company office.

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 rights of use on the Income Statement.

(in Euro)

Description	12.31.2022
Depreciation of right of use	(24,317,306)
Interest expenses on leasing	(1,204,148)
Expenses of short-term lease agreements	(1,447,298)
Expenses of lease agreements with a value < 5 thousand Euro	(3,548,706)
Impact on P&L	(30,517,459)

9 Goodwill

(in Euro)

Description	12.31.2022	12.31.2021	Change
Goodwill	670,055,013	140,921,341	529,133,671

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

(in Euro)				
Description	12.31.2021	Business combination	Exchange rate difference	12.31.2022
Goodwill - Finance	55,424,246	478,102,453	(328,622)	533,198,077
Goodwill - Public Administration and Municipalities	21,932,723			21,932,723
Goodwill - Healthcare	10,796,515			10,796,515
Goodwill - Industry & Services	28,429,180	50,532,963	826,877	79,789,021
Goodwill - Telco & Media	10,292,146	0		10,292,146
Goodwill - Energy & Utilities	14,046,531			14,046,531
Total	140,921,341	528,635,416	498,255	670,055,013

The value of goodwill as of December 31, 2022 recorded in the Engineering Group's Consolidated Statement of Financial Position amounts to Euro 670.1 million.

As provided for by IFRS 3, following the completion of accounting activities connected to measurement at fair value of assets acquired and liabilities assumed and the consequent retrospective adjustment of amounts, goodwill as of 31 December 2021 (Euro 169.1 million) was restated for an amount equal to Euro 140.9 million.

In particular, the retrospective change is attributable to the identification and measurement of the fair values, pursuant to IFRS 3, of the assets and liabilities of the Company:

- C Consulting S.p.A., which resulted in goodwill as of December 31, 2022 of Euro 10.2 million compared to goodwill of Euro 14.4 million as of 31 December 2021;
- Movilitas Group, which resulted in goodwill as of December 31, 2022 of Euro 17.0 million compared to goodwill of Euro 41.0 million as of 31 December 2021.

The increase with respect to the financial statements as of December 31, 2021 is due to:

- the provisional allocation of goodwill relating to the BE Shaping the Future Group for the amount of Euro 478.1 million;
- the provisional allocation of goodwill relating to the Atlantic Group for the amount of Euro 46.8 million;
- the final allocation of goodwill relating to Plusure S.p.A. for the amount of Euro 3.7 million;
- the exchange differences occurred during 2022, which amounted to Euro 0.5 million. These differences refer to goodwill of Dynpro Systemas S.A., goodwill of the Movilitas Group and the "DAA" business unit of IT Soft USA Inc., as the value in local currency remained unchanged.

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-financial planning.

The impairment test carried out on December 31, 2022 on the goodwill allocated to the Cash Generating Units (CGUs) to which it relates confirmed that there was no need to make any write-downs to the value of goodwill 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 related to operating on a market with specific characteristics that vary over time.

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

CGU	2021 G-rate	2022 G-rate	2021 WACC	2022 WACC
Finance	1.49%	2.00%	6.54%	8.25%
Energy & Utilities	1.49%	2.00%	6.54%	8.25%
Telco & Media	1.49%	2.00%	6.54%	8.25%
PAL e Tributi	1.49%	2.00%	6.54%	8.25%
Healthcare	1.49%	2.00%	6.54%	8.25%
Industry & Services	1.49%	2.00%	6.54%	8.25%

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 annual average of the yield on government bonds with a ten-year maturity in which the Group mainly operates (source: Marketwatch) and equal to 3.12%.
- Equity Risk Premium equal to the higher return expected from the capital market (equity) compared to an investment in risk-free debt securities. The benchmark rate used for the valuations is equal to the average figure of the last five years (source: Damodaran) and equal to 5.21%.
- Gross debt cost, equal to the average indebtedness cost (long and short term) of the Group and equal to 6%.
- Beta Unlevered and debt ratio (D/E) respectively equal to the average of the last five years (source: Damodaran) of the Companies belonging to the sector comparable to the reference sector (“Software - System & Application”). The Beta Levered, equal to 1.06, was therefore determined on the basis of the parameters mentioned above and the theoretical tax rate of reference.
- LTG (Long Term Growth) equal to the long-term inflation-weighted growth rate for the countries in which the Group operates, equal to 2%.

For a WACC of 8.25% for tests prepared on Engineering Group’s consolidated financial statements.

A comparison with the financial model of the Impairment test of last year shows a WACC 2022 higher than the WACC 2021 for all CGUs. The reasons for this increase are attributable to the following factors:

1. Higher risk-free rate in 2022 (3.12% vs. 1.93% in 2021);
2. Equity Risk Premium higher in 2022 (5.21% vs. 5.08% in 2021).

Breakdown WACC

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	Goodwill (€m)	Break-even WACC
Finance	533.2	14.1%
Energy & Utilities	14.0	20.9%
Telco & Media	10.3	14.7%
PA	21.9	22.3%
Healthcare	10.8	21.6%
Industry & Services	79.8	16.5%
Total	670.1	

10 Equity investments

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Equity investment in associated companies accounted for at fair value

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 Euro)			
Description	12.31.2022	12.31.2021	Change
Equity investments	1,108,318	14,818	1,093,500

(in Euro)								
Description	Value as of 12.31.2021	Op. change from merger	Business Combination	Exchange difference effect	Increase	Decrease	Write-downs	Value as of 12.31.2022
In associated companies	14,818	0	1,113,500			(20,000)		1,108,318
Total	14,818		1,113,500	0	0	(20,000)	0	1,108,318

b) Associated companies

Equity investments in associated companies are detailed as follows:

(in Euro)									
	Town	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/(loss)	Value as of 12.31.2021	%
SI Lab – Calabria S.c.a.r.l.	Rende	46,811	10,150	10,001	36,661	1,501	(6,239)	8,293	24
SI Lab – Sicilia S.c.a.r.l.	Palermo	41,446	2,211	30,000	39,235	14,750	2,630	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	

(in Euro)									
	Town	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/(loss)	Value as of 12.31.2022	%
SI Lab – Calabria S.c.a.r.l.	Rende	281,417	245,471	10,000	35,946	7,712	(713)	8,293	24
SI Lab – Sicilia S.c.a.r.l.	Palermo	47,347	6,444	30,000	40,903	14,753	1,668	3,525	24
Consorzio Sanimed Group	Terni	n/a	n/a	n/a	n/a	n/a	n/a	3,000	25
Dream of Ordinary Madness Entertainment S.r.l.	Milan	n/a	n/a	n/a	n/a	n/a	n/a	1,093,500	25
Total								1,108,318	

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 Euro)			
Description	12.31.2022	12.31.2021	Change
Deferred tax assets	52,380,465	33,576,568	18,803,897

They are calculated at the current rates and recorded in the entries shown in the table hereunder:

(in Euro)

Description	12.31.2022		12.31.2021	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Property, plant and equipment - IAS depreciation	7,397,108	1,621,462	5,320,121	1,229,997
Goodwill	2,117,154	510,963	1,945,151	488,263
Other current liabilities - Directors' fees	450,712	108,171	504,373	121,050
Allowance for doubtful	64,066,605	15,535,608	44,764,211	10,890,500
Provision for risks	29,987,358	8,805,724	25,539,362	7,176,244
Current provision for risks and charges - Leaving incentives	2,500,000	600,000	0	0
Interest (property lease)	1,029,825	248,410	0	0
Right of use	694	167	88,838	24,786
Tax losses	58,911,824	12,372,908	18,368,757	3,518,479
Adjustments for IFRS (FTA)	362,505	87,443	0	0
Adjustments for IAS 19 Employee benefits	26,570,859	6,371,967	21,388,384	5,133,212
Adjustments for IFRS 15	2,377,322	663,273	2,147,606	599,182
Goodwill, exemptions pursuant to Law Decree 104/2020	11,770,560	3,283,986	12,015,780	3,352,403
Other	7,145,550	2,170,384	2,160,595	1,042,453
Total	214,688,077	52,380,465	134,243,178	33,576,568

The residual prior tax losses as of December 31, 2022 at the consolidated level amounted to approximately Euro 58.9 million and gave rise to a provision for deferred tax assets of approximately Euro 12.4 million, considering that all the conditions for their recognition had been met, i.e., the going concern basis and their future recoverability.

The following tables provide details of tax assets.

(in Euro)

Description	Doubtful debt provision	Goodwill, exemptions pursuant to Law Decree 104/2020	Adjustments for IFRS	Other temporary differences	Total
Balance as of 01.01.2021	10,009,339	3,420,819	4,891,287	7,731,544	26,052,989
Impact on the income statement	549,608	(68,416)	(158,071)	6,800,462	7,123,583
Impact on the comprehensive income statement			399,996		399,996
Balance as of 12.31.2021	10,558,947	3,352,403	5,133,212	14,532,006	33,576,568
Impact on the income statement	4,976,661	(68,416)	271,554	12,656,898	17,836,696
Impact on the comprehensive income statement			967,201		967,201
Balance as of 12.31.2022	15,535,608	3,283,986	6,371,967	27,188,904	52,380,465

12 Other non-current assets

(in Euro)

Description	12.31.2022	12.31.2021	Change
Other non-current assets	5,260,517	2,824,924	2,435,594

As better detailed below, the item "Other non-current assets" recorded a positive change in the balance for the period of Euro 2.4 million, broken down as follows:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Investments in other companies	4,803,580	2,820,598	1,982,981
Others	456,938	4,326	452,612
Total	5,260,517	2,824,924	2,435,594

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:

	Value as of 12.31.2021	Increase	Decrease	Write-downs	Business combination	(in Euro) Value as of 12.31.2022
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.	6,000					6,000
Consorzio Cefriel	191,595					191,595
Consorzio Abi Lab	1,000					1,000
Partecipazione Ce.R.T.A.	360					360
Consorzio Arechi Ricerca	5,000					5,000
Eastwest European Institute S.r.l.					60,000	60,000
Talent Garden S.r.l.					1,299,921	1,299,921
YOLO Group S.p.A.					500,000	500,000
Mevaluate S.r.l.					400	400
Engagigo S.r.l.					2,160	2,160
WolksBank Magdeburg eG					1,000	1,000
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
ISTELLA S.r.l.	1,000,000					1,000,000
Partecipazione in Novito Acque S.r.l.	100,000					100,000
Ekovision	300,000		(300,000)			0
Palantir Digital Media S.r.l.	500					500
Seta S.r.l.	33,041					33,041
DITECFER S.c.ar.l.	3,000					3,000
SIIT S.C.PA	30,963					30,963
Consorzio VESO	5,000					5,000
A.I. TECH S.r.l.	4,001					4,001
FIDIMPRESA/RETE FIDI LIGURIA	8,064					8,064
Fondaz. I.T.S. M. Gaet.Ag. Innov. Academy		10,000				10,000
Agritech Centro Naz. Ricerca per le Tecn. Agric.		50,000				50,000
Fondazione Centro Nazionale di Ricerca in HIGH P.		250,000				250,000
Fondaz. ICT Campus Its Academy		14,500				14,500
Fondazione Nest		20,000				20,000
Fondazione Heal Italia		20,000				20,000
Fondazione Return		20,000				20,000
Fondazione Changes		10,000				10,000
Fondazione Dare		25,000				25,000
Total	2,820,598	419,500	(300,000)	0	1,863,481	4,803,580

b) Other

	(in Euro)		
Description	12.31.2022	12.31.2021	Change
Receivables for finance lease granted	0	4,326	(4,326)
Other	456,938		456,938
Total	456,938	4,326	452,612

The change in the item "Other" refers to the first consolidation of the BE Shaping The Future Group.

13 Non-current financial assets

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Non-current financial assets	1,969,379	902,353	1,067,026

The balance of non-current financial assets consists essentially of security deposits on rented properties and sundry utilities; the change compared to the previous year is essentially due to the entry into the consolidation scope of the new consolidated companies.

14 Inventories

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Inventories	2,221,073	2,909,588	(688,515)

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

15 Customer contract assets

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Customer contract assets	205,292,113	208,758,748	(3,466,634)

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

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Initial customer contract assets	208,758,748	185,263,464	23,495,283
Exchange difference	863,256	82,568	780,688
Business combination	10,008,798	(7,225,638)	17,234,436
Adjustments and changes in customer contract assets	(43,518,404)	(207,189)	(43,311,215)
Amount of costs incurred plus recognised profits	580,038,782	592,476,350	(12,437,568)
Invoicing actual progress in customer contract assets	(550,859,066)	(561,630,808)	10,771,742
Total	205,292,113	208,758,748	(3,466,634)

The item "Business Combination" refers to the first consolidation of the BE Shaping The Future Group.

Customer contract assets represent ongoing projects relating to multi-year contracts and include, inter alia, adjustments for projects for which critical issues have emerged in terms of possible realisable value, the relevant amount representing the best estimate based on information in our possession.

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.

During this period, the item "Customer contract assets" included reclassifications relating to the application of IAS 8, as well as a change of Euro 46.0 million attributable to an adjustment to the estimates of contracts in progress relating to previous years of the Engineering's Finance Division and of the subsidiary Nexen S.p.A.,

as well as a prudential provision of approximately Euro 6.1 million for the other Divisions, as specified in the paragraph of General Information to which reference should be made.

There were no significant changes in the contractual conditions and the Company 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 contract assets refer to invoices to be issued for contracts in progress and have substantially the same risk characteristics as trade receivables for the same type of contracts. The Group has therefore concluded that the expected credit loss for trade receivables represents a reasonable approximation of the losses on customer contract assets. The 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 "Trade receivables".

16 Contractual costs

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Contractual costs	17,023,698	17,447,808	(424,110)

During 2022, the Group recognised deferred contractual costs in relation to the fulfilment of the contract represented by the so-called transition and start-up costs for Euro 5.5 million. 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 contractual costs in relation to the fulfilment of the contract for Euro 8.9 million. 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 2022, 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 4.9 million for the so-called transition costs and start-up costs and Euro 9.9 million for the costs for the fulfilment of the contract.

17 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.

Trade receivables are all due within twelve months.

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Trade receivables	543,763,318	623,113,637	(79,350,319)

The breakdown is as follows:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Customers	518,155,646	608,920,268	(90,764,622)
Others	25,607,671	14,193,368	11,414,303
Total	543,763,318	623,113,637	(79,350,319)

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

As already indicated in the section “Key sources of estimation uncertainty”, in 2022 the Group updated the estimation model relating to the calculation of the expected credit loss which supports the specific provisions. In particular, on the basis of the historical series recorded, write-down percentages have been defined for overdue credit. These percentages are applied to the aging brackets regardless of the type of customer and/or segment and are calculated automatically on a monthly basis on the credit portfolio open at that date.

According to the model described above, it is specified that the doubtful debt provision includes the expected credit loss of Euro 23.7 million in total.

Information on credit risk in respect of total Customer contract assets, Trade receivables from third parties, Deferred contractual costs and Inventories is provided below.

On this basis, the doubtful debt provision to be subject to collective impairment as of December 31, 2022, was determined as follows.

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

(in Euro)

Customer contract assets, trade receivables from third parties, deferred contract costs, Inventories	Not expired	Days falling due					Total as of 12.31.2021
		30	60	90	120	over 120	
Public Administration	55,271,748	10,014,478	2,600,866	1,939,755	581,858	55,405,979	125,814,685
Health	22,406,936	1,311,997	1,110,426	947,306	554,330	16,066,228	42,397,223
Finance	62,269,320	25,962,894	1,185,354	869,145	1,002,498	6,517,249	97,806,460
Industry & Services	89,204,194	12,134,672	2,416,668	2,083,503	1,602,903	22,062,107	129,504,045
Energy & Utilities	59,289,927	3,505,962	1,822,372	388,118	783,201	4,761,565	70,551,145
Telco & Media	34,684,619	2,497,333	118,374	193,545	347,670	3,700,223	41,541,764
Total receivables	323,126,744	55,427,336	9,254,059	6,421,372	4,872,460	108,513,351	507,615,322
ECL rate	0.01%	0.01%	0.04%	0.12%	0.18%	0.18% - 3.30%	
Doubtful debt provision - Expected credit loss	32,313	5,225	4,143	7,653	8,770	864,229	922,333

(in Euro)

Customer contract assets, trade receivables from third parties, deferred contract costs, Inventories	Not expired	Days falling due					Total as of 12.31.2022
		30	60	90	120	over 120	
Public Administration	210,239,919	6,372,540	7,013,913	1,618,200	1,173,644	51,000,840	277,419,055
Health	60,013,051	1,246,348	1,251,699	503,261	567,453	13,709,960	77,291,772
Finance	101,571,195	2,638,553	2,204,209	912,611	821,991	5,738,113	113,886,672
Industry & Services	106,867,071	12,770,749	4,842,836	4,125,927	2,603,634	26,938,044	158,148,261
Energy & Utilities	73,621,102	2,817,433	550,000	695,394	2,598,210	3,947,707	84,229,846
Telco & Media	48,875,301	5,202,099	129,877	95,870	5,908	3,015,541	57,324,597
Total receivables	601,187,640	31,047,722	15,992,534	7,951,262	7,770,840	104,350,204	768,300,202
%	0.01%	0.62%	1.71%	3.77%	5.02%	21.57%	
Doubtful debt provision - Expected credit loss	60,119	193,927	273,159	299,476	389,988	22,512,982	23,729,651

The diversification of the sectors in which the Group's customers operate (Public Administration, Finance, Health, Industry and Services, 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 Euro)			
Description	12.31.2022	12.31.2021	Change
Receivables on invoices issued	420,628,300	507,615,321	(86,987,021)
of which overdue	167,112,563	184,488,578	(17,376,015)
Invoices to be issued	231,823,106	206,675,140	25,147,966
Credit notes to be issued	(972,985)	(859,425)	(113,560)
Allowance for doubtful accounts	(81,170,705)	(57,051,048)	(24,119,657)
Provision for interest in arrears	(53,218,328)	(47,535,393)	(5,682,935)
Others	1,066,258	75,672	990,585
Total	518,155,646	608,920,268	(90,764,622)

The item "Receivables from customers" is equal to Euro 518.1 million, net of a doubtful debt provision amounting to Euro 81.2 million, deemed appropriate and sufficient to cover any future losses, in addition to allocations made as provision for interest on arrears (Euro 53.2 million) to fully cover any possible future losses related to the aforesaid entry.

The doubtful debt provision also includes the write-down of some trade receivables for invoices to be issued for an amount of approximately Euro 0.9 million referring to a prudential provision as described in the paragraph "General Information" to which reference is made.

The change in the item "Invoices to be issued" is mainly attributable to the normal trend of accrued revenues and invoices issued, as well as some reclassifications related to the application of IFRS 15.

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

(in Euro)	
Trade receivables	12.31.2022
Allowance for doubtful accounts as of 12.31.2021	(57,051,048)
Provision for the period	(31,967,043)
Use of the fund	7,847,385
Allowance for doubtful accounts as of 12.31.2022	(81,170,705)

It is noted that, as of December 31, 2022, the Group factored trade receivables for the total amount of Euro 787.8 million (Euro 90.2 million as of December 31, 2021). The transfer was non-recourse, so risks and benefits related to receivables were transferred to the transferee; receivables were therefore derecognised from the Assets in the Consolidated Statement of Financial Position, according to the consideration received by factoring companies.

Receivables include the exposure as of December 31, 2022, with respect to Sicilia Digitale S.p.A. and amount to Euro 131.1 million (gross of the doubtful debt provision amounting to Euro 37.8 million and of the related doubtful debt provision for interest on arrears amounting to Euro 52.4 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 May 21, 2007 and expired on December 22, 2013.

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 experts 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 ommissive 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 given 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 December 31, 2022 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 December 31, 2021 (for a total amount of approx. Euro 52.4 million), and accrued an additional provision for around Euro 10.4 million for a total doubtful debt provision of around Euro 90.2 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.

b) Others

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Commercial prepaid expenses	1,287,539	947,642	339,897
Other prepaid expenses	24,320,133	13,245,727	11,074,406
Total	25,607,671	14,193,368	11,414,303

The item "Others" refers to advances for fee-based activities mainly related to software package maintenance, rentals, sureties and insurance.

18 Other current assets

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Other current assets	71,725,431	62,185,988	9,539,443

Other current assets are broken down as follows:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Other assets and tax receivables	21,008,926	11,532,789	9,476,137
Others	50,716,505	50,653,199	63,307
Total	71,725,431	62,185,988	9,539,443

a) Other assets and tax receivables

The item is broken down as follows:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Tax receivables	20,099,259	10,083,895	10,015,364
Social security institutions	549,973	1,230,462	(680,489)
Other	359,694	218,432	141,261
Total	21,008,926	11,532,789	9,476,137

The tax receivables substantially relate to:

- Euro 2.4 million relating to receivables for taxes paid abroad;
- Euro 11.7 million relating to receivables from the Inland Revenue Office for recoverable VAT;
- Euro 4.9 million relating to the receivable for IRES/IRAP advances.

b) Others

The item “Others” includes:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Applied research grants	28,903,022	30,769,567	(1,866,545)
Prepaid expenses	3,313,645	3,229,721	83,924
Others	18,499,838	16,653,910	1,845,928
Total	50,716,505	50,653,199	63,307

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.

The item “Others” mainly includes the Group’s receivable from the company Centurion Newco S.p.A. recognised as of December 31, 2022, having joined the national tax consolidation scheme with the same.

19 Current financial assets

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Current financial assets	465,543	0	465,543

20 Cash and cash equivalents

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Cash and cash equivalents	211,202,186	132,918,842	78,283,345

As of December 31, 2022, the item “Cash and cash equivalents” amounted to Euro 211.2 million, an increase of Euro 78.3 million compared to 31 December 2021, 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 Euro)			
Description	12.31.2022	12.31.2021	Change
Bank and postal deposits	211,179,418	132,891,986	78,287,432
Cash and cash equivalents	22,768	26,856	(4,087)
Total	211,202,186	132,918,842	78,283,345

D) Shareholders' equity

21 Information on shareholders' equity

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Shareholders' equity	815,418,111	792,573,405	22,844,706

The changes are shown in the table below:

(in Euro)		
Shareholders' equity	Value as of 12.31.2022	Value as of 12.31.2021
Share capital	34,095,537	34,095,537
Total share capital	34,095,537	34,095,537
Legal reserve	6,825,000	6,375,000
Share premium reserve	30,650,262	30,650,262
Merger reserve	33,023,358	33,023,358
Exchange translation reserve IAS 21	(4,420,296)	(7,467,008)
Other reserves	521,942,574	456,200,692
Total reserves	588,020,898	518,782,304
Prior years' undistributed profits	190,719,631	215,770,208
First-time application of IAS/IFRS	(1,018,125)	(1,477,174)
IAS 19 actuarial gains/(losses)	(19,410,405)	(16,323,760)
Retained earnings/(Losses carried forward)	170,291,101	197,969,275
Profit/(loss) for the period	32,885,099	48,013,209
Total Group shareholders' equity	825,292,636	798,860,324
Capital and reserves of non-controlling interests	(6,480,058)	(5,656,748)
Profit/(loss) for the year of non-controlling interests	(3,394,467)	(630,172)
Total shareholders' equity	815,418,111	792,573,405

22 Share capital

The subscribed and fully paid-up share capital is Euro 34,095,537, divided into 13,003,677 shares each without nominal value.

23 Reserves

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

- **Legal reserve:**

the legal reserve of Euro 6,825,000 increased in the Parent Company by Euro 450 thousand following the allocation of part of the 2021 profit and is available to cover 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, amounting to Euro 33,023,358, is available and distributable.
- **Other reserves:**
other reserves (positive) of Euro 521,942,574, consist mainly of:
 - 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 (2,970,917) on subsidiaries' shares (i.e. Non-Controlling Interest) whose counterparty is shown in paragraph "Other non-current liabilities";
 - of Euro 53,770,334 attributable to the payment for future share capital increase by the parent company Centurion Bidco, which took place during the first nine months of the year;
 - exemption reserve under Italian Law Decree 104/2020 of Euro 471,414,528. This reserve was established for the application of the realignment procedure for all misalignments arising in the financial statements as of December 31, 2019 resulting from Schedule RV of the corporate tax return form UNICO SC, and in particular with regard to trademarks, goodwill and other intangible assets, as provided for in Italian Law Decree no. 104 of August 14, 2020.
The reserve is neither available nor distributable.
- **Currency translation reserve:**
at the reporting date, it amounted to Euro (4,420,296) and is neither available nor distributable.

24 Retained earnings/(losses carried forward)

Retained earnings are equal to Euro 170.291.101 and include:

- **Prior years' undistributed profits**
At the reporting date, they amounted to Euro 190.719.631 and are available and distributable.
- **First-time application of IAS/IFRS reserve**
At the reporting date, it amounted to Euro (1,018,125) and is neither available nor distributable.
- **Actuarial gains/(losses) reserve - IAS 19**
At the reporting date, it amounted to Euro (19,410,405) and is neither available nor distributable.

E) Non-current liabilities

25 Non-current financial liabilities

(in Euro)

Description	12.31.2022	12.31.2021	Change
Non-current financial liabilities	492,718,089	133,158,741	359,559,347

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

(in Euro)

Description	12.31.2022	12.31.2021	Change
Bank loans	492,502,405	132,738,077	359,764,328
Other non-current financial liabilities	135,794	508,325	(372,531)
Value of financial payables at amortised cost	79,890	(87,661)	167,550
Total	492,718,089	133,158,741	359,559,347

The bank loans as of December 31, 2022 is shown in the table below, including the portion due within 12 months, with indication of the lender and the interest rate.

Lender	Year of maturity	Interest rate	Within 1 year	From 12 to 24 months	From 24 to 36 months	From 36 to 48 months	From 48 to 60 months	Over 5 years
ICCREA Banca d'impresa	2023	2.50	78,352					
SANPAOLO N.OIC1010726807 Loan	2026	0.02	168,318	170,310	172,325	145,161		
BPM N.04588561 Loan	2024	0.03	51,540	17,484				
BPM N.04929146 Loan	2027	0.02	49,019	49,909	50,815	51,737	4,354	
CHASE BANK	2023	6.69	3,750,186					
CHASE BANK	2024	6.88	937,607	468,779				
SANTANDER	2023	5.50	15,763					
ZURCHER BANK	2023	0.10	355,438					
F-NET	2023	2.20	286,914					
Banco BPM n. 04765860	2025	2.87	672,401	672,401	560,334			
Unicredit n. 19246901	2013	2.20	97,897					
MIUR PR. 248064 SAFE&SMART	2024	0.2500000	65,296	65,459				
BANCO BPM	2024	2.4750000	3,750,000	1,875,000				
BANCO BPM	2025	2.0730000	2,462,821	2,514,273	2,566,801			
MISE FINDUSTRY	2029	0.1800000	122,065	122,285	122,505	122,726	122,947	246,558
MUTUO INTESA Covid-19	2026	3.9470000	122,510	124,969	127,478	64,695		
MUTUO BPM Covid-19	2026	3.3790000	58,016	60,007	62,067	47,944		
MIUR I-LEARNTV	2025	0.2500000	33,037	66,322	33,285			
MISE-SMART AND SAFE	2026	0.8000000	88,387	89,096	89,810	45,175		
MISE SAFE AI	2028	0.0800000	18,100	18,129	18,158	18,187	18,216	18,245
MISE/MCC SUMMIT	2028	0.1700000	64,738	64,848	64,958	65,069	65,179	32,631
BPM1	2023	0.80% FISSO	1,265,495					
BPM2	2023	0.90% + EUR3M	1,124,314					
BPM3	2025	1.05% FISSO	1,471,608	1,487,121	1,440,229			
Bper	2022	1.00% FISSO						
Bnl	2023	0.70% + EUR6M	1,714,286					
Bnl2	2023	0.01% FISSO	1,200,000					
Credit Agricole	2025	0.8% FISSO	1,247,456	1,257,465	949,715			
Mps	2023	0.55% + EUR6M	1,000,000					
Unicredit1	2025	1.25% + EUR3M	766,314	773,543	389,504			
Unicredit2	2023	0.50% + EUR3M	418,579					
Unicredit3	2022	0.001% + EUR3M						
Banco Desio	2026	1.25% FISSO	1,391,074	1,408,544	1,426,234	719,820		
Intesa1	2023	1.30% + EUR3M	333,333					
Intesa2	2028	1.05% + EUR6M	1,000,000	2,000,000	2,000,000	2,000,000	3,000,000	
Banca Reale	2027	1.50% FISSO	44,780	49,558	50,306	51,066	4,291	
BNP Loan	2023	Euribor 3 months 365 + 2.25	20,000,000					
BNP Loan	2023	Euribor 3 months 365 + 2.25	10,000,000					
Centurion Bidco Loan	2023	Euribor 3 months 365 + 2.25	20,000,000					
Centurion Bidco Loan	2026	Euribor 3 months + 5.5				96,650,380		
Centurion Bidco Loan	2026	Euribor 3 months 365 + 8.75				178,043,020		
Centurion Bidco Loan	2026	Euribor 3 months 365 + 8.75				69,797,812		
Centurion Bidco Loan	2026	Euribor 3 months 365 + 8.75				117,687,168		
Total			76,225,644	13,355,503	10,124,523	465,509,959	3,214,986	297,435

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 470.2 million.

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

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

- loans by the parent company Centurion Bidco S.p.A. of:
 - Euro 96.6 million against the initial value of Euro 114.4 million disbursed on July 23, 2020. The initial loan was partially repaid for 17.8 million on September 29, 2022;
 - Euro 365.5 million, of which Euro 178 million granted on September 23, 2022, Euro 69.8 million granted on November 30, 2022 and Euro 117.7 million granted on December 22, 2022: transaction aimed at the Overlord/BE Shaping acquisition;
 - Euro 20 million against the initial value of Euro 70 million granted on November 11, 2022 and partially repaid for Euro 50 million on December 30, 2022;
- loans by BNP Paribas totalling Euro 30 million granted in two tranches (Euro 10 million and Euro 20 million) both on November 29, 2022;
- loans disbursed by Banco BPM:
 - on October 13, 2020 for Euro 15 million and a duration of 4 years to support current operations;
 - on December 22, 2021 for Euro 10 million and duration of four years;
- the three loans granted by MIUR (Smart&Safe) and MISE (Summit and Findustry) are at a subsidised fixed rate and are always linked to the implementation of research and technological development projects. The Safe & Smart loan was initially granted on January 25, 2019, the Summit on October 23, 2019 and the Findustry on June 03, 2021.

Covenants

The commitments/obligations set out in the contract for the loan granted by Banco BPM (loan of Euro 15 million as of October 13, 2020), at a variable rate, reflect the provisions of the financial documentation signed in the context of the acquisition transaction of July 23, 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, securitisation, asset-backed loans and borrowings and other similar financing and hedging obligations, but including capitalised interest on the PIK Securities, less cash resulting from the PIK Issuer’s financial statements on a consolidated basis) and the PIK Issuer’s LTM EBITDA (EBITDA adjusted for acquisitions, disposals and run-rate synergies etc.) for the last four consecutive fiscal quarters for which consolidated financial statements are available).

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

Test CSSNLR (Consolidated 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 are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report.

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

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Security deposits	115,750	258,325	(142,575)
Amounts due for finance lease	20,044	0	20,044
Derivative financial instruments	0	250,000	(250,000)
Total	135,794	508,325	(372,531)

The following table represents the movement of Financial Liabilities:

(in Euro)							
Description	December 2020	Acquisitions	Cash flows			Non-monetary changes	December 2021
			New loans - Third parties	Repayment of loans - Third parties	Reclassifications	Other changes	
Non-current financial liabilities	125,400,432	2,612,200	13,114,627	(4,589,496)	(4,670,413)	1,291,390	133,158,741
Non-current lease liabilities	139,282,197	371,611	361,017		(9,879,607)	(8,073,930)	122,061,288
Current financial liabilities	55,914,470	1,263,578	178,025,373	(137,384,827)	4,670,413	4,250,070	106,739,076
Current lease liabilities	18,113,441	241,856	63,650	(20,126,445)	9,879,607	12,664,810	20,836,918
Total	338,710,540	4,489,244	191,564,666	(162,100,768)	0	10,132,341	382,796,023

(in Euro)							
Description	December 2021	Acquisitions	Cash flows			Non-monetary changes	December 2022
			New loans - Third parties	Repayment of loans - Third parties	Reclassifications	Other changes	
Non-current financial liabilities	133,158,741	22,552,766	365,528,000	(25,303,422)	(1,902,075)	(1,315,921)	492,718,089
Non-current lease liabilities	122,061,287	10,234,853	0	(154,337)	(5,881,001)	16,579,454	142,840,258
Current financial liabilities	106,739,076	25,590,351	328,373,127	(337,852,464)	1,902,075	43,298,123	168,050,289
Current lease liabilities	20,836,919	4,036,190	0	(22,682,452)	5,881,001	17,979,431	26,051,088
Total	382,796,023	62,414,161	693,901,127	(385,992,674)	0	76,541,087	829,659,723

26 Non-current lease liabilities

(in Euro)

Description	12.31.2022	12.31.2021	Change
Non-current lease liabilities	142,840,257	122,061,288	20,778,969

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

(in Euro)

Description	2022	2023	2024	2025	2026	After 5 years	Total
	Within 1 year	Portion due within +1 Year	Portion due within +2 Years	Portion due within +3 Years	Portion due within +4 Years	of which over 5 years	
Amounts due for finance lease (former IAS 17)	1,664,406	43,503	40,381	8,265			1,756,556
Payables for lease offices and branches	17,431,460	17,981,214	17,334,198	17,642,261	17,101,032	65,302,376	152,792,542
Payables for vehicle financing	4,755,141	2,619,699	1,470,265	918,066	33,726		9,796,897
Payables for hardware and software lease	1,981,578	1,476,962	640,134	75,627	19,025		4,193,327
Other lease liabilities	218,503	96,075	21,020	14,643	1,783		352,023
Total	26,051,088	22,217,454	19,505,998	18,658,862	17,155,566	65,302,376	168,891,345

With regard to the portion due within 12 months of lease payables, amounting to Euro 26.0 million, please refer to the paragraph on Current lease liabilities.

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

27 Deferred tax liabilities

(in Euro)

Description	12.31.2022	12.31.2021	Change
Deferred tax liabilities	36,168,139	29,467,576	6,700,563

Deferred tax liabilities have been calculated on the following items:

(in Euro)

Description	12.31.2022		12.31.2021	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Goodwill	18,505,525	5,163,042	22,055,315	6,328,484
Trademark	18,121,174	5,055,808	9,060,587	2,527,904
Other revenues - Research grants	2,045,255	498,059	1,983,978	483,353
Other revenues - Research grants taxed in 5 years	62,942,696	15,106,247	63,375,567	15,210,136
Capital grants	299,199	71,808		
Property, plant and equipment	1,714,568	478,290	1,834,271	511,687
Intangible assets	529,431	147,711		
IFRS - IAS 8 adjustments	1,031	328	1,031	328
Customer relationship - Allocation of goodwill	13,733,247	4,111,429	13,482,221	4,204,346
Other	17,698,431	5,535,419	661,044	201,339
Total	135,590,557	36,168,139	112,454,014	29,467,576

The item “Other” includes values related to the first consolidation of the BE Shaping The Future Group.

The following table shows details of deferred tax liabilities recognised in the income statement.

(in Euro)						
Description	Allowance for doubtful accounts	Trademark	Allocation of goodwill	R&D grants	Other temporary differences	Total
Balance as of 01.01.2021	0	0	6,430,443	16,108,067	4,947,515	27,486,025
Impact on the income statement	0	2,527,904	(2,226,097)	(414,578)	2,094,323	1,981,551
Impact on the comprehensive income statement						0
Balance as of 12.31.2021	0	2,527,904	4,204,346	15,693,489	7,041,838	29,467,576
Impact on the income Statement	0	2,527,904	(92,917)	(89,183)	4,354,758	6,700,563
Impact on the comprehensive income statement						0
Balance as of 12.31.2022	0	5,055,808	4,111,429	15,604,306	11,396,596	36,168,139

28 Non-current provisions for risks and charges

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Non-current provisions for risks and charges	4,743,178	3,495,074	1,248,104

The provision for risks, which amounts to Euro 4.7 million, mainly includes provisions for pending disputes with third-party customers.

Changes are detailed below:

(in Euro)	
Description	
Balance as of 01.01.2021	3,322,111
Exchange difference effect	30,813
Increase	405,109
Decrease	(262,958)
Balance as of 12.31.2021	3,495,074
Exchange difference effect	399,225
Increase	867,041
Decrease	(420,837)
Business combination	402,675
Balance as of 12.31.2022	4,743,178

29 Other non-current liabilities

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Other non-current liabilities	37,910,083	33,306,862	4,603,221

The balance as of December 31, 2022 of Euro 37.9 million includes:

- Euro 2.6 million for the measurement of payables - based on provisions set out by IAS 32 - for put options granted to non-controlling interests (put option contract). 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 2022-2024 plan of the subsidiary involved;

- Euro 1.4 million for the payable for a non-competition agreement signed with the top management and consultants;
- the recognition of the payable amounting to Euro 2.3 million, in case payment is to be made to the Inland Revenue Office of the amount asked to the subsidiary Livebox;
- approximately Euro 14.9 million for earn-outs to be paid in subsequent years;
- approximately Euro 16.7 million following the first consolidation of the BE Shaping Group, of which Euro 13.5 million relating to put & call options.

30 Employment severance indemnity

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Employment severance indemnity	79,465,342	71,630,985	7,834,357

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

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

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

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

Financial Assumptions:

- future annual rates of inflation were set according to the average rates of inflation in Italy in recent years, based on ISTAT data;
- 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 1.8217% to 2.7261% 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 leaving (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 Euro)
Engineering Group		Discounting				
		-10%		100%		+10%
Infl.	-10%	73,195,839	1,735,589	71,460,250	(1,669,489)	69,790,761
		(1,782,551)	20,564	(1,715,025)	(3,384,514)	(1,650,947)
	100%	74,978,390	1,803,115	79,465,342	(1,733,567)	71,441,708
		1,852,925	3,656,040	1,781,655	(19,494)	1,714,073
	+10%	76,831,315	1,874,385	74,956,930	(1,801,149)	73,155,781

Engineering Group		Discounting				
		-10%		100%		+10%
Infl.	-10%	+100.03%	+2.37%	+97.66%	-2.29%	+95.37%
		-2.43%	+0.03%	-2.34%	-4.63%	-2.26%
	100%	+102.46%	+2.46%	+100.00%	-2.37%	+97.63%
		+2.54%	+5.00%	+2.43%	-0.03%	+2.34%
	+10%	+105.00%	2.57%	+102.43%	-2.46%	+99.97%

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

Changes are detailed below:

(in Euro)

Description	
Balance as of 01.01.2021	71,966,157
Provisions	28,279,735
Amounts paid to social security institutions + INPS	(26,007,692)
Actuarial losses/(gains)	1,666,648
Benefits paid	(5,510,915)
Post-empl. benefits on acquisition of Group business units/subsidiaries	1,182,245
Transfer payables of Group business units/subsidiaries	(1,147,011)
Post-empl. benefits, consolidated companies	1,201,816
Balance as of 12.31.2021	71,630,985
Provisions	31,308,197
Amounts paid to social security institutions + INPS	(30,569,083)
Actuarial losses/(gains)	4,030,005
Benefits paid	(5,290,737)
Post-empl. benefits on acquisition of Group business units/subsidiaries	468,917
Transfer payables of Group business units/subsidiaries	(146,236)
Post-empl. benefits, consolidated companies	8,033,295
Balance as of 12.31.2022	79,465,342

F) Current liabilities

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31 Current financial liabilities

(in Euro)

Description	12.31.2022	12.31.2021	Change
Current financial liabilities	168,050,289	106,739,076	61,311,213

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

(in Euro)

Description	12.31.2022	12.31.2021	Change
Loans from Financial Institutions	98,220,870	92,920,373	5,300,497
Bank overdraft	11,464,228	167,756	11,296,472
Other current financial liabilities	58,281,858	13,650,947	44,630,911
Parent Companies	83,333	(0)	83,333
Total	168,050,289	106,739,076	61,311,213

Loans from Financial Institutions

As of December 31, 2022, loans from Financial Institutions totalled Euro 98.2 million, Euro 76.2 million of which relates to the short-term portion of bank loans, the details of which are shown in the table "Non-current financial liabilities" herein and Euro 22.0 million of which relates to short-term loans with a duration lower than six months.

Bank overdrafts

(in Euro)

Description	12.31.2022	12.31.2021	Change
Payables for advances on invoices	0	80,000	(80,000)
Bank overdrafts	11,464,228	87,756	11,376,472
Total	11,464,228	167,756	11,296,472

Other current financial liabilities

(in Euro)

Description	12.31.2022	12.31.2021	Change
Other payables and Grants to be repaid	58,281,858	13,650,947	44,630,911
Total	58,281,858	13,650,947	44,630,911

"Other grants" refer to the following:

- Euro 31.8 million for collections received for research projects to be reversed to other partner subjects;
- Euro 24.9 million for collections received from customers for invoices transferred to factoring companies;
- Euro 0.9 million for collections to be repaid to customers of the company Municipia, following the collections of taxes on their behalf.

32 Current lease liabilities

(in Euro)

Description	12.31.2022	12.31.2021	Change
Current lease liabilities	26,051,088	20,836,918	5,214,169

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

33 Current tax payables

(in Euro)

Description	12.31.2022	12.31.2021	Change
Current tax payables	27,659,206	12,528,848	15,130,358

The balance as of December 31, 2022 primarily includes current tax payables.

The breakdown is as follows:

(in Euro)

Description	12.31.2022	12.31.2021	Change
IRES	22,392,359	6,593,251	15,799,108
IRAP	225,316	748,471	(523,156)
Substitute tax	32,382	9,105	23,276
Other tax payables	5,009,149	5,178,020	(168,871)
Total	27,659,206	12,528,848	15,130,358

The tax payable as of December 31, 2022 was decreased by the advanced amounts paid for IRES and IRAP taxes.

The item “Other tax payables” primarily relates to: Euro 4.8 million for the application of tax realignment, to be paid in 2023. The substitute tax totalling Euro 14.6 million was recognised in 2020, to be paid over three years. The first instalment was paid in June 2021, the second was paid in August 2022.

34 Current provisions for risks and charges

(in Euro)

Description	12.31.2022	12.31.2021	Change
Current provisions for risks and charges	23,107,359	18,048,435	5,058,924

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

(in Euro)

Description	12.31.2022	12.31.2021	Change
Provision for risks and charges	18,824,820	11,327,534	7,497,286
Provision for losses on projects	4,282,539	6,720,901	(2,438,362)
Total	23,107,359	18,048,435	5,058,924

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

- Euro 3.8 million for bonuses to be paid to personnel;
- Euro 8.5 million, relating to legal disputes and to the risk of penalties in contracts with customers in the Energy & Utilities market;
- Euro 2.5 million for restructuring charges.

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 Euro)	
Description	
Balance as of 01.01.2021	7,224,187
Exchange difference effect	11,133
Increase	14,117,702
Decrease	(2,971,538)
Business Combination	(333,049)
Balance as of 12.31.2021	18,048,435
Exchange difference effect	17,012
Increase	11,323,649
Decrease	(15,605,594)
Business Combination	9,323,857
Balance as of 12.31.2022	23,107,359

35 Other current liabilities

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Other current liabilities	228,108,801	190,445,171	37,663,630

This item is broken down as follows:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Directors and Statutory Auditors	716,382	829,972	(113,591)
Consultants	5,010	3,917	1,093
Acquisition of business unit	(0)	1,781,690	(1,781,690)
Withholding taxes	1,071,534	1,162,977	(91,443)
Tax payables	32,266,103	29,167,271	3,098,832
Due to RTI partners	364,841	411,583	(46,742)
Social security institutions	31,598,975	25,474,021	6,124,954
Others	25,677,537	18,408,402	7,269,135
Employees	111,443,399	104,776,937	6,666,462
Partners for research projects	13,154,543	8,028,219	5,126,324
Accrued m/l loan interest	152,754	121,737	31,018
Other accruals	62,218	36,815	25,402
Other deferred income	11,595,505	241,629	11,353,876
Total	228,108,801	190,445,171	37,663,630

Tax payables are broken down as follows:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
VAT	14,023,137	12,243,183	1,779,954
Suspended VAT	1,182,904	1,185,328	(2,424)
IRPEF	16,521,033	15,291,936	1,229,097
Other	539,030	446,825	92,206
Total	32,266,103	29,167,271	3,098,832

36 Trade payables

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Trade payables	469,928,023	407,449,871	62,478,152

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

The balance as of December 31, 2022 is broken down as follows:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Suppliers	387,129,204	343,672,710	43,456,494
Parent Companies	130,835	4,272	126,563
Others	82,667,984	63,772,888	18,895,095
Total	469,928,023	407,449,871	62,478,152

a) Suppliers

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Due to suppliers	258,698,539	219,182,219	39,516,320
Due to foreign suppliers	10,371,075	8,428,143	1,942,931
Invoices to be received	119,210,414	116,802,896	2,407,518
Credit notes to be received	(1,150,824)	(740,549)	(410,276)
Total	387,129,204	343,672,710	43,456,494

b) Payables due to parent companies

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Invoices to be received	4,272	4,272	0
Invoices received	126,563	0	126,563
Total	130,835	4,272	126,563

c) Others

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Advances for future work	82,667,984	63,772,888	18,895,095
Total	82,667,984	63,772,888	18,895,095

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

Income statement

A) Value of production

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Value of production	1,459,966,811	1,321,299,909	138,666,902

The breakdown of total revenues is as follows:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Revenues	1,422,630,044	1,298,023,534	124,606,510
Other revenues	37,336,767	23,276,375	14,060,392
Total	1,459,966,811	1,321,299,909	138,666,902

37 Revenues from sales and services

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Revenues from sales and services	1,394,138,843	1,271,560,233	122,578,610
Cgs. finished products and construction contracts	28,491,201	26,463,301	2,027,900
Total	1,422,630,044	1,298,023,534	124,606,510

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:

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	312,708,751	n/a	312,708,751
Over time	542,171,028	283,550,296	n/a	284,199,969	1,109,921,292
Total	542,171,028	283,550,296	312,708,751	284,199,969	1,422,630,044

For further information, please refer to paragraph “Revenues and Costs”.

38 Other revenues

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Other revenues	37,336,767	23,276,375	14,060,392

The breakdown of Other revenues is as follows:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Grants	19,304,962	15,977,840	3,327,122
Other income	18,031,804	7,294,819	10,736,985
Other revenues from parent company	0	3,716	(3,716)
Total	37,336,767	23,276,375	14,060,392

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

The item “Other” refers mainly to income from rebate agreements with suppliers and the reversal of costs for secondment contract.

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 Group has made use of the possibility of not providing information on benefits received of less than Euro 10,000 in the period considered.

(in Euro)				
Project title	Project description	Lender	Collection date	Total
AiBiBank	AiBiBank is a research project aimed at building a bio-bank and a technological and regulatory infrastructure (DataLake) used to develop decision-support tools for doctors in the fight against cancer.	Piedmont Region (through FinPiemonte)	07.21.2022 09.19.2022 Total	35,615 92,670 128,285
CIDOIMO	Study and implementation of a decision-support platform for the classification of anthropic and non-anthropoc targets detected on the open sea, introducing innovative AI techniques such as Machine Learning (ML) and Deep Learning (DL) applied to acoustic signals and frequency spectra. The adoption of these techniques will make it possible to overcome the current classification limits by extending the analysis to non-anthropoc marine acoustic signals.	Min. of Defence - Navarm - Segredifesa - Naval Armaments Department	11.07.2022 Total	64,263 64,263
DEMAND-MISE	Engineering is the project leader and is responsible for the entire life cycle of the DEMAND solution, from the collection of user requirements to the design of the software architecture. Engineering is also responsible for the design of the semantic consumer model and the implementation of the EMS (Energy Management System) logic for the intelligent monitoring and control of energy flows.	MISE (Ministry of Economic Development)	05.30.2022 Total	118,672 118,672
ECO SYSTEM FASE3	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.	Min. of Defence - Navarm - Segredifesa - Naval Armaments Department	06.20.2022 Total	108,553 108,553
ECO-SYSTEM	Creation of a decision-support platform for the classification of objects detected in open sea, through the analysis of acoustic signals obtained using sonar sensors.	Min. of Defence - Navarm - Segredifesa - Naval Armaments Department	09.19.2022 Total	71,172 71,172
ICOSAF	Engineering is responsible for both defining a distributed data management proposal (edge vs. cloud) capable of enabling process/product quality monitoring by processing data from heterogeneous sources, and enabling Digital Services and related validation models. It also helped provide cognitive and ergonomic analysis for interaction with HMIs by defining the development of advanced HMIs and ICT system integrators.	MUR (Ministry of University and Research)	09.23.2022 Total	58,119 58,119
PRJ SAFE&SMART	Within the Safe&Smart research project, activities were carried out to provide support for the design and development of innovative applications with the aim of developing a Service-Oriented Architecture (SOA) capable of making heterogeneous systems interoperable to ensure the integrity of the information exchanged within the typical processes of the agri-food supply chains. The project also included the development of a prototype system to carry out the functional validation of the smart chain.	MUR (Ministry of University and Research)	03.09.2022 Total	33,058 33,058
PROG AMELIE	The objective of AMELIE is to create a platform that integrates methodology, information technology and services for the optimisation of the integrated management of the product life cycle. To achieve this, the project provides interesting results on the innovation of business processes and the product life cycle, on the monitoring of processes related to the product life cycle and also defines techniques and methods to facilitate implicit collaboration mechanisms and the generation of ideas that are the real capital for a company.	Sicilian Region	12.06.2022 Total	3,160,159 3,160,159
PROG SERVIFY FORMAZIONE	Collaboration, teaching and tutoring in the Training project linked to the related Research project.	MUR (Ministry of University and Research)	11.18.2022 Total	15,290 15,290
RECON-UV	Implementation of an underwater reconnaissance support system using Underwater Vehicle to facilitate inspection, search, discovery and reconnaissance activities in "very shallow water" and in the "surf zone" (close to a "landing zone", i.e. a short distance from the coast or within shallow waters).	Min. of Defence - Navarm - Segredifesa - Naval Armaments Department	10.14.2022 Total	86,375 86,375
ReHome	The project defines, develops, prototypes and validates a technological platform capable of integrating the various components that meet motor and cognitive rehabilitation needs in a context of continuity of care. The platform is targeted in particular at individuals suffering from three chronic degenerative diseases: Severe Cognitive Disorder (mNCD), stroke and Parkinson's disease.	Piedmont Region (through FinPiemonte)	07.21.2022 07.22.2022 Total	182,672 71,996 254,668
SCREAM	Engineering is the Project co-ordinator and is responsible for the activities related to the definition of the SCREAM Framework to identify the reference architecture for the development of remote M&C solutions for production machines. It is also in charge of the Big Data Infrastructure for remote and secure M&C systems aimed at defining the infrastructure for Industrial Big Data Analytics based on a hybrid edge-cloud model and a complete toolkit of algorithms and analysis techniques to support machine tool analysis. Engineering is also involved in the design of application services for remote M&C systems of production machines in order to offer advanced services and support to decision-makers and in the implementation of applications for remote M&C systems of production machines. Finally, engineering carries out the integration of the various components envisaged in the SCREAM Framework.	Ministry of Economic Development	12.05.2022 Total	322,281 322,281
SERVIFY	The Servify project aims at the creation of an Open Service Innovation Laboratory and the definition of an environment for the creation of "multi-sided market" initiatives, which enable cooperation mechanisms between companies in the T-KIBS (Technology - Knowledge Intensive Business Services) sector. The laboratory represents the physical and virtual space where Open Innovation processes applied to services can be implemented. These processes were tested by using the Living Lab methodology, a user-centred methodology to identify, prototype, validate and refine complex solutions in multiple real-life contexts. The project focused on a new conceptual and technological service model, called "Ubiquitous Service", which not only meets the ubiquity requirements typical of nomadic services, but also ensures continuity ("continuum") and consistency in the user experience even when the context changes. This service is always available ("always-on"), without interruptions or barriers due to time, movement and the simultaneous use of multiple services and devices; it is pervasive and socially and technologically immersive (i.e. able to involve users and take advantage of their skills, knowledge and social relationships through an immersive environment that makes them active participants). The Ubiquitous Service benefited from the evolution of mobile devices and the creation of new devices embedded in everyday objects, which make it possible to define new ways of using services, through advanced models of human-machine interaction, and evolved models of social interaction, in which objects, in line with Web 4.0, also provide information and value-added content. In particular, the project focuses on the concept of social sensor networks, an architecture that, based on the characteristics and concepts of the Internet of Things, simplifies and improves the creation of new services by using the "relationships" that exist between these smart objects.	MUR (Ministry of University and Research)	11.18.2022 Total	4,885,000 4,885,000
SIGAGE	The Integrated System for the Management of Electronic Warfare Activities (SIGAGE) proposes the creation of a technologically advanced prototype platform that can increase the current national electronic warfare capabilities (at this stage for ELINT - Electronic-signal Intelligence only). SIGAGE, through the use of artificial intelligence algorithms, will be able to self-learn over time, supporting the user in the decision-making process.	Min. of Defence - Navarm - Segredifesa - Naval Armaments Department	10.21.2022 Total	271,948 271,948
SiMonA	As part of the SiMonA project, Engineering dealt with: the architectures of the new monitoring systems in the real production environment; the software infrastructure in terms of data acquisition capabilities from heterogeneous and distributed sources to be transferred to a cloud-based solution for batch or real-time processing depending on the application needs to be met; the collection of data from sensors and their transmission to cloud platforms; and a new advanced sensor paradigm.	Piedmont Region (through FinPiemonte)	10.20.2022 Total	146,000 146,000

(in Euro)				
Project title	Project description	Lender	Collection date	Total
LIFE ASPIRE	The project addresses the issue of the sustainability of the transport of goods in small and medium-sized historic urban centres through the creation of an innovative system for the intelligent control of transport and loading / unloading of goods as well as the development of a cargo-bike sharing service for the transport of goods in the areas of the historic centre. The solutions implemented will also be tested in two other partner cities of the project, Stockholm in Sweden and Zara in Croatia.	European Commission	06.06.2022	26,392
			Total	26,392
SHARING CITIES - Smart Cities and Communities solutions integrating energy, transport, ICT sectors through lighthouse projects	The European project Sharing cities, which has London as its leader and concerns Milan and Lisbon, plus three other "follower" cities (Bordeaux, Burgos and Warsaw) that will replicate the templates proposed by the three guiding centres. Sharing Cities aims to create innovative approaches to reduce the carbon emissions of buildings and vehicles, improving air quality. The solutions developed, already adopted in several municipalities, make it possible to reduce traffic, facilitate the search and use of car parks, thus helping to reduce pollutants.	Greater London Authority	09.20.2022	7,375
			Total	7,375
CMP3VDA	"Progetto 5000genomi @ VdA - Contributions relating to SAL 1" The five-year project (December 19 - November 24) is financed with ERDF and ESF funds from the Valle d'Aosta Region.	Italian Technology Institute	07.26.2022	415,462
			Total	415,462
SAFE AI	Creation of intelligent video analysis systems based on deep learning and semantic technologies.	MISE (Ministry of Economic Development)	04.11.2022	239,126
			Total	239,126
ISE INDEXING	Development and innovation of the intelligent video surveillance platform Visia The Smart Platform®, through the implementation of a prototype software for the "ingestion" of large databases for the rapid execution of complex queries, through the crossing of data present on heterogeneous databases of different parties (Department of Motor Vehicles, Police Headquarters, Police, etc.).	Campania region	05.24.2022	63,000
			Total	63,000
I LEARN TV	Research and development of an innovative technological platform that, through the use of TV, is able to store video lessons and interactive services for all teaching staff.	MIUR (Ministry of Education, Universities and Research)	07.25.2022	22,454
			11.25.2022	12,507
			Total	34,961
Grand total				10,510,158

B) Costs of production

(in Euro)

Description	12.31.2022	12.31.2021	Change
Costs of production	1,414,188,674	1,251,087,432	163,101,241

39 Operating expenses

The breakdown of operating expenses is as follows:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Raw materials and consumables	58,339,548	35,098,362	23,241,186
Service costs	501,210,492	437,762,484	63,448,008
Personnel costs	718,931,619	673,994,989	44,936,630
Amortisation and depreciation	71,361,971	56,370,920	14,991,051
Provisions	50,465,654	23,398,941	27,066,714
Other costs	13,879,390	24,461,737	(10,582,347)
Total	1,414,188,674	1,251,087,432	163,101,241

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

40 Raw materials and consumables

(in Euro)

Description	12.31.2022	12.31.2021	Change
Raw materials and consumables	58,339,548	35,098,362	23,241,186

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

(in Euro)

Description	12.31.2022	12.31.2021	Change
Hardware	6,041,058	5,780,699	260,359
Software	38,254,278	25,496,423	12,757,856
Consumables	14,043,833	3,789,690	10,254,143
Other	378	31,550	(31,172)
Total	58,339,548	35,098,362	23,241,186

The increase in raw materials and consumables is essentially due to the purchase of software and goods for resale.

41 Service costs

(in Euro)

Description	12.31.2022	12.31.2021	Change
Service costs	501,210,492	437,762,484	63,448,008

Service costs comprise the following accounts:

(in Euro)

Description	12.31.2022	12.31.2021	Change
EDP purchases, services and data lines	4,155,486	5,766,074	(1,610,588)
Insurance	5,865,234	4,963,557	901,677
Bank commissions	3,290,440	2,400,182	890,257
Technical support and consultancy	355,029,630	337,507,871	17,521,759
Legal and administrative consultancy	31,860,491	10,915,201	20,945,290
Training and refresher courses	3,714,993	2,463,562	1,251,431
Costs from collaborators	445,290	330,616	114,674
Cost of corporate boards	4,663,755	3,724,610	939,145
Office and branch rentals	1,799,303	1,339,365	459,937
Maintenance of property, plant and equipment and intangible assets	24,947,036	21,667,522	3,279,514
Canteen and other personnel costs	14,465,079	13,411,562	1,053,517
Automotive expenses	8,074,496	7,032,675	1,041,821
Hardware and software rental	760,676	212,202	548,475
Services from parent companies	126,563	0	126,563
Maintenance and security services	3,775,255	3,201,066	574,189
Advertising and sales rep. expenses	3,467,653	1,682,037	1,785,616
Travel costs	11,071,039	4,204,714	6,866,325
Postage and shipping expenses	7,072,786	6,446,105	626,681
Utilities	8,780,897	5,954,538	2,826,359
Other	7,844,391	4,539,025	3,305,366
Total	501,210,492	437,762,484	63,448,008

The main changes are attributable to the operating performance in the year, with the exception of the item “Legal and administrative consultancy”, which increased on an extraordinary basis due to consultancy activities for the Company’s strategic plan following the change management in 2021.

The increase in the item “Technical support and consultancy” is attributable to the increase in production activities, which made the use of external resources necessary.

The following table shows the remuneration paid in 2022 for the audit, certification and other services rendered by the Independent Auditors.

(in Euro)

Service	Provider	Beneficiary	Remuneration
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	317,000
Other services	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	23,100
Audit	Deloitte & Touche S.p.A.	Engineering D.Hub S.p.A.	37,000
Audit	Deloitte & Touche S.p.A.	Municipia S.p.A.	21,500
Other services	Deloitte & Touche S.p.A.	Municipia S.p.A.	5,000
Audit	Deloitte & Touche S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	15,000
Audit	Deloitte & Touche S.p.A.	Cybertech	15,000
Audit	Deloitte & Touche S.p.A.	Digitematica S.r.l.	9,000
Audit	Deloitte & Touche S.p.A.	C Consulting S.p.A.	12,000
Audit	Deloitte & Touche S.p.A.	Overlord Bidco	7,000

(in Euro)

Description	12.31.2022	12.31.2021	Change
Personnel costs	718,931,619	673,994,989	44,936,630

Personnel costs consist of:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Salaries and wages	542,708,491	503,225,444	39,483,048
Social security expenses	132,044,271	119,832,515	12,211,756
Post-employment benefits	31,308,197	29,311,430	1,996,766
Restructuring and reorganising personnel	8,982,413	15,893,102	(6,910,690)
Other personnel costs	3,888,247	5,732,498	(1,844,250)
Total	718,931,619	673,994,989	44,936,630

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

The change is partly due to raises due to merit and partly to a larger provision for unused holiday leave and permits.

“Restructuring and reorganising personnel” contains the cost of incentives for employees that went into early retirement during the year.

The item “Other personnel costs” includes the reclassification of amortisation and depreciation of Euro 4.4 million relating to cars assigned to employees as required by IFRS 16 and the charge-back of fringe benefits.

The average number of employees in 2022 increased by 1,622.9 individuals compared to the previous year, mainly due to change in the group’s work force and to the entry of new companies into the consolidation scope.

(Units)

Average number of employees	12.31.2022	12.31.2021	Change
Executives	485,4	404,0	81,4
Managers	2,277,9	2,088,0	189,9
Other employees	9,710,6	8,359,0	1,351,6
Total	12,473,9	10,851,0	1,622,9

43 Amortisation and Depreciation

(in Euro)

Description	12.31.2022	12.31.2021	Change
Amortisation and depreciation	71,361,971	56,370,920	14,991,051

The breakdown is as follows:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Depreciation of property, plant and equipment	7,340,460	7,410,516	(70,057)
Amortisation of intangible assets	44,145,094	30,116,190	14,028,904
Depreciation and amortisation IFRS 16	19,876,417	18,844,214	1,032,204
Total	71,361,971	56,370,920	14,991,051

44 Provisions

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Provisions	50,465,654	23,398,941	27,066,714

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

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Allocation to doubtful debt provision	31,967,043	10,551,323	21,415,719
Risk provision	17,821,460	12,847,617	4,973,843
Write-down of fixed assets	677,152	0	677,152
Total	50,465,654	23,398,941	27,066,714

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

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.

With regard to the application of what is illustrated in the paragraph "Trade receivables" of these notes in relation to the new credit policy, a provision of Euro 23.7 million was allocated.

The item "Risk provision" includes primarily:

- Euro 2.5 million for restructuring charges;
- Euro 6.1 million for risk allocation on customer contract assets;
- Euro 5.8 million for possible penalties and disputes pending with customers on projects in progress in the Energy & Utilities area.

45 Other costs

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Other costs	13,879,390	24,461,737	(10,582,347)

Other costs are broken down as follows:

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Dues and subscriptions	1,568,768	1,147,179	421,589
Taxes	7,307,798	11,826,205	(4,518,407)
Gifts and donations	406,177	204,672	201,506
Charges for social causes	489,756	335,707	154,049
Other	4,106,891	10,947,975	(6,841,084)
Total	13,879,390	24,461,737	(10,582,347)

46 Net Financial income/(expenses)

(in Euro)			
Description	12.31.2022	12.31.2021	Change
Net financial income/(expenses)	(17,937,691)	(2,127,176)	(15,810,515)

Financial income is broken down as follows:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Interest income	1,648,778	6,898,120	(5,249,342)
Financial income from lease	12,016		12,016
Fair value gain (differential from derivative)	156,440	509,535	(353,095)
Other financial income	6,923,398	2,972,298	3,951,100
Total	8,740,632	10,379,954	(1,639,321)

The “other financial income” item comprises the exchange gains (equal to around Euro 6.9 million).

Financial expenses consist of:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Interest expense	16,152,705	8,794,279	7,358,426
Other	10,525,618	3,712,850	6,812,768
Total	26,678,323	12,507,129	14,171,194

Interest expense refers mainly to loans detailed in Note “Current financial liabilities” hereof. During the year, the Group borne interest expenses on financial leases amounting to Euro 1.3 million. The “Other” item comprises the exchange losses, amounting to Euro 5.4 million.

47 Income (expenses) related to changes in liabilities on acquisition of non-controlling interests

(in Euro)

Description	12.31.2022	12.31.2021	Change
Income/(expenses) from investments	8,578,148	(4,563,501)	13,141,650

The breakdown is as follows:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Gains on Earn Out / call - put options	9,564,170	9,316,605	247,565
Losses on Earn Out / call - put options	8,670	(49,151)	57,821
Non-recurring income (charges)	(994,691)	(13,830,955)	12,836,264
Total	8,578,148	(4,563,501)	13,141,650

The capital gain of December 2022 is mainly related to the remeasurement of call/put options of a subsidiary on the basis of the current situation and the best information currently available.

Capital losses refer to adjustments as a result of impairment losses of equity investments of subsidiaries.

48 Income taxes

(in Euro)

Description	12.31.2022	12.31.2021	Change
Income taxes	6,927,962	16,138,762	(9,210,800)

The breakdown of taxes is as follows:

(in Euro)

Description	12.31.2022	12.31.2021	Change
Current	21,390,236	22,472,479	(1,082,243)
Deferred	(14,462,274)	(6,333,717)	(8,128,557)
Total	6,927,962	16,138,762	(9,210,800)

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 Euro)

Reconciliation between theoretical and effective IRES tax	12.31.2022		12.31.2021	
	Amount	%	Amount	%
Profit before taxes	36,418,594		63,521,799	
Ordinary rate applied	8,740,463	+24.0%	15,245,231	+24.0%
Tax effects deriving from:				
Income taxable in prior years	5,302,359	+14.6%	4,296,450	+6.8%
Income not taxable	(5,306,284)	-14.6%	(4,624,812)	-7.3%
Expenses not deductible	17,074,122	+46.9%	11,401,824	+17.9%
IAS differences	(365,096)	-1.0%	(365,096)	-0.6%
Other changes reducing taxable IRES	(6,946,006)	-19.1%	(7,614,190)	-12.0%
Utilisation of previous years tax losses	(3,235,700)	-8.9%	(2,870,817)	-4.5%
Effect of foreign tax rates	1,581,230	+4.3%	423,470	+0.7%
Total assessable IRES	70,187,870		66,216,920	
Tax/Tax rate	16,845,089	+46.3%	15,892,061	+25.0%

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 "Deferred tax assets" and "Deferred tax liabilities".

The change in the item "Non-deductible expenses", whose tax effect is approximately Euro 17,1 million, as shown in the reconciliation statement of the theoretical-effective tax rate, is attributable to provisions for risks and charges and allocations to allowance for doubtful accounts.

The change in the item "Non-taxable income", whose tax effect is approximately Euro 5,3 million, as shown in the reconciliation statement of the theoretical-effective tax rate, is mainly attributable to Engineering and in particular to revenues for research grants that, being taxable on a cash basis, have originated a decrease in taxable income.

49 Other relevant commitments

■ COMMITMENTS UNDERTAKEN

The following table summarises the commitments of the Group as of December 31, 2022.

(in Euro)

Description	12.31.2022
Third party sureties	412,145,139
Guarantees in favour of other companies	11,126,296
Bid Bond and Performance Bonds	76,143,873
Total commitments undertaken	499,415,308

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 guarantees in favour of other companies

Bank guarantees are provided to Engineering Ingegneria Informatica S.p.A. in favour of other group companies.

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 December 31, 2022:

(in Euro)

Items as of 12.31.2022	Assets at amortised cost	Assets at FVOCI	Assets at FVPL
Non-current financial assets	1,969,379		
Other non-current assets	456,938	4,803,580 ^(*)	
Trade receivables	543,763,318		
Other current assets	71,725,431		
Current financial assets	465,543		
Cash and cash equivalents	211,202,186		
Total assets	829,582,795	4,803,580	0

(in Euro)

Items as of 12.31.2021	Assets at amortised cost	Assets at FVOCI	Assets at FVPL
Non-current financial assets	902,353		
Other non-current assets	4,326	2,820,598 ^(*)	
Trade receivables	623,113,637		
Other current assets	62,185,988		
Current financial assets	0		
Cash and cash equivalents	132,918,842		
Total assets	819,125,144	2,820,598	0

(in Euro)

Items as of 12.31.2022	Liabilities at amortised cost	Liabilities at FVOCI	Liabilities at FVPL
Non-current financial liabilities	492,718,089		0
Non-current lease liabilities	142,840,257		
Other non-current liabilities	35,310,083	79,465,342	2,600,000 ^(**)
Current financial liabilities	168,050,289		
Current lease liabilities	26,051,088		
Other current liabilities	228,108,801		
Trade payables	469,928,023		
Total liabilities	1,563,006,630	79,465,342	2,600,000

(in Euro)

Items as of 12.31.2021	Liabilities at amortised cost	Liabilities at FVOCI	Liabilities at FVPL
Non-current financial liabilities	132,908,741		250,000
Non-current lease liabilities	122,061,288		
Other non-current liabilities	19,106,862	71,630,985	14,200,000 ^(**)
Current financial liabilities	106,739,076		
Current lease liabilities	20,836,918		
Other current liabilities	190,445,171		
Trade payables	407,449,871		
Total liabilities	999,547,928	71,630,985	14,450,000

(*) 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 executives 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. The cost recognised for members of the Board of Directors for the current period is Euro 473,750. The other current liabilities include post-employment benefit payables of some executives of the Company with managerial functions, under a stability pact signed in 2009.

52 Events occurring after December 31, 2022

On February 23, 2023, the Board of Directors of Engineering Ingegneria Informatica S.p.A. approved the plan for the reverse merger of the parent company Centurion Bidco S.p.A. in Engineering Ingegneria Informatica S.p.A., which is expected to be completed during the first half of 2023 and will take effect retroactively from January 1, 2023.

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

BOARD OF DIRECTORS

On March 28, 2022, the Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved as follows:

- the Director Michele Cinaglia resigned from his office of member of the Company's Board of Directors;
- Maximo Ibarra remains a member of the Board of Directors and Chief Executive Officer;
- Gaetano Micciché was appointed member of the Board of Directors and Chairman of the Board of Directors.

On September 28, 2022, the Director Armando Iorio resigned from his office of member of the Board of Directors of Engineering Ingegneria Informatica S.p.A..

On October 17, 2022, the Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. appointed Carlo Achermann as a member of the Board of Directors.

The composition of Corporate Bodies is as follows:

Gaetano Micciché	Chairman
Maximo Ibarra	Director and Chief Executive Officer
Carlo Achermann	Director
Aurelio Regina	Director
Christophe Patrick M. Jacobs van Merlen	Director
Fabio Cosmo Domenico Cané	Director
Giovanni Camera	Director
Luca Bassi	Director
Pietro Galli	Director
Stefano Bontempelli	Director
Stuart James Ashley Gent	Director
Riccardo Bruno	Director
Vito Cozzoli	Director

BOARD OF STATUTORY AUDITORS

Maurizio Salom	Chairman
Domenico Muratori	Standing Auditor
Stefano Roberto Tronconi	Standing Auditor
Monica Antonia Castiglioni	Alternate Auditor
Alice Lubrano	Alternate Auditor

SUPERVISORY BODY

Roberto Fiore	Chairman
Annalisa Quintavalle	Member
Frida Fransson	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

ENGINEERING

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