ANNUAL ACCOUNTS 2018

ENGINEERING

Annual Accounts 2018

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

ENGINEERING

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241 Resolutions of the Shareholders’ Meeting

ENGINEERING Ingegneria Informatica S.p.A.
Registered office, Piazzale dell'Agricoltura n.24, Rome
Share Capital Euro 31,875,000,00 fully paid-in (40,081,172 further increase resolved)
Company Register in Rome no. 00967720285 - CCIAA of Rome REA n. 531128
Tax code 00967720285 - VAT no.05724831002
www.eng.it

Rome, March 28, 2019

Sole Shareholder MIC Newco S.p.A.
in the person of the Legal Representative

Members of the Board of Directors
of ENGINEERING INGEGNERIA INFORMATICA S.p.A.

Members of the Board of Statutory Auditors
of ENGINEERING INGEGNERIA INFORMATICA S.p.A.

The Shareholders of Engineering Ingegneria Informatica S.p.A. are called to attend the Ordinary Shareholders' Meeting at the registered office of Engineering Ingegneria Informatica S.p.A. in Assago (MI), Centro Direzionale Milanofiori, Strada 2, Building D/1 - D/3, 20090 (entrance D1), on April 11, **2019 at 11:30 , first call,** and, as the case may be, on May 3,2019, same place and time, second call, to resolve on the following

Agenda:

1. Financial Statements as of December 31, 2018, Directors' report, Board of Statutory Auditors' Report and Independent Auditors' Report, related and consequent resolutions.
2. Waiver of liability actions and compensation, included actions pursuant to articles 2393, last paragraph, 2393-bis, last paragraph, and 2043 of Civil Code, against the resigning director Mr. Giovanni Camisassi.
3. Appointment of the Board of Directors: related and consequent resolutions.
4. Appointment, as the case may be, of the Chairman of the Board of Directors: related and consequent resolutions.
5. Appointment of the Statutory Auditors: related and consequent resolutions.
6. Appointment of Independent Auditors.

The Chairman of the Board of Directors
Mr. Michele Cinaglia

Consolidated Financial Statements

ENGINEERING GROUP

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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 at December 31, 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Engineering Ingegneria Informatica S.p.A. ("Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Deloitte.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Engineering Ingegneria Informatica S.p.A. are responsible for the preparation of the report on operations of Engineering Ingegneria Informatica Group as at December 31, 2018, 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, 2018 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, 2018 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 1, 2019

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, 2018

I. Corporate Governance and Corporate Bodies

CORPORATE GOVERNANCE

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

Since August 4, 2016, with resolution taken by the Company's Extraordinary Shareholders' Meeting, the Group adopted the traditional system instead of the one-tier one.

BOARD OF DIRECTORS

On August 4, 2016, after the resolution of the Company's Ordinary Shareholders' Meeting and following the resolution of the Board of Directors held on the same day, a new Board of Directors and a new Board of Statutory Auditors were elected and will remain in office until the approval of the financial statements as of December 31, 2018. The composition of Corporate Bodies is as follows:

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

BOARD OF STATUTORY AUDITORS

Rocco Corigliano	Chairman
Patrizia Paleologo Oriundi	Statutory Auditor
Massimo Porfiri	Statutory Auditor

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Paolo Pandozy

SUPERVISORY BOARD

Roberto Fiore	Chairman
Spartaco Pichi	Member
Annalisa Quintavalle	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

II. Introduction and consolidation scope

INTRODUCTION

The consolidated financial statements as of December 31, 2018 of the Engineering Ingegneria Informatica Group (hereafter the "Engineering Group", "Engineering" or simply the "Group") have been prepared, as they have since 2005, in compliance with the recognition and measurement criteria established under International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), in addition to the IFRIC (International Financial Reporting Standard - Interpretation Committee) and previously named SIC (Standing Interpretation Committee) interpretations issued by the IASB (International Accounting Standards Boards) and endorsed by the European Union.

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

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

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

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

ALTERNATIVE PERFORMANCE MEASURES

The detailed description of the accounting principles, assumptions and estimates adopted is provided in the Explanatory Notes to the Engineering Group consolidated financial statements as of December 31, 2018, to which reference should be made. This report uses a number of alternative performance measures (APMs) not envisaged by IFRS accounting standards. These APMs are deemed as significant for measuring the Group operating performance and allow for a better comparability over time of the same results, albeit they are not a substitute to measures envisaged by the international accounting standards.

In particular, the following is highlighted:

- **Reported EBITDA** ("reported Earnings Before Interest, Taxes, Depreciation and Amortization"): alternative performance measures (APM), calculated by the Company as performance for the year, adjusted by the following items: (i) taxes, (ii) net financial income (charges) (including, inter alia, gains and losses on exchange rates), (iii) amortisation/depreciation, allocations (including, but not limited to the allocation to bad debt provision and to the provision for risks and charges, comprising allocations made for probable future losses on some orders). It is noted that reported EBITDA is not identified as accounting measure within the IFRS standards adopted by the European Union. As a consequence, the calculation criterion adopted by the Group might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Group might not be comparable with the one calculated by the latter.

- **Adjusted EBITDA**: the APM calculated by the Group as reported EBITDA, adjusted by non-recurring income and charges that have a significant impact on the reported EBITDA. It is noted that adjusted EBITDA is not identified as accounting measure within the IFRS standards adopted by the European Union. As a consequence, the calculation criterion adopted by the Group might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Group might not be comparable with the one calculated by the latter.

- **Standardised EBITDA**: the APM utilised by the Group for determining the covenants.

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

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

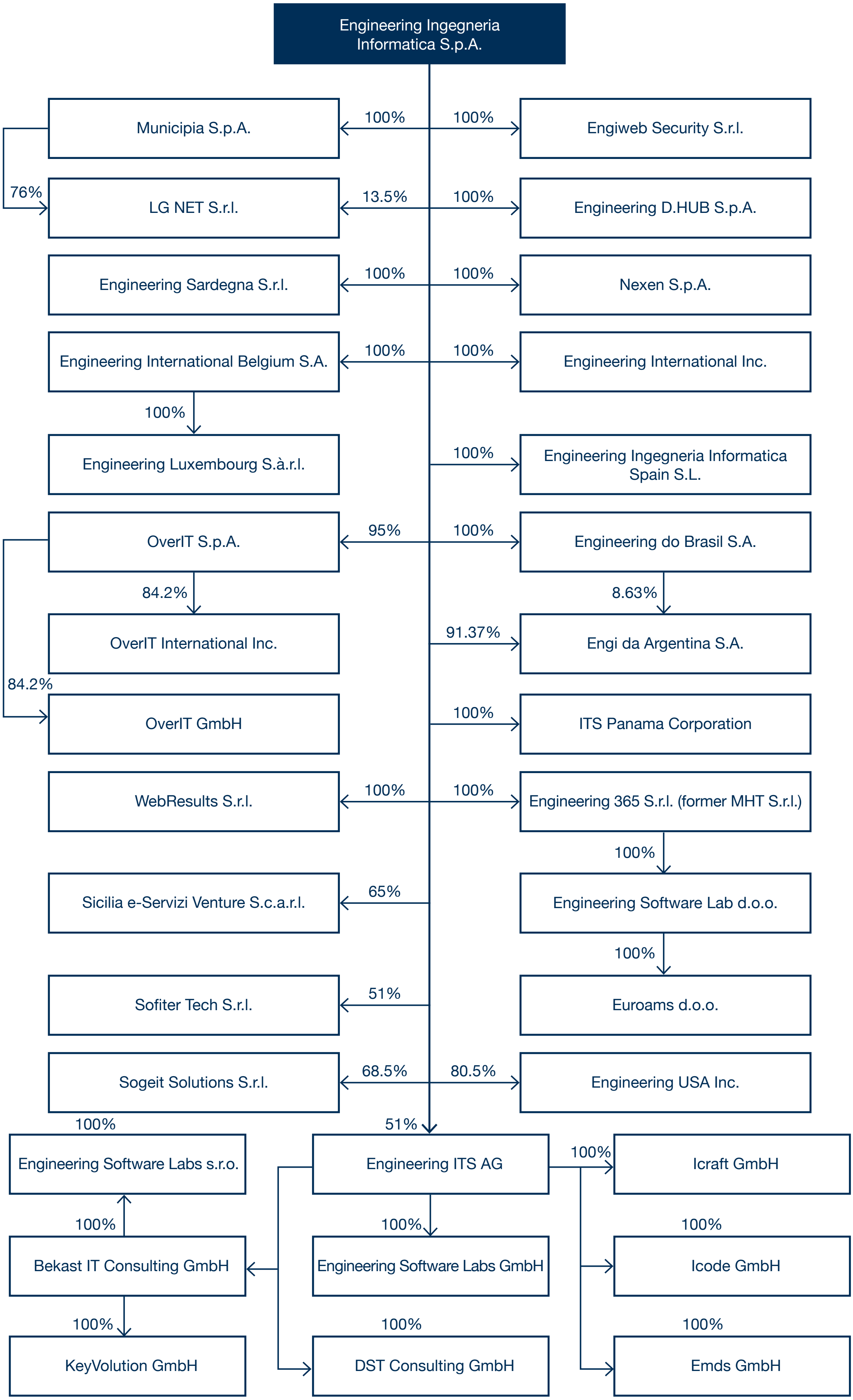
- **Net Working Capital** discloses the net total amount of non-financial, current assets and liabilities. It permits to evaluate the ability of the Group to fulfil short-term commercial commitments through current trade assets and, together with net fixed assets and the net capital employed, it also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

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 financial statements and, albeit they are inferred from financial statements, they are not subject to audit. Therefore, the APMs must not be considered as a replacement of indicators envisaged by the reference accounting standards. Moreover, by reason of the fact that they are not inferred from the reference accounting standards for the preparation of the financial statements, the methods to determine the APMs, used by the Group, might not be consistent with the methods adopted by other Groups and therefore might not be comparable.

CONSOLIDATION SCOPE

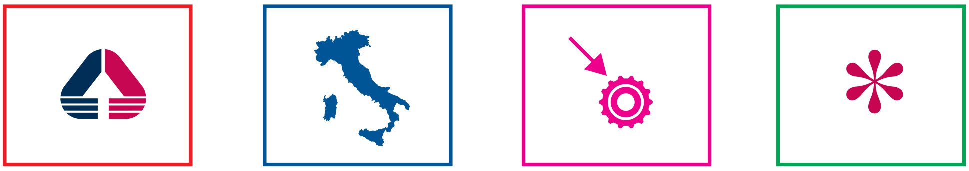
The structure of the Group as of December 31, 2018 follows the implementation of a careful acquisition policy and subsequent integration processes which have resulted in the Group consisting of 33 companies, in addition to the Parent Company, 29 of which are in operation, two in liquidation (Sicilia e-Servizi Venture S.c.r.l. and EuroAms d.o.o.) and two non-operational (Overit Gmbh and ITS Panama Corporation). Engineering Ingegneria Informatica S.p.A. exercise managerial and business influence on the direct subsidiaries.
This structure is to be meant as a representation of a Group that operates in a context of close integration, arranged into specific centres of managerial responsibility.

CONSOLIDATION SCOPE AS OF DECEMBER 31, 2018



III. Group activities and operations

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

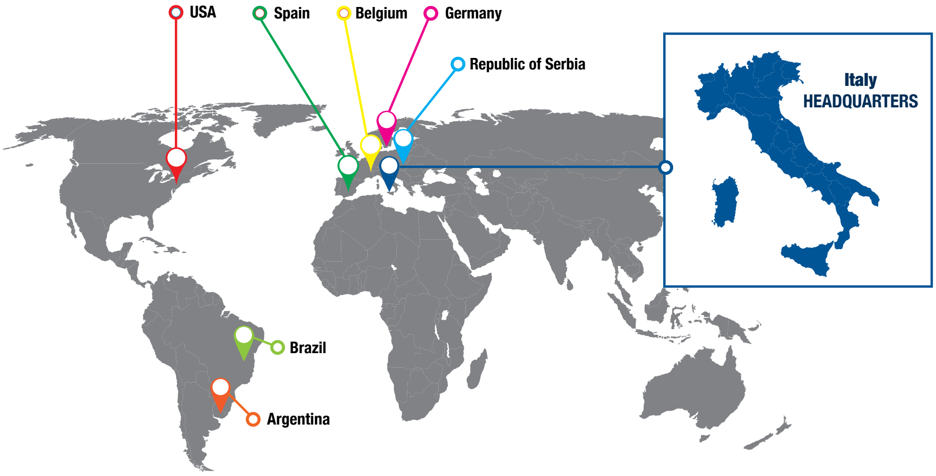


Established on June 6, 1980

1st Italian IT operator

ICT services, products and consultancy

Present on all markets



With a network of 10,700 employees, around 50 offices throughout Italy, the EU (Spain, Germany, Belgium, Serbia) and Latin America and 3 companies in the United States, the Group offers services, products and consultancy. The Group generates approx. 12% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Transportation, Telecommunications, Utilities, Finance and Public Administration sectors.

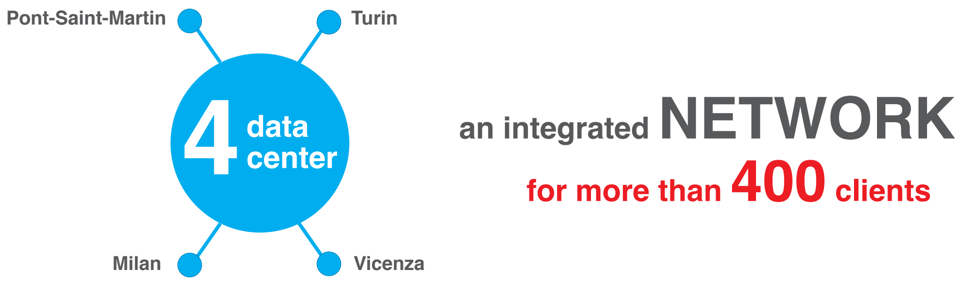
10,730 employees

50 offices

20 countries served

12% foreign revenues

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



The Engineering's market consists of medium-large clients, both in the private (banks, insurance companies, industry, services and telecommunications) and in the public sector (Healthcare, local and central Public Administration and Defence).

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

The Group is organised in four market divisions: Finance, Industry, Telco & Utilities and Public Administration (central, local and Health). Engineering covers an important position in all the vertical sectors it operates in. The market share in Italy in the Software and IT Services area, where the Group operates, equals about 10%.

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

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

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

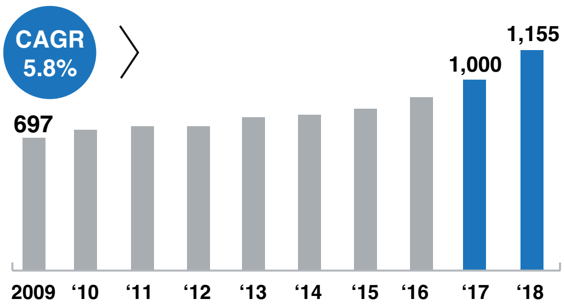
These are object of continuous investments aimed at the adoption of the latest technologies and the upgrading of business models in relation to the markets, to which they are intended.

Around 30% of the Group's revenues result from the sale of licences of its products in relation to maintenance and implementation contracts.

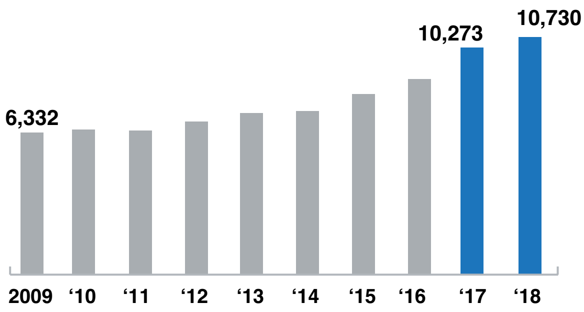
The Group's products are available under usage licences or service modalities based on Engineering's Cloud platform. This strong presence of proprietary solutions permits Engineering to stand out in the market and this is one of the main strong points with respect to competitors.

HIGHLIGHTS OVER THE LAST 10 YEARS

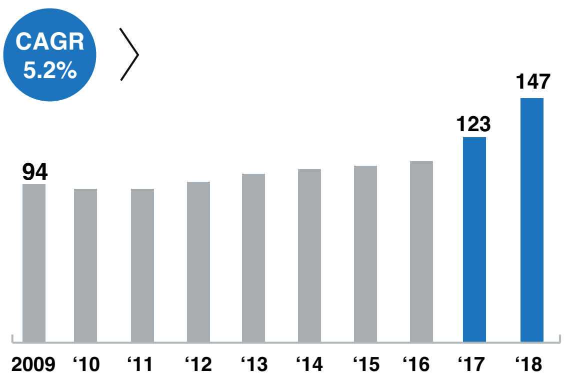
Net Sales (Data in Euro million)



Tot. employees (Unit)



Adjusted EBITDA (Data in Euro million)



Net cash/(debt) (Data in Euro million)

IV. Market overview

ECONOMIC OVERVIEW

The IMF update on the world economy forecasts, issued in January 2019, reported a slowdown of global expansion. Global growth in 2018 was estimated around 3.7%, as envisaged in forecasts of the Ocean Economic Outlook (WEO) in October 2018, despite the weaker results in some economies, especially in Europe and Asia. The global economy should grow by 3.5% in 2019 and 3.6% in 2020, 0.2 and 0.1 percentage points below projections of last October.

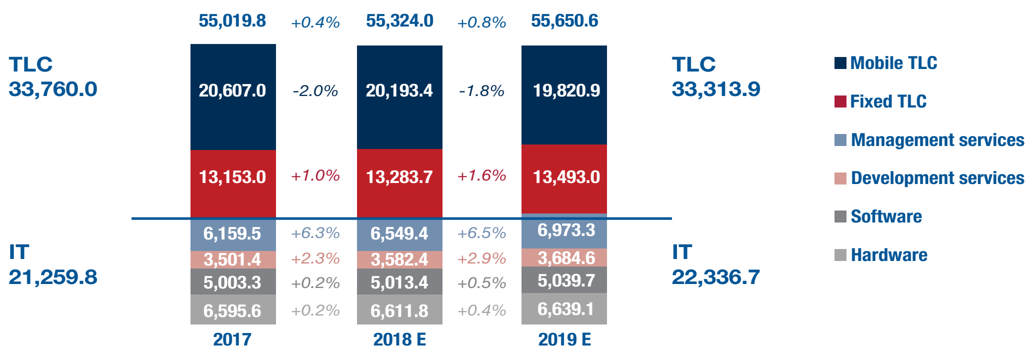
THE ITALIAN ECONOMY

The slowdown of the international economy has hit especially the industrial sector and the international demand. In 2018, the Italian economy grew by 0.9%, clearly slowing down compared to +1.6% reported in 2017. This figure is given by ISTAT that, according to more detailed data, reviewed the preliminary estimate of 1% GDP increase downwards. In January 2019, Istat stated that, in the fourth quarter of 2018, the Italian GDP showed a worsening for the second consecutive time, due to a new drop in domestic demand.
The labour market confirmed the framework of substantial employment stability, featuring slight improvements as regards unemployment.
The price deceleration trend is confirmed, conditioned by reductions in energy costs. The delta, with inflation in the Eurozone, started to widen again.

THE IT SECTOR

In 2018, the growth trend is confirmed for the IT segment, as already highlighted in Italy and in the world over the last two years. This is what is inferable from the Assinform "The 2018 digital in Italy" report:
"A generalized increase in demand is reported, even if with different thrusts in the various technological sectors. The components of Devices and Systems continued to grow at a lower speed than the market average (+1.5%), albeit with a strong resilience compared to the previous years. The Data Center systems recorded the lowest growth, slowed down by the migration to other software-defined platforms and Cloud architectures. The weight of the most innovative components grew; they are called IoT, Cybersecurity, Cloud, Big Data, Web Services and Mobile Business had a double-digit growth, driving the entire market, starting from software and services". The ICT market is expected to reach Euro 55.6 billion in 2019, with a +0.4% growth in 2018 compared to the previous year and +0.8% growth in 2019.

IT market trends by product/service 2017 - 2019E - Values in Euro million and % change



Analysis of the ICT market in Italy – Source Sirmi 2018

In evaluating Sirmi's analysis in detail, the IT market has an overall value of around Euro 22.3 billion in 2019. A growth is expected in both 2018 (+2.3%) and 2019 (+2.7% compared to the previous year), albeit with different dynamics, according to the various segments of products and services, involving all components.

V. Operational overview

RESEARCH AND INNOVATION ACTIVITY

Group R&D component continues to be present in all emerging and potentially interesting fields for the Company; this in view of guaranteeing the development of skills and solutions supporting competition ability and the most innovative technological solutions.

From an operational point of view, in 2018 the results were published of the participation in tenders issued at the end of 2017 by the Ministry of Education, University and Research, especially regarding the notice for the presentation of industrial research projects and experimental development in the 12 specialization areas identified by the 2015-2020 PNR. All proposals of the Engineering Group were considered eligible and over 60% of these projects will be funded.

At European level, Engineering participated to the EIT Digital tender with around 15 proposals. The results of the tender confirmed the quality and interest of the proposals submitted. Engineering, in fact, resulted as the company with the highest success rate (over 50%).

Throughout the year, in line with the objectives set, the activities related to European PPPs, in which we are particularly active, continued. In particular, as regards FIWARE, over the year the members of the Foundation, including our Company, made their best efforts to commercially enhance the platform. During the year, we have also taken part and won the PCP Select4Cities with our solution "FIWARE-based" called CityEnabler, thus opening the way for a commercial dissemination of this solution on the Engineering markets.

Over 70 new projects were presented at national and European level, with a success estimate in line with past experiences and clearly higher than average.
The participation to the tender launched by the Ministry of Economic Development and called "Fabbrica intelligente, Agrifood e Scienze della Vita" is worth mentioning. It envisaged collaboration projects, for the amount of Euro 5-40 million, where an interesting collaboration might be possible with the Regions, with the aim of signing an agreement between Ministry, Regional Administration and companies.

Lastly, in 2018, a financing application was filed for funds assigned to support innovation of the European Investment Bank. The application, starting from projects with greater innovative value that are currently underway and/or are envisaged by the Company, consists in a detailed investment plan which, for the 2018-2020 three-year period, has an overall economic value of over Euro 120 million.

Research activities had important repercussions in innovating the product offer of Engineering.

In 2018, Engineering continued the transformation process of its offer for IT infrastructures through its subsidiary Engineering D.HUB S.p.A.. This process is aiming at combining traditional management services through a series of innovative services to support Digitalization. The new services are aimed at supporting both the creation of new natively digital solutions and the migration of solutions existing on hybrid cloud platforms by innovating the offer of traditional outsourcing services.

The RPA (Robotic Process Automation) stands out from the new product offers. This solution was started in the second half of 2017 and, during 2018, achieved material results in terms of interest arisen and importance of customers involved. The offer is enriched with new technological partnerships (not only NICE, but also UIPath, an emerging solution on the market) and it is increasingly sold in the service version. Thanks to the exclusive partnership with Valor (recognized PA Israeli advisory signature), our RPA solutions will be proposed also in other countries, where Engineering operates.

The Digital Workplace is another product offer, started during the year. This is aimed at offering a technical backup to the adoption of Collaboration & Communication platforms, like Microsoft Office365. We proved to be especially efficient on the market in exploiting, to the benefit of our customers, our experience accrued in adopting Office365 at Group level, which, like the deployment of over 10,000 work stations in a few months, represents a distinctive reference in this sector.

The partnerships with the three main CSPs (Cloud Service Providers) – Amazon, Microsoft, Google, Oracle – were finalized at global level. In this way, Engineering has realized a complete hybrid platform by offering customers the possibility of choosing among public cloud, hybrid cloud of various suppliers and its private cloud.

Lastly, the decision to accelerate growth in the market of Cyber Security services led to the announcement of an important acquisition, at year end, which brings Engineering to the top positioning also in this sector. The acquisition of Omnitech and the establishment of Cybertech represent the strong willingness to be always a reference player for the domestic and international markets of E2E services, from the creation to the secure management of any type of IT solution.

MARKET PERFORMANCE

FINANCE

The results, achieved in 2018, will confirm the growth trend over the last few years, in terms of volumes and profitability. The basic elements in this consolidated trend are:

- the prompt interpretation of dynamics linked to regulatory and economic scenarios;
- the proactive offer of solutions that meet regulatory and business requirements, even more careful to the evolution of relations between incumbent and fintech, as well as the respect of rights of final users;
- the operating efficiency, resulting from a proximity model to customers, which will benefit from specialistic skills, sleek organization and standardised processes.

In terms of business strategy, the Finance General Management is now striving to develop various initiatives aiming at combining competence in core processes with the mastering of the latest digital technologies.

This model was applied in various contexts:

- new standards, like Anacredit and IFRS 9;
- integration of proprietary solutions in the Credit area with leading national customers;
- completion of the evolution of the Corporate Performance Management;
- acquisition of important development opportunities on the market of insurance companies;
- implementation of natively digital solutions in fields including Corporate Banking, Payment Systems and Data Governance;
- optimization of transformation processes of legacy solutions, in micro-service applications, through the selection of the best architectural patterns;
- elaboration of specific proposals concerning RPA and Machine Learning, in collaboration with corporate centres;
- start-up of a preparatory phase for the definition of a competitive offer regarding Advisoring.

In the general strategy framework, the role that the Solutions & Services Management plays in managing the relations with Supervisory Boards and Authorities is particularly relevant. The Management supervises the portfolio of proprietary solutions, coordinates the supply of the main application services and actively participates in discussion tables on issues related to architectural, applicative and business innovation.

PUBLIC ADMINISTRATION

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

CENTRAL PUBLIC ADMINISTRATION

In 2018, budget targets were overcome thanks to the efficient delivery capacity and the quality in the production of software on projects. This allowed for the successful and rapid overcome of final tests. All activities, concerning both application and infrastructures, were carried out with almost unanimous satisfaction by customers. The adoption of new technologies (multi-cloud, micro-service architecture, Agile development and Design Thinking) has become more and more important for the projects underway.

LOCAL PUBLIC ADMINISTRATION

The thrust towards the innovation of Local Public Administration was confirmed in 2018, in view of increasing the centrality of the citizen, dematerializing documents, digitizing processes, continuing the process towards digital identity.

At the end of 2017, the Group obtained the final assignment of two Consip framework agreements for the Integrated Management Systems (SGI) in the Local PA, thus covering the entire Italian territory. The benefits of the above-mentioned instruments became visible in 2018, with the acquisition of many Executive Contracts, subscribed all over the entire Italian territory, especially in the Central and Southern area. The possible business that might result from these Framework Agreements will be visible in 2019, above all in the Northern area, where economic availability is still remarkable.
The Group consolidated its presence in the main Regions of Italy thanks to an important presence of Engineering in developing and managing accounting projects for Public Entities, rather than projects concerning the supply of loans to citizens and firms in the agricultural, trade and industrial fields, and other projects.
The Leg. Decree 118/2011 on harmonization of financial statements of Local Entities was an opportunity for enlarging collaboration with regional administrations, where the Group was not present yet. Competence accrued in this field and the reuse of solutions developed by Engineering, already in place in Liguria Region, Valle d'Aosta Region and Emilia Romagna Region, allowed for the acquisition of important agreements with the Regions of Lazio, Puglia, Piedmont, as well as local entities like ARPA Lombardia, ALER and ARPA Veneto, thus consolidating the offer in the field of regional accounting systems and local entities. 14 new customers were acquired: CSI Piemonte, Veneto Lavoro, Veneto Regional Council, Bolzano Autonomous Province, ARPA Lombardia, ARPA Lazio, Lazio Crea, University La Sapienza of Rome, Abruzzo Region, Innova Puglia, Ente Autonomo Volturno, Campania Regional Council, ARPA Campania and AREA Sardegna (former IACP), with a significant component of cloud and data analytics service.

MUNICIPALITIES

Through its subsidiary Municipia, Engineering confirmed itself as one of the leaders in the market of collection and evasion research and recovery services, by acting through tenders launched by entities in this sector, and through innovative legal forms such as Public and Private Partnership and Project Financing.
As regards the participation in tenders, the year 2018 reported positive results for our Company, which took part in 37 tenders and won 18, for a value of around 70% of the potential amount.

The Company was also awarded the first contract that envisages the extrajudicial collection that will gradually become a standard, at least in cases when it is convenient and effective.
The Group not only took part in tenders, but also continued initiatives dedicated to Public/Private Partnerships through Project Financing.
An offer of services for the management of fines for traffic violations is being developed.

AUGMENTED CITY AREA

Together with the management of inflows collection, other sectors were developed, such as urban mobility, urban waste collection and transportation, urban planning, social services, heritage, security, process management and active participation.
To transversally support the offer of digitalization solutions and services for Municipalities, during the year the acquisition and merger process was completed in relation to the company INF.OR. S.r.l., owner of a suite of application software for local entities with a quality level acknowledged by the market, especially in the management of financial resources. Thanks to this acquisition the customer portfolio increased by around 200 entities.
In the mobility sector, the acquisition of the company Kiunsys S.r.l. (former Municipia Mobilità S.r.l.) was completed at year end. This company features a 10-year specialization in solutions for the management of urban smart mobility, already used by around 40 Italian towns and important German towns, through the partnership with the Telekom/T-Systems group.
This first case might generate, in the future, a presence of the Company on the international market.
This product range led to the definition of the Augmented City portfolio, which is one of the strategic areas of the Group market positioning.
Also in these sectors, the Company relies on innovative market approach modalities represented by Private and Public Partnerships with Project Financing proposals.

HEALTHCARE

2018 witnessed another year of growth, compared to the previous year, continuing the consolidation of the Company's position in this market.
In the Veneto region, the project for the realization of the Rete Oncologica Veneta (Oncological Network of the Veneto Region) is worth mentioning. It foresees the implementation of the centralized, regional IT system, aimed at managing the diagnostic, therapeutic and care course of the oncologic patient.
Moreover, the changing needs of the market are more evident, with a trend towards centralized solutions at regional level. Cloud technologies are being adopted in this market as well.
As regards successful commercial actions, it is worth noting the transition to Cloud of ASL BAT (Puglia) IT systems and, as regards the Campania Region, of INT Pascale and SIRES 118.
Always within the SGI Consip Convention and in the first months of 2019 already, concrete founding has been cast that will allow Engineering to gain a positioning in hospitals not yet included in the Company's customers portfolio (new names such as ASL Viterbo for the realization of the new Administrative-Accounting System and Policlinico Umberto I in Rome concerning the re-engineering process of IT systems).

All installations already present on the territory are still maintained, together with the gradual further implementation of specific solutions for hospitals.
For this purpose, while continuing initiatives started the year before on the transfusion market, with the migration of customers to the new version of the Eliot software, the year 2018 was characterized by the winning of the tender launched by the Basilicata Region for the new transfusion information system of Customers within the SSR.

INDUSTRY & SERVICES

Digitalization characterized the I&S market. To this purpose huge investments were addressed to all the various areas of the corporate business development cycle. Over the last two years, Engineering has envisaged significant investments to complete its product range and to offer the market an integrated view that enables us to be considered not only as system integrators, but as partners in the digitalization of companies. Engineering is one of the few companies that are able to backup companies from product design (PLM) to manufacture (MES) and management systems (ERP).

International projects are increasingly growing, in number and quality. To this purpose, we have continued to accompany our customers in the projects abroad, but above all we are even more present, on foreign markets, as competitor of the main international players. Our presence in various regions (United States, South America and Germany) represents a sure advantage for this process.

The automotive segment has given a special growth contribution to the market in which, despite difficulties reported in this segment, we have achieved a stable and effective presence, above all in the manufacturing area. In the infrastructure area, we have cast the basis for even more qualified international projects.
Lastly, it is worth making some considerations on MHT which, as already known, mainly operates on the MS platform in the I&S market.

The year 2018 was a year of deep restructure for the Company, which was reflected in a discontinuity on economic results in terms of profitability. In any case, revenues increased and, with the commercial and technical merger with the Parent Company, the prerequisites for a phase of future growth were created.

TELCO

In 2018 Engineering grew, overcoming the budget targets.

All offer areas reported a growth:

- Revenue Sharing services, including Mobile Payment, Centro Stella, Premium and Cloud Gaming services;
- Application Development & Maintenance services, thanks to the start-up of activities for the areas DWH, ERP and Portals for the TIM customer and the start-up of BSS and OSS activities for the new Sparkle customer;
- System Integration projects for the realization and integration;
- platforms concerning TIM per-paid services to enable the migration to the new Huawei-based Rating &

Charging system;
- micro-service, multichannel back-end platform within the BSS digital transformation for TIM customers;
- Data Retention and Portale Magistratura platform for the Tiscali customer;
- Insurance and Billing OSS platform for the Open Fiber customer;
- Network Operations services, thanks to the significant growth regarding the Vodafone customer, due to the winning of some important tenders.

Moreover, founding was cast to support growth, in 2019 as well, thanks to some important successes obtained between the end of 2018 and the beginning of 2019:

- award of the Open Fiber's tenders on Application Development & Maintenance;
- award of the tender on Application Management in BT Italia;
- start-up of some pilot projects for the transformation and consolidation of TIM's Data Centers.

UTILITIES

In 2018, the Energy & Utilities market reported a 7% growth in volumes, thus confirming itself as one of the main players thanks to the success of its Net@ and OverIT proprietary solutions, that have been available for a year now in the Cloud version, and to the increased volumes in the projects related to the main customer in this market. The completion of investments on the Net@2A product also enabled the start-up of a campaign for the projects in the water service segment, with important market successes.

Engineering widened the support activities to customers in the digitalization process, while completing projects based on Cloud and Big Data architecture.

The consolidated experience of utilities personnel permitted to confirm the presence, in all sectors of the energy production segment, while widening the excellence areas on Billing, Meter-to-Cash, Work Order Management, Field Force Management and CRM processes.

The strict collaboration and synergy implemented on all Group companies (primarily with Engineering D.HUB S.p.A., OverIT S.p.A. and WebResults S.r.l.) allowed to complete the positioning on the market with cutting-edge solutions in the Managed Services, Sales and Client Management areas.

The year 2018 witnessed, on the Spanish market, the consolidation of our presence with an organic growth on historical customers and the starting of a partnership for the diffusion of our solutions on that market.

VI. Personnel

GROUP WORKFORCE AND TURNOVER

As of December 31, 2018 the Group workforce with indefinite-term contracts numbered 10,730, of which 1,072 abroad (they were 10,273 and 944, respectively, as of December 31, 2017).

The number of employees grew by 457 (+4.2%) individuals compared to December 2017, with an increase of 329 individuals in Italy and 128 individuals abroad.

The policy of hiring young, recent graduates continued in 2018 as well, with the hiring of over 900 individuals.

Some detailed figures are provided below, related to 2018, with reference to the Group workforce:

- graduated people total 58.81%;
- women totalling 31%;
- the average age is 42;
- the number of executives was equal to 3.4%;
- employees with Super Management/Management qualifications total 18.94%.

TRAINING

During 2018, 384 different editions of training courses were held in the classrooms of the IT & Management Engineering Academy “Enrico Della Valle”, an increase of 6.9% with respect to 2017.

The educational activities involved about 4,804 participants, totalling 16,323 man-days of classroom training (+11.5% compared to 2017).

Thanks to the corporate Learning Management System (LMS) FORENG, the various initiatives of remote training through wbt and webinars, available to Group employees are to be mentioned. This led to over 4,500 accesses to the various e-learning training courses and over 1,500 hours of webinars.

This important figure proves the evolution of the Group training model aiming at a better integration between training in class and e-learning, in view of better employing distinctive characteristics of each educational modality.

VII. Outlook

The results for the year 2018, with all strongly growing economic indicators, overcame the budget forecast indicated by the Management and have laid foundations for the strengthening of the Group in all the markets in which it operates.

The issues that will drive the growth within the Group in 2019 will include:

- projects acquired in the second half of 2018, in the Local Public Administration;
- enhancement in the Smart city market of acquisitions made between two years (INF.OR. S.r.l. and Kiunsys);
- development of our digital platform (Digital Enabler);
- the leadership acquired with recent acquisitions in the field of safety and management identity;
- trading of our main solutions in the cloud modalities;
- the even stronger positioning with projects and solutions in the market of utilities;
- the acquisition of new important customers in the Telco area in Italy and Brazil;
- the strong growth in the manufacturing market, especially in the design (PLM) and automation (MES) areas;
- an increasing positioning in the automation and safety area for transportation and infrastructures.

VIII. Financial highlights

In order to allow for a more immediate and exhaustive reading of performance results, the 2017 comparative income statement tables were restated to reflect the effects due to the completion of the measurement at fair value of assets acquired and liabilities undertaken of the companies acquired in 2017, pursuant to IFRS 3.

■ MAIN FINANCIAL DATA

The main financial data related to the year 2018 are show hereunder compared with the restated previous year, as described hereunder.

(in millions of Euros)

Description	31.12.2018	31.12.2017	% change Yoy
Total revenues	**1,180.3**	**1,028.8**	**+14.7**
Net revenues	**1,154.9**	**1,001.8**	**+15.3**
Adjusted EBITDA (*)	**147.2**	**122.9**	**+19.7**
% of net revenues	+12.7	+12.3	
Reported EBITDA	**137.3**	**113.5**	**+20.9**
% of net revenues	+11.9	+11.3	
Amortisation and depreciation	**43.5**	**34.0**	**+27.9**
Provisions	**15.8**	**19.2**	**-17.8**
EBIT	**78.0**	**60.3**	**+29.3**
% of net revenues	+6.8	+6.0	
Net profit	**57.7**	**49.0**	**+17.7**
% of net revenues	+5.0	+4.9	
Shareholders' equity	**615.8**	**584.5**	**+5.4**
Net debt	**(69.9)**	**(138.1)**	**-49.4**
% debt/equity			
ROE % (N.P/N.E.)	**+9.4**	**+8.4**	**+11.7**
ROI % (EBIT/N.C.E.)	**+11.3**	**+8.3**	**+35.8**
No. of employees	**10,730**	**10,273**	**+4.4**

(*) Adjusted EBITDA refers to the EBITDA results gross of Stock Option costs.

The Engineering Group ended the year 2018 with a double-digit growth, both in revenue and profitability (Net Revenues +15.3%; reported EBITDA +20.9%).

In detail:

- total revenues grew by Euro 151.5 million (+14.7%), achieving Euro 1,180.3 million;
- adjusted EBITDA amounted to Euro 147.2 million, up by 19.7% million compared to the previous year, which becomes Euro 137.3 million (reported EBITDA) after accounting of non-recurring charges related to the figurative cost of Stock Options, equal to around Euro 9.9 million, pursuant to the IFRS 2 standard;
- EBIT totalled Euro 78.0 million, with a profitability of around 6.8%. The analysis of item amortisation and depreciation will be described in further detail hereunder;
- net profit totalled Euro 57.7 million, an increase of 17.7% compared to the same period of the previous year;
- the Group reported a net financial position of Euro -69.9 million, compared to Euro -138.1 million as of December 31, 2017, mainly due to positive cash flows generated by the core business.

Alternative Performance Measures
The Alternative Performance Measures, reported EBITDA and adjusted EBITDA, are calculated as follows:

(in millions of Euros)

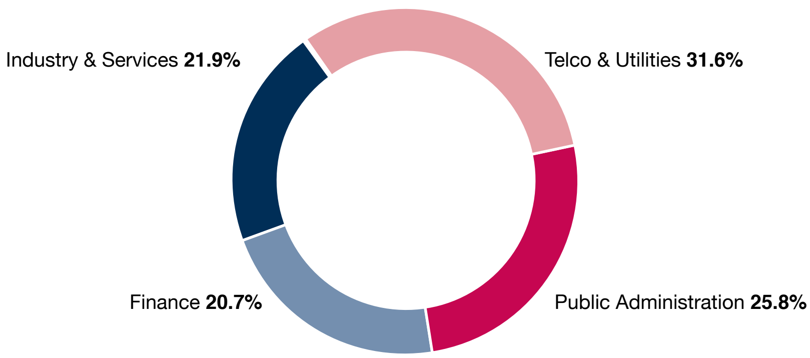
Description	2018	2017
Net profit/(loss)	**57.7**	**49.0**
Taxes	24.0	4.8
Financial income/(expenses)	3.6	6.5
Amortisation/depreciation and write-downs	59.2	53.2
Reported EBITDA	**137.3**	**113.5**
Non-recurring charges related to figurative costs of Stock Options	9.9	9.4
Adjusted EBITDA	**147.2**	**122.9**

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

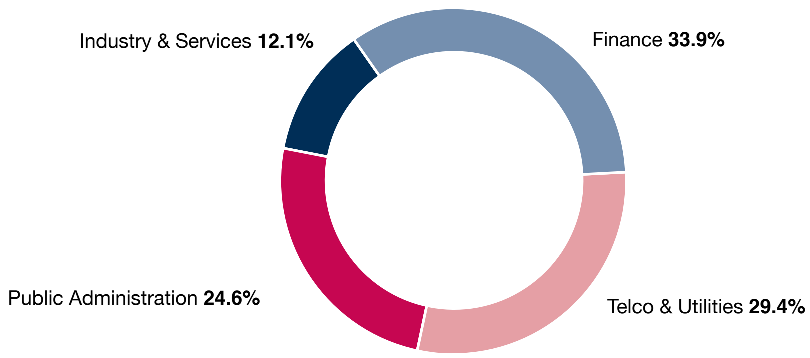
(in millions of Euros)

Description	31.12.2018		31.12.2017		% change
		%		%	YOY
Total revenues					
Finance	239,738,776	20.7	158,196,451	15.8	+51.5
Public Administration	297,403,828	25.8	292,787,719	29.2	+1.6
Industry & Services	252,981,213	21.9	234,366,256	23.4	+7.9
Telco & Utilities	364,768,355	31.6	316,442,313	31.6	+15.3
Net revenues	**1,154,892,172**	**100.0**	**1,001,792,739**	**100.0**	**+15.3**
Other revenues	25,409,864		27,004,720		(5.9)
Total revenues	**1,180,302,036**		**1,028,797,459**		**+14.7**
EBITDA (gross operating margin)					
Finance	49,837,683	33.9	32,663,654	26.6	+52.6
% of net revenues	20.8		13.6		
Public Administration	36,223,014	24.6	33,228,927	27.0	+9.0
% of net revenues	12.2		11.2		
Industry & Services	17,868,524	12.1	16,981,587	13.8	+5.2
% of net revenues	7.1		6.7		
Telco & Utilities	43,250,307	29.4	40,070,099	32.6	+7.9
% of net revenues	11.9		12.2		
Total adjusted EBITDA	**147,179,528**	**100.0**	**122,944,267**	**100.0**	**+19.7**
% of net revenues	12.7		12.3		

Net revenues 2018



Adjusted EBITDA 2018



OPERATING EXPENSES

Operating expenses increased overall by approx. Euro 133.8 million, compared to 2017.

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

- personnel costs increased by approx. Euro 70.1 million (+13.5%);
- service costs increased by approx. Euro 54.5 million (+14.8%).

The increase in personnel costs is mainly related to incoming resources from acquisitions made over the year, around 700 employees, and the increased number of employees (for further details see the following item IX).

Service expenses are mainly due to professional resources used in our production cycle as flexibility element and they grow proportionally to the increase in revenue.

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

The item Amortisation/Depreciation and Allocations recorded an increase of around Euro 6.1 million, mainly due to the increase in amortisation/depreciation, which is attributable to the effect resulting from the completion of accounting assets connected with the final allocation of goodwill (P.P.A. Purchase Price Allocation) resulting from acquisitions made by the Group in 2017.

(in Euros)

Description	31.12.2018	31.12.2017	Change	
			Absolute	%
Personnel costs	589,005,361	518,886,310	70,119,051	+13.5
Service costs	421,907,011	367,419,368	54,487,643	+14.8
Raw materials and consumables	20,135,999	16,322,136	3,813,863	+23.4
Depreciation, amortization, provisions	59,236,526	53,169,884	6,066,642	+11.4
Other costs	11,976,680	12,651,191	(674,511)	-5.3
Total operating expenses	**1,102,261,578**	**968,448,890**	**133,812,688**	**+13.8**

OPERATING PROFIT AND NET PROFIT

Operating profit

(in Euros)

Description	31.12.2018	31.12.2017	% change
Adjusted EBITDA	**147,179,528**	**122,944,267**	**+19.7**
% of net revenues	+12.8	+12.3	
Difference between total revenues and operating expenses before depreciation/amortisation and provisions (reported EBITDA)	**137,276,984**	**113,518,453**	**+20.9**
% of net revenues	+11.9	+11.3	
Operating profit after depreciation/amortisation (EBIT)	**78,040,458**	**60,348,569**	**+29.3**
% of net revenues	**+6.8**	**+6.5**	

Net profit

Group net profit totalled Euro 57.7 million, an increase of 17.7% compared to 2017. The tax rate increased from 9.0% in 2017 to 29.3% in 2018. We recall that last year the tax rate was lower due to the fact that the claim on ACE, resulting from the reverse merger of Mic Bidco S.p.A. into Engineering, was upheld.

(in Euros)

Description	31.12.2018	31.12.2017	% change
Operating profit after depreciation/amortisation (EBIT)	**78,040,458**	**60,348,569**	**+29.3**
Financial income (expenses)	3,651,166	(5,490,788)	-166.5
Income (expenses) from investments	(32,549)	(998,988)	-96.7
Profit before taxes	**81,659,076**	**53,858,793**	**+51.6**
% of net revenues	7.1%	5.4%	
Income taxes	23,966,116	4,828,350	+396.4
Tax rate	29.3%	9.0%	
Net profit	**57,692,960**	**49,030,443**	**+17.7**
% of net revenues	5.0%	4.9%	
of which Engineering Group	55,211,805	47,006,843	
Minority interest	2,481,155	2,023,600	

IX. Statement of financial position

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

At year end, short-term cash and cash equivalents decreased by around Euro 30 million and stood at around Euro 177 million as of December 31, 2018. The cash flow from operating activities (Euro +92.3 million) entirely covered investment requirements for the period (Euro -25.1 million) and partly covered the negative cash flows from financing activities (Euro -96.7 million), mainly due to the balance between the disbursement of loans and the repayments of the credit lines used.

(in Euros)

Description		31.12.2018	31.12.2017
	Revenues from the sales of products /services - third parties	1,234,871,139	1,215,443,878
	Costs for goods and services - third parties	(508,829,928)	(492,090,156)
	Personnel costs	(585,361,537)	(537,568,020)
	Interest received from operating activities	416,533	252,443
	Interest paid for operating activities	(409,353)	(391,104)
	Exchange differences	(21,337)	(80,218)
	Income tax payments and reimbursements	(48,322,457)	(96,999,903)
A)	**Total cash flow from operating activities**	**92,343,061**	**88,566,920**
	Sale of tangible fixed assets	157,006	236,062
	Purchase of tangible fixed assets	(8,601,478)	(7,973,608)
	Sale of intangible fixed assets	0	945
	Purchase of intangible fixed assets	(2,543,760)	(3,136,538)
	Purchase of investments in subsidiaries	(13,030,464)	(81,280,003)
	Sale of investments in subsidiaries	246,843	0
	Purchase of business unit	(1,156,629)	(2,394,406)
	Sale of business unit	0	90,000
	Purchase of other investments and securities	(859,889)	(498,126)
	Sale of other investments and securities	524,000	20,431
	Dividends received	141,458	1,590,246
B)	**Total cash flow from investing activities**	**(25,122,913)**	**(93,344,997)**
	New borrowings	63,408,184	299,125,745
	Repayment of new borrowings	(155,274,977)	(392,901,810)
	Sale of treasury shares	0	416,910
	Dividends distributed	(2,087,641)	(2,300,218)
	Change in consolidation scope	11,250	0
	Interest received for financing activities	208,574	38,781
	Interest paid for financing activities	(3,000,592)	(4,815,820)
C)	**Total cash flow from financing activities**	**(96,735,204)**	**(100,436,412)**
D)	**= (A+B+C) change in cash and cash equivalents**	**(29,515,056)**	**(105,214,489)**
E)	**Cash and cash equivalents at beginning of year**	**207,017,853**	**312,232,343**
F)	**= (D+E) cash and cash equivalents at end of year**	**177,502,797**	**207,017,853**

(in Euros)

Reconciliation of cash and cash equivalents	31.12.2018	31.12.2017
Net cash and cash equivalents at beginning of year	**207,017,853**	**312,232,343**
Cash and cash equivalents	212,249,184	316,553,394
Bank overdrafts	(5,231,331)	(4,321,051)
Net cash and cash equivalents at year end	**177,502,797**	**207,017,853**
Cash and cash equivalents	181,687,253	212,249,184
Bank overdrafts	(4,184,456)	(5,231,331)

NET FINANCIAL POSITION

The net financial position stood at Euro -69.9 million, up compared to the end of 2017 (Euro -138.1 million). Generated cash flows, in fact, supported the reduction of both current and non-current financial indebtedness.

(in Euros)

Description	31.12.2018	31.12.2017
Cash	36,841	49,131
Other liquid assets	177,465,956	206,968,722
A) Cash and cash equivalents	**177,502,797**	**207,017,853**
B) Current financial receivables	**4,700,000**	**2,700,000**
Current bank payables	(4,263,099)	(5,231,331)
Current borrowing	(55,519,222)	(94,720,362)
Other current financial payables	(14,339,879)	(15,403,365)
C) Current borrowing	**(74,122,200)**	**(115,355,058)**
D) Net current financial position (A+B+C)	**108,080,598**	**94,362,796**
Non-current borrowing	(167,621,564)	(221,932,246)
Other non-current payables	(10,317,470)	(10,492,805)
E) Non-current borrowing	**(177,939,035)**	**(232,425,051)**
F) Net financial position (D+E)	**(69,858,437)**	**(138,062,255)**

CENTRALISED TREASURY

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

The cyclical trends in cash inflows, which characterizes the current management together with periodical non-recourse factoring transactions, limited short-term procurement transactions. In particular, hot money transactions were agreed in the first half-year, for which a weighted annual interest rate, of 0.0514%, was paid against an average short-term exposure of around Euro 23 million. Receivables factored through non-recourse factoring transactions, completed every quarter, amounted to a total of around Euro 156 million. Factoring companies were granted an average rate of 0.2950% for commissions and interest related to these transactions.

No other requests or supplies of new medium/long-term loans were filed, despite some companies were acquired and technological investments were made. The loans in place were repaid for a total amount of around Euro 47.2 million for principal and around Euro 2.7 million for interests at an average rate of 0.9013%. As at December 31, 2018, the residual amount totalled Euro 222.3 million, with around Euro 52.9 million that will be reimbursed in 2019.

WORKING CAPITAL

The net working capital increased by Euro 12.2 million compared to 2017 (+4.4%), amounting to Euro 290.2 million.

The trend of the net working capital is the result of the increase in items “Trade receivables”, “Work in progress” and “Trade payables” due to the adherence to the consolidation scope of new companies and the increased number of employees.

It should be noted that the percentage impact of net working capital on net revenues decreased from 27.0% in 2017 to 24.6% in 2018, with an improvement of 240 basis points over an increase in net revenues of +15.3%. These rates will prove the capacity for cash generation of Group operations, thanks to the careful management of the trends in working capital.

(in Euros)

Description	31.12.2018	31.12.2017	Change	
			Absolute	%
Current assets				
Customer contract assets	167,414,703	150,521,693	16,893,010	+11.2
Deferred contract costs	23,333,398	0	23,333,398	+100.0
Trade receivables	568,087,727	550,834,537	17,253,190	+3.1
Other current assets	60,314,237	72,606,806	(12,292,568)	-16.9
Total	**819,150,066**	**773,963,035**	**45,187,031**	**+5.8**
Current liabilities				
Trade payables	(337,615,519)	(318,140,848)	(19,474,672)	+6.1
Other current liabilities	(191,293,729)	(177,819,565)	(13,474,163)	+7.6
Total	**(528,909,248)**	**(495,960,413)**	**(32,948,835)**	**+6.6**
Net working capital	**290,240,818**	**278,002,622**	**12,238,196**	**+4.4**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

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

- a shareholders' equity/fixed assets ratio of 0.9x in line compared to the previous year;
- the net working capital compared to the total revenues recorded a value equal to 24.6% at year end, compared to 27.0% in 2017.

(in Euros)

Description	31.12.2018	31.12.2017	Change	
			Absolute	%
Property, plant and equipment	37,467,016	38,304,315	(837,299)	-2.2
Intangible assets	545,300,808	569,268,687	(23,967,879)	-4.2
Goodwill	67,365,314	60,844,716	6,520,598	+10.7
Equity investments	150,975	150,975	0	+0.0
Fixed assets	**650,284,113**	**668,568,693**	**(18,284,580)**	**-2.7**
Short-term assets	819,150,066	773,963,035	45,187,031	+5.8
Short-term liabilities	(528,909,248)	(495,960,413)	(32,948,835)	+6.6
Net working capital	**290,240,818**	**278,002,622**	**12,238,196**	**+4.4**
Other non-current assets	28,746,946	38,046,242	(9,299,296)	-24.4
Post-employment benefits	(69,768,374)	(67,709,887)	(2,058,488)	+3.0
Other non-current liabilities	(209,120,854)	(191,673,309)	(17,447,545)	+9.1
Net capital employed	**690,382,648**	**725,234,361**	**(34,851,713)**	**-4.8**
Shareholders' equity	611,114,756	580,059,542	31,055,214	+5.4
Minority interest shareholders' equity	4,709,455	4,412,564	296,891	+6.7
Total shareholders' equity	**615,824,211**	**584,472,106**	**31,352,105**	**+5.4**
(Availab.) / Fin. indebtedness M/LT	177,939,035	232,425,051	(54,486,016)	-23.4
(Availab.) / Fin. indebtedness ST	(103,380,598)	(91,662,796)	(11,717,802)	+12.8
(Availab.) / Fin. indebtedness	**74,558,437**	**140,762,255**	**(66,203,818)**	**-47.0**
Total sources	**690,382,648**	**725,234,361**	**(34,851,713)**	**-4.8**

RECONCILIATION

The reconciliation between the financial statements as of December 31, 2018 of Engineering Ingegneria Informatica S.p.A. and the Group consolidated financial statements at the same date is shown below:

(in Euros)

Description	Net profit for year	Shareholders' equity
Net profit and shareholders' equity of Engineering Ingegneria Informatica S.p.A.	35,465,582	616,484,516
Net profit and shareholders' equity of consolidated companies	26,309,708	159,979,719
Total	**61,775,290**	**776,464,235**
Elimination of the net book value of investments in consolidated subsidiaries and any intercompany dividend	0	(165,944,991)
Valuation of associates under the equity method	0	0
Other adjustments	(4,082,330)	5,304,967
Total consolidated profit and shareholders' equity	**57,692,960**	**615,824,211**
of which minority interest net profit/(loss) and shareholders' equity	2,481,155	4,709,455
Group consolidated net profit and shareholders' equity	**55,211,805**	**611,114,756**

X. Significant events during the year

The significant events are detailed below:

- on January 1, 2018, the company Infinity S.p.A., acquired in 2017, was merged into the Parent Company with retroactive effect as of January 1, 2018;
- on January 11, 2018, the foreign company SedApta US Inc. was merged into IT Soft US Inc.; both companies were purchased on September 8, 2017;
- on February 14, 2018, the Extraordinary Shareholders' Meetings of Engineering Ingegneria Informatica S.p.A. and Infogroup – Informatica e Servizi Telematici S.p.A., resolved on the merger by incorporation proposal of Infogroup – Informatica e Servizi Telematici S.p.A. into Engineering Ingegneria Informatica S.p.A.;
- on March 6, 2018, the company IT Soft US Inc. changed its brand (or DBA - Doing Business As), from Hyla Soft to Engineering USA;
- on March 8, 2018, Engineering Balkan d.o.o. acquired from EuroDesk d.o.o. the whole share capital of EuroAms d.o.o., a company operating in the implementation of ERP solutions;
- the merger by incorporation of Infogroup into Engineering Ingegneria Informatica S.p.A. became effective on May 1, 2018;
- on May 17, 2018, Municipia S.p.A. signed the purchase deed of the entire share capital of INF.OR. S.r.l., with registered office in Arezzo, which develops and distributes software for local Public Administrations;
- on June 1, 2018, the subsidiary Engineering ITS AG acquired the entire share capital of the companies Icraft GmbH and Icode GmbH;
- on July 2, 2018, the Parent Company acquired a further 2.48% of the subsidiary Engineering USA Inc.; its equity investment is now 68.48%;
- on July 5, 2018, the Serbian company Engineering Balkan d.o.o., indirectly controlled by Engineering, changed its corporate name into Engineering Software Lab d.o.o.;
- on July 10, Municipia acquired 76% of LG-NET S.r.l., therefore achieving an investment at Group level of 89.47% (13.47% already owned by the Parent Company);
- on August 2, the Parent Company acquired the remaining 9% of the subsidiary WebResults S.r.l.; now the company is entirely owned;
- on August 2, the Parent Company acquired 8.5% of the interests of the subsidiary Sogeit Solutions S.r.l.; its equity investment is now 68.5%;
- on September 26, 2018, the company OverIT GmbH was established with registered office in Munich, with 84.2% shares of the subsidiary OverIT S.p.A. (80.0% indirect ownership of the Parent Company);
- the merger of INF.OR. S.r.l. into Municipia S.p.A. was effective on October 3.

XI. Shareholders and treasury shares

SHAREHOLDERS

The whole share capital of Engineering Ingegneria Informatica is held by Mic Newco S.p.A..

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

TREASURY SHARES

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

XII. Subsequent events to the year-end

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

- on January 1, 2019 Engineering Ingegneria Informatica S.p.A. changed its registered office in Piazzale dell'Agricoltura 24 – 00144 Rome;
- on January 11, Engineering subscribed the last survey deed related to the purchase of the Dekra S.r.l. BU, for which the second and third instalments were paid, amounting to Euro 535,465.00;
- with deed of January 14, 2019, Engineering purchased a further 31.5% of the share capital of Sogeit Solutions S.r.l., thus owning the entire share capital of the company and becoming its Sole Shareholder;
- on January 15, 2019, with Consorzio Agrario del Nordest Soc. Coop. and ESRI S.p.A., Engineering established a new limited liability company, with registered office in Verona, whose denomination is Terram and holding 40% of the share capital. The corporate scope is the development of an IT system aimed at offering a series of services destined to the agricultural sector;
- by deed of January 22, 2019, Municipia S.p.A. acquired the entire share capital of Municipia Mobilità S.r.l., with registered office in Rome, Piazzale dell'Agricoltura no. 24, share capital of Euro 100,000.00, and becoming its Sole Shareholder;
- on January 31, 2019, the Extraordinary Shareholders' Meetings of Municipia S.p.A. and Municipia Mobilità S.r.l., resolved on the merger proposal by incorporation of Municipia Mobilità S.r.l. into Municipia S.p.A.;
- on January 31, 2019, the Shareholders' Meeting of MHT S.r.l., resolved to change the corporate name in Engineering 365 S.r.l.. The change was effective on February 4, 2019;
- with deed of February 19, 2019, Engineering D.HUB S.p.A. acquired 51% of the share capital of Cybertech S.r.l., with registered office in Rome, via Fiume Giallo 3, share capital of Euro 1,000,000.00, fully paid in. By effect of the above-mentioned acquisition, Engineering D.HUB S.p.A. also acquired the indirect ownership of controlling interests, owned by Cybertech, in a series of Italian and foreign companies located in Serbia, Norway, Sweden, Spain and Switzerland.

XIII. Other information

TRANSACTIONS WITH RELATED PARTIES

Pursuant to IAS 24, enacting provisions concerning transactions with related parties, Engineering Ingegneria Informatica S.p.A. approved through Board of Directors' resolution of November 12, 2010 the procedure for the identification and carrying out of Transactions with Related Parties. No movements with related parties were recorded.

MAIN RISKS AND UNCERTAINTIES

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

The internal control system and procedures referred to in this document are consistent with applicable guidelines prepared by relevant associations and international best practices.

These were fully and transparently implemented and with a sense of responsibility concerning internal and external relations, offering sufficient guarantees for correct and efficient management.

Risk factors described hereunder must be read together with other information included in the Financial Statements for the year.

EXTERNAL RISKS

A. Risks connected with the economy general conditions
The IT consultancy market is related to the performance of the economies in developed countries, where the demand for technology is always growing. The unfavourable economic situation, above all at national level, or a high inflationary level might affect growth in the business with repercussions on the Group's state of affairs. The Eurozone is slowing down, albeit the effect is not measurable. The final outcome will be determined by national variables, such as the political developments in France, Italy and Germany, as well as more general factors, at regional and global level. A Hard Brexit would obviously negatively affect trust in companies and investors, both in the United Kingdom and in the European Union. This situation might slow down demand in IT services and products, with possible negative economic and equity impacts for the Group.

Thanks to diversification carried out over the years, as regards both changes made to the business model and specific acquisitions in strategic sectors, the Group is present in every market, by equally distributing the weight of its business volume and minimizing risks connected with the crisis of one single market.

B. Risks related to the development of IT services
The sector in which the Group operates is characterised by rapid technological changes and a constant evolution of professionalism and expertise.

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 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. 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.

D. Risks related to regulatory developments

The activity performed by the Group is not subject to particular segment regulations.

INTERNAL RISKS

A1. Risks related to the employment of key personnel

The Group depends on some key figures who have contributed considerably to its success, including the Chairman, Chief Executive Officer and some Executive Managers with many years experience in the sector and who have been with the Group for more than 25 years. Moreover, the management board within Engineering plays a key role in operating and strategic management. In any case the management considers that the Group has a management structure able to ensure continuity in the management of corporate activities even in the event that key figures depart.

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 very balanced and there are no significant positions relating to dependence 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 signed insurance policies deemed as an adequate hedging against risks from general liability, for an annual ceiling of Euro 15 million and Euro 10 million per claim. In addition to the above coverage, additional policies are taken out for significant economic/financial projects to avoid negative impacts on the Group's economic/equity and financial position.
Special attention was given to the issues related to cyber risks, in relation to which adequate measures were adopted in terms of hedging security, equal to Euro 25 million/year.
If the insurance coverage is not adequate and the Group is deemed liable with respect to uncovered issues, the economic and equity situation of the Group might be negatively affected.

D1. Risks related to international expansion

For a number of years, the Group strategy has looked towards developing the process of internationalisation and economic and financial benefits are expected. The Group companies operate in areas where there are no armed conflicts or border tensions. At present, the exposure towards foreign activities, in the order of 12% 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.

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.

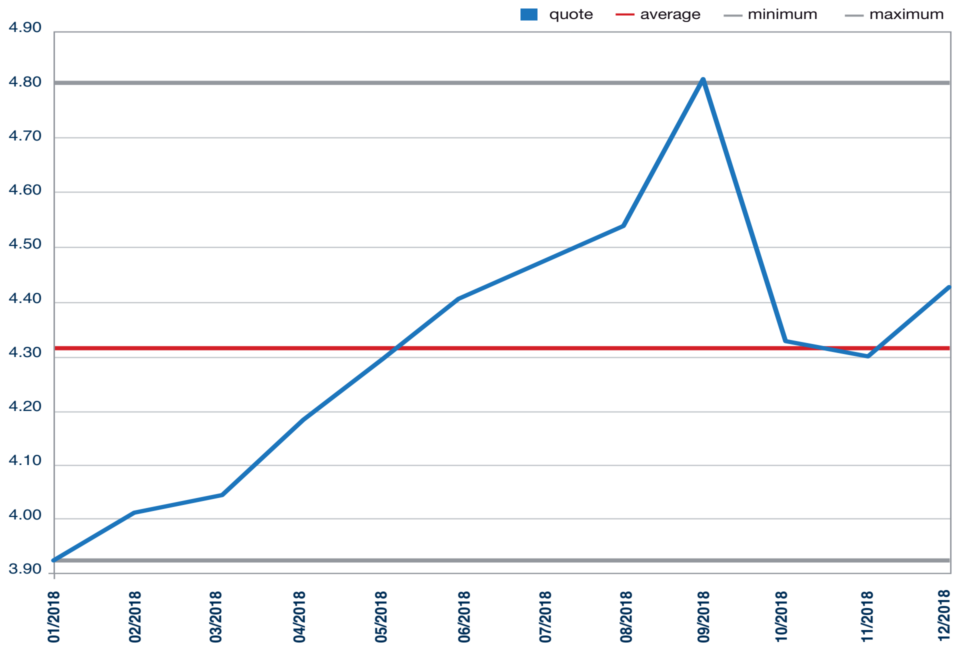
A2. Exchange rate risk

Exchange rate risk is defined as the risk of the value of a financial instrument changes following exchange rate movements. As nearly all transactions are carried out in the "Eurozone" 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 recognised to the income statement at fair value or at amortised cost;
- investments;
- loans and receivables;
- revenues and margins in foreign currencies.

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

Key Euro/Real exchange rate data



Average value:	4,3087
Minimum value:	3,917 in 01-2018
Maximum value:	4,8013 in 09-2018

The EUR/BRL exchange rate in 2018, recorded monthly (Source: Bank of Italy Eurosystem).

When the crisis, in which the country was immersed in the 2015-2016 two-year period, was over, the local economy showed clear signs of recovery and the projections developed by the International Monetary Fund show 2.5% economic growth in 2019 compared to 1.3% estimated by the same entity in 2018. This means that downward reviews of GDP changes, recorded in many countries due to the weakening of world economic growth, did not involve the South-American giant.

The electoral outcome of October also affected the Brazilian Real. The currency, in fact, reached its minimum during the crisis of emerging countries and the Real/USD exchange rate achieved 4.207 Real. Since then, revaluation has been higher than 11% and, in this first period of 2019, the currency strengthened by 3.7%. If Bolsonaro succeeds in keeping public spending and public debt under control (growth in real economy at around 2% rate and inflation under control), further upward margins for the real will be possible. For the moment, the Brazil Central Bank decided to maintain interest rates at 6.5%, also in the presence of the recent inflationary slowdown. A possible weakening of the US Dollar might also help the Brazilian currency during 2019.

That being said, in line with the prudence principle, through a sensitivity analysis we estimate the effects of a depreciation of the Real against the Euro. For example, purposes only therefore, we show in the following table the effect on Group revenues of a depreciation of between 5% and 25% of the average value of the Brazilian Real on the Euro on 2018 data. The income statement values are calculated utilising the average annual exchange rate between the two currencies.

Engineering do Brasil S.A. total revenues 2018	R$ 202,727,614
BRL/EUR financial statement conversion rate	4.3085
Financial statements total revenues in Euro	Euro 47,052,945

(in Euros)

Depreciation BRL	Corresponding revenues 2018	Net effect	Effect on % of Group consolidated total revenues
5%	44,700,298	(2,352,647)	-0.20
10%	42,347,651	(4,705,295)	-0.40
15%	39,995,003	(7,057,942)	-0.60
20%	37,642,356	(9,410,589)	-0.80
25%	35,289,709	(11,763,236)	-1.00

B2. Interest rate risk

The portion of long-term financial payables at variable interest rate in place as of December 31, 2018, is as follows:

- EIB/SERAPIS no. 84744, maturity term in 2022, with interest rate equal to 363m Euribor, increased by 1.06%, for a total amount of approx. Euro 41 million;
- Intesa Sanpaolo Loan no. 83817, maturity term in 2020, with interest rate equal to 363m Euribor, increased by 0.85%, for a total amount of approx. Euro 41.5 million.

Based on the performance of the European economy and on the latest boards of ECB, it is deemed that the reference rate, and therefore all the related rates, will increase, albeit slowly, as from 2019. This should not lead to a sudden increase in debt costs.

C2. 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 zero.

D2. 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. 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 Digitale S.p.A., reference is made to the contents of paragraph "14. Trade receivables" of the Explanatory Notes.

E2. Liquidity risk

Liquidity risk is defined as the risk that the Group encounters difficulty to source the funds necessary to satisfy obligations related to borrowings. A prudent management of liquidity risk is carried out through monitoring cash flows, the need for financing and any liquidity excesses. For many years, a centralised treasury structure has been in place in the Group which ensures efficient management of financial resources and the covering of financial needs through adequate credit lines related to Group cash flows.

TAX CONSOLIDATION

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

TAX AUTHORITY RELATIONS

With reference to the general tax assessment related to direct taxes, IRAP (regional operating taxes) and VAT charged to Engineering Ingegneria Informatica S.p.A. for 2017 and started in December 2018 by the Lazio Regional Authority – Office of Large-Scale Taxpayers, the assessment is still underway. With reference to the general audit for the purposes of direct taxes, IRAP (Regional Business Tax) and VAT charged to Engineering Ingegneria Informatica S.p.A. for 2009 by the Lazio Regional Authority – Office of Large-Scale Taxpayers, it is highlighted that the assessment notice regarding the tax period 2013 was served in December 2018 and settled in the first months of 2019. The report on findings notified in December 2012, at the end of the audit, contained some claims that mainly concerned some entries regarding previous years, which did not have an impact worthy of assessment, and a claim for IRAP and VAT purposes relating to the reclassification of a contract that concerned the tax period 2008 and the tax periods after 2009 and until 2013.

In December 2016, the company Enginering.IT (merged into Engineering Ingegneria Informatica in 2013) was served with an assessment notice related to VAT for transactions undergone with Banca Antonveneta first, and then with Consorzio Operativo Gruppo Monte Paschi, in the 2011-2013 period. This audit resulted from the report sent by the Management of the Tuscany Region after the tax audit on Consorzio Operativo Gruppo Monte Paschi, carried out by the Italian Tax Police that objected the VAT exemption. In February 2017, Engineering Ingegneria Informatica filed a voluntary demand of assessment and defence briefs, while asking the cancellation of the aforesaid assessment notice. By reason of the fact that the cross-examination did not have a favourable outcome, the Company filed an appeal at the Tax Commission and in September 2017 the first-instance sentence upheld the objections filed by the Company and acknowledged that the reasons submitted by the Company had reasonable grounds. The sentence was confirmed also by the second instance Judge, with decision issued in September 2018. The Company is currently awaiting to know whether the Inland Revenue Office intends to file an objection to the Cassation Supreme Court.

In July 2018, the subsidiary Infogroup S.p.A. (merged in Engineering Ingegneria Informatica in 2018) underwent a general tax assessment related to direct taxes, IRAP (regional operating taxes) and VAT for 2015 charged by the Province Authority of Florence to the subsidiary. This tax assessment was concluded in December 2018, with the drafting of a report on findings including an objection related to VAT and a report. No tax assessment notice has been received for now by the Company.

In June 2016, the subsidiary Engineering D.HUB received a notice to supply data and information by the Management of the Valle D’Aosta Region for the purpose of tutoring started on the company as regards a tax audit for the 2013 tax period. Inasmuch as the taxable period is ended for tax assessment purposes, and in view of the fact that we received no news on the same, it is reasonable to assume a positive outcome.

In March 2017, the subsidiary Municipia S.p.A. was served with the notice, by the Trento Province Department, to supply information, pursuant to Article 51 of the Presidential Decree 633/1972 and Article 32 of the Presidential Decree 600/1973, for a tax assessment on the years 2012, 2013 and 2014 for the purposes of VAT and direct taxes. This tax assessment was completed in February 2018, with the sending of two assessment notices for the years 2013 and 2014, reporting only two remarks that have an impact worthy of assessment, one concerning VAT and the other IRES tax. As regards the voluntary assessment, the first tax assessment was cancelled and the second was settled with the payment of the tax amount claimed.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Euros)

Statement of Financial Position - Assets	Note	31.12.2018	31.12.2017
A) Non-current assets			
Property, plant and equipment	5	37,467,016	38,304,315
Intangible assets	6	545,300,808	569,268,687
Goodwill	7	67,365,314	60,844,716
Other equity investments	8	150,975	150,975
Deferred tax assets	9	23,186,256	32,251,670
Other non-current assets	10	5,560,690	5,794,572
Total non-current assets		**679,031,059**	**706,614,935**
B) Non-current assets held for sale		**0**	**0**
C) Current assets			
Inventories	11	55,440	197,738
Customer contract assets	12	167,359,263	150,323,955
Deferred contract costs	13	23,333,398	0
Trade receivables	14	568,087,727	550,834,537
Other current assets	15	60,314,237	72,606,806
Cash and cash equivalents	16	177,502,797	207,017,853
Total current assets		**996,652,863**	**980,980,889**
Total assets (A + B + C)		**1,675,683,922**	**1,687,595,823**

Statement of Financial Position - Liabilities	Note	31.12.2018	31.12.2017
D) Shareholders' equity			
Share Capital	17	31,875,000	31,875,000
Reserves	18	497,264,761	511,174,082
Retained earnings/(losses carried forward)	19	26,763,190	(9,996,382)
Profit/(loss) for the year		55,211,805	47,710,323
Group shareholders' equity		**611,114,756**	**580,763,023**
Capital and reserves of minority interests		2,228,300	2,388,964
Profit/(loss) for the year ended of minority interest		2,481,155	1,320,119
Total shareholders' equity	**17**	**615,824,211**	**584,472,106**
E) Non-current liabilities			
Non-current borrowings	20	177,939,035	232,425,051
Deferred tax liabilities	21	167,646,133	174,709,616
Non-current provisions for risks and charges	22	4,015,264	3,894,900
Other non-current liabilities	23	37,459,457	13,068,793
Post-employment benefits	24	69,768,374	67,709,887
Total non-current liabilities		**456,828,263**	**491,808,246**
F) Current liabilities			
Current borrowings	25	74,122,200	115,355,058
Current tax payables	26	4,080,474	4,250,916
Current provisions for risks and charges	27	17,144,424	20,270,005
Other current liabilities	28	170,068,831	153,298,644
Trade payables	29	337,615,519	318,140,848
Total current liabilities		**603,031,447**	**611,315,471**
G) Total liabilities (E + F)		**1,059,859,711**	**1,103,123,717**
Total liabilities and shareholders' equity (D + G)		**1,675,683,922**	**1,687,595,823**

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

(in Euros)

Income Statement	Note	31.12.2018	31.12.2017
A) Total revenues			
Revenues		1,154,892,172	1,001,792,739
Other revenues	31	25,409,864	27,004,720
Total revenues	**30**	**1,180,302,036**	**1,028,797,459**
B) Operating expenses			
Raw materials and consumables	34	20,135,999	16,322,136
Service costs	35	421,907,011	367,419,368
Personnel costs	36	589,005,361	518,886,310
Amortisation and depreciation	37	43,464,123	33,975,081
Provisions	38	15,772,403	19,194,803
Other costs	39	11,976,680	12,651,191
Total operating expenses	33	**1,102,261,578**	**968,448,890**
C) Operating profit (A - B)		**78,040,458**	**60,348,569**
Financial income		15,629,193	10,331,983
Financial expenses		11,978,026	15,822,772
D) Net financial income (expenses)	**40**	**3,651,166**	**(5,490,788)**
E) Total income/(expenses) from investments	**41**	**(32,549)**	**(998,988)**
F) Profit before taxes (C + D + E)		**81,659,076**	**53,858,793**
G) Income taxes	42	23,966,116	4,828,350
H) Profit from continuing operations (F - G)		**57,692,960**	**49,030,443**
I) Profit/(loss) from discontinued operations		0	0
L) Consolidated profit/(loss) for the year (H + I)		**57,692,960**	**49,030,443**
Profit attributable to Group		2,481,155	1,320,119
Group share		55,211,805	47,710,323

(in Euros)

Comprehensive Income Statement	Note	31.12.2018	31.12.2017
L) Consolidated profit/(loss) for the year		**57,692,960**	**49,030,443**
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		(1,953,964)	(1,467,014)
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		468,951	352,084
Changes in other equity reserves			
Tax effect of changes in other equity reserves			
Total other profit/(loss) which will not be reclassified in profit/(loss) for the year, net of tax effect		**(1,485,012)**	**(1,114,930)**
N) Total other profit/(loss) which will be reclassified in profit/(loss) for the year:			
Profit/(loss) on cash flow hedge instruments			
Tax effect related to other profit/(loss) which will be reclassified in profit/(loss) for the year			
Exchange gains/losses on non Euro accounts		(1,565,624)	(1,425,339)
Taxation on exchange gains/losses on non Euro accounts			
Total other profit/(loss) which will be reclassified in profit/(loss) for the year, net of tax effect		**(1,565,624)**	**(1,425,339)**
Total other profit/(loss), net of tax effect		**(3,050,637)**	**(2,540,268)**
O) Total comprehensive income for the year (L + M + N)		**54,642,323**	**46,490,174**
Profit attributable to Group		2,494,879	2,028,434
Group share		52,147,445	44,461,740

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in Euros)

Description	Share Capital	Reserves	Retained earnings/ (losses carried forward)	Profit/(loss) for the year	Group Shareholders' Equity	Non-controlling interests	Total
Opening balance	**989,947**	**527,909,574**	**0**	**904,725**	**529,804,246**	**1,188,868**	**530,993,114**
Net profit/(loss)				50,240,665	50,240,665	2,023,600	52,264,265
Other net comprehensive items		(1,425,339)	(1,119,765)	0	(2,545,104)	4,835	(2,540,270)
Total comprehensive income for the year	**0**	**(1,425,339)**	**(1,119,765)**	**50,240,665**	**47,695,561**	**2,028,434**	**49,723,995**
Transactions with Shareholders	**0**	**0**	**904,725**	**(904,725)**	**0**	**0**	**0**
Other changes	**30,885,053**	**(15,310,153)**	**(9,781,343)**	**(2,530,343)**	**3,263,214**	**491,782**	**3,754,996**
Balance as of 31.12.2017	**31,875,000**	**511,174,082**	**(9,996,383)**	**47,710,322**	**580,763,021**	**3,709,084**	**584,472,105**
Net profit/(loss)				55,211,805	55,211,805	2,481,155	57,692,960
Other comprehensive income net of tax		(1,565,624)	(1,498,736)		(3,064,360)	13,724	(3,050,637)
Total comprehensive income for the year	**0**	**(1,565,624)**	**(1,498,736)**	**55,211,805**	**52,147,445**	**2,494,879**	**54,642,323**
Transactions with Shareholders	**0**	**0**	**47,710,322**	**(47,710,322)**	**(0)**	**0**	**(0)**
Other changes	**0**	**(12,343,697)**	**(9,452,013)**	**0**	**(21,795,710)**	**(1,494,507)**	**(23,290,217)**
Balance as of 31.12.2018	**31,875,000**	**497,264,761**	**26,763,190**	**55,211,805**	**611,114,756**	**4,709,455**	**615,824,211**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in Euros)

Descrizione	Note	31.12.2018	31.12.2017
Revenues from the sales of products /services - third parties		1,234,871,139	1,215,443,878
Revenues from the sales of products /services - Group		102,507,769	76,981,305
Purchase for goods and services - third parties		(508,829,928)	(492,090,156)
Purchase for goods and services - Group		(102,507,769)	(76,981,305)
Personnel costs		(585,361,537)	(537,568,020)
Interest received from operating activities		416,533	252,443
Interest paid for operating activities		(409,353)	(391,104)
Exchange differences		(21,337)	(80,218)
Income tax payments and reimbursements		(48,322,457)	(96,999,903)
A) Total cash flow from operating activities		**92,343,061**	**88,566,920**
Sale of tangible fixed assets		157,006	236,062
Purchase of tangible fixed assets		(8,601,478)	(7,973,608)
Sale of intangible fixed assets		0	945
Purchase of intangible fixed assets		(2,543,760)	(3,136,538)
Purchase of investments in subsidiaries	1.3	(13,030,464)	(81,280,003)
Sale of investments in subsidiaries		246,843	0
Purchase of business unit		(1,156,629)	(2,394,406)
Sale of business unit		0	90,000
Purchase of other investments and securities		(859,889)	(498,126)
Sale of other investments and securities		524,000	20,431
Dividends received		141,458	1,590,246
B) Total cash flow from investing activities		**(25,122,913)**	**(93,344,997)**
New borrowings		63,408,184	299,125,745
Repayment of new borrowings		(155,274,977)	(392,901,810)
Sale of treasury shares		0	416,910
Dividends paid		(2,087,641)	(2,300,218)
Change in consolidation scope		11,250	0
Interest received for financing activities		208,574	38,781
Interest paid for financing activities		(3,000,592)	(4,815,820)
C) Total cash flow from financing activities		**(96,735,204)**	**(100,436,412)**
D) = (A+B+C) change in cash and cash equivalents		**(29,515,056)**	**(105,214,489)**
E) Cash and cash equivalents at beginning of year		**207,017,853**	**312,232,343**
F) = (D+E) cash and cash equivalents at end of year		**177,502,797**	**207,017,853**

(in Euros)

Reconciliation of cash and cash equivalents	31.12.2018	31.12.2017
Net cash and cash equivalents at beginning of year	**207,017,853**	**312,232,343**
Cash and cash equivalents	212,249,184	316,553,394
Bank overdrafts	(5,231,331)	(4,321,051)
Net cash and cash equivalents at year end	**177,502,797**	**207,017,853**
Cash and cash equivalents	181,687,253	212,249,184
Bank overdrafts	(4,184,456)	(5,231,331)

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. Established in Padua on June 6, 1980.

With approximately 10,700 employees, around 50 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group derives approx. 15% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Banking and Public Administration sectors. The Group operates in the outsourcing and Cloud Computing market through an integrated network of 4 data centres located in Pont St. Martin (Aosta), Turin, Vicenza and Milan, which manages approx. 300 clients with an infrastructure corresponding to the highest technological, qualitative and security standards.

The Engineering market consists of medium-large clients, both in the private (banks, insurance companies, industry, services and telecommunications) and in the public sector (Healthcare, local and central Public Administration and Defence) to which SMEs and small municipalities have now been added, for which dedicated offers are targeted in the areas of ERP-CRM and tax collection, respectively.

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

The Group operates in Software and IT Services, with a market share of around 9% in Italy and a leading position in numerous vertical sectors, due to a wide range of proprietary solutions, from banking compliance (SISBA, ELISE), to Billing and CRM for Utilities (Net@SUITE), to integrated diagnostics and administration solutions for Healthcare (AREAS), WFM systems (OverIT) and mobile platforms for Telco & Utilities.

As a result of its business model, the Group creates tangible value in its various areas of operation, as it can meet all the needs of its existing and potential clients and define, plan and develop concretely efficient and effective IT strategies.

At the preparation date of these consolidated financial statements, Mic Newco S.p.A. was the sole shareholder of Engineering Ingegneria Informatica S.p.A.’s equity investments. Neither Mic Newco S.p.A., nor its direct subsidiary Mic Holdco S.r.l., exercise direction and coordination activities with respect of Engineering Ingegneria Informatica S.p.A..

These consolidated financial statements as of December 31, 2018, were approved by the Board of Directors of Engineering Ingegneria Informatica S.p.A. on March 15, 2019.

1.1 SIGNIFICANT OPERATIONS

Group corporate reorganization

The merger of two wholly owned companies into Engineering Ingegneria Informatica S.p.A. was completed in 2018:

• Infinity Technology Solutions S.p.A., effective as from January 1, 2018;
• Infogroup – Informatica e Servizi Telematici S.p.A., effective from May 1, 2018.

The reverse merger of SedApta US Inc. into IT Soft US Inc. was completed on January 1, 2018. Following the above-mentioned mergers, the tax and accounting effects on the financial statements of Engineering Ingegneria Informatica S.p.A. were dated back as from January 1, 2018.

On May 17, 2018 the entire share capital of the company INF.OR. S.r.l. was acquired by the subsidiary Municipia S.p.A..

On October 3, 2018, INF.OR. S.r.l. was merged by incorporation into Municipia S.p.A.. The accounting and tax effects of the merger into Municipia S.p.A. financial statements, however, are from May 17, 2018, the company's acquisition date.

The establishment of the company Engineering Software Labs s.r.o., wholly owned by the subsidiary Bekast IT Consulting GmbH, was registered in October.

As regards corporate reorganization, the transactions described had no accounting effects on the consolidated financial statements of the Engineering Group in terms of assets and liabilities of the companies object of the transaction.

1.2 ACQUISITIONS AND SALES FOR THE YEAR

Acquisitions for the year

Acquisition of control of Icraft GmbH

On June 1, 2018 (hereinafter also "acquisition date"), Engineerng ITS A.G. (company 51% owned by Engineering Ingegneria Informatica S.p.A.) acquired the entire shareholding of the company Icraft GmbH, with registered office in Hamburg, Germany. Therefore, the Group's interests on this acquisition is equal to 51%.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

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

(in Euros)

Description	Provisional fair value
Property, plant and equipment	35,402
Intangible assets	500
Other non-current assets	6,900
Trade assets	374,781
Cash and cash equivalents	240,825
Other current assets	85
Other current liabilities	378,893
Provisional fair value of assets acquired	**279,600**
Shareholding acquired	100%
Purchase consideration	2,297,418
Goodwill	**2,017,818**
Cash and cash equivalents	(240,825)
Net outflow of cash resulting from the acquisition	**2,056,593**

This business combination envisages a cost adjustment of the combination in relation to future events. The agreement, in fact, sets out that the earn out shall not exceed Euro 0.1 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.1 million, which is the estimated amounts to be paid upon maturity based on the above-mentioned agreements.

The temporary fair value of receivables acquired amounted to Euro 0.4 million.

The temporary fair value of net assets acquired amounted to Euro 0.3 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. Based on current measurements, effects might occur on the following main items: intangible assets, deferred tax assets and liabilities and related economic effects.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of revenues and profit in the consolidated financial statements of the Engineering Ingegneria Informatica Group, equal to Euro 1.3 million and Euro 0.1 million, respectively.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues and net profit of the Engineering Ingegneria Informatica Group would have been higher by Euro 2 million and Euro 0.2 million, respectively.

Acquisition of control of Icode GmbH

On June 1, 2018 (hereinafter also “acquisition date”), Engineerng ITS A.G. (51% of this company is owned by Engineering Ingegneria Informatica S.p.A.) acquired the entire share capital of Icode GmbH, with registered office in Berlin, Germany. Therefore, the Group’s interests on this acquisition is equal to 51%.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

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

(in Euros)

Description	Provisional fair value
Property, plant and equipment	364
Intangible assets	3,300
Other non-current assets	15,000
Trade assets	346,207
Cash and cash equivalents	179,379
Other current assets	307
Other non-current liabilities	141,908
Other current liabilities	91,202
Provisional fair value of assets acquired	**311,447**
Shareholding acquired	100%
Purchase consideration	1,008,988
Goodwill	**697,541**
Cash and cash equivalents	(179,379)
Net outflow of cash resulting from the acquisition	**829,609**

This business combination envisages a cost adjustment of the combination in relation to future events. The agreement sets out that the earn out shall not exceed Euro 0.1 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.1 million, which is the estimated amounts to be paid upon maturity based on the above-mentioned agreements.

The temporary fair value of receivables acquired amounted to Euro 0.4 million.

The temporary fair value of net assets acquired amounted to Euro 0.3 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. Based on current measurements, effects might occur on the following main items: intangible assets, deferred tax assets and liabilities and related economic effects.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of revenues and profit in the consolidated financial statements of the Engineering Ingegneria Informatica Group, equal to Euro 1.5 million and Euro 0.5 million, respectively.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues and net profit of the Engineering Ingegneria Informatica Group would have been higher by Euro 2 million and Euro 0.7 million, respectively.

Acquisition of control of EuroAMS d.o.o.

On March 8, 2018 (hereinafter also “acquisition date”), Engineering Balkan d.o.o. (wholly controlled by Engineering Ingegneria Informatica S.p.A.) acquired the entire share capital of EuroAMS d.o.o. from EuroDesk d.o.o..

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

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

(in Euros)

Description	Provisional fair value
Property, plant and equipment	28,231
Trade assets	53,314
Cash and cash equivalents	1
Other current liabilities	81,546
Provisional fair value of assets acquired	**1**
Shareholding acquired	100%
Purchase consideration	800,000
Goodwill	**799,999**
Cash and cash equivalents	(1)
Net outflow of cash resulting from the acquisition	**799,999**

This business combination envisages a cost adjustment of the combination in relation to future events. The agreement, in fact, sets out that the earn out shall not exceed Euro 0.4 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.4 million, which is the estimated amounts to be paid upon maturity based on the above-mentioned agreements.

The temporary fair value of receivables acquired amounted to Euro 0.05 million.

The temporary fair value of assets acquired amounted to Euro 1. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

As described in more detail in Note 4.4, the above-mentioned goodwill was tested for impairment, with reference to the date of December 31, 2018, as required by IAS 36, which confirmed its full recoverability.

The integral consolidation, at the acquisition date, of the business combination involved the recording of revenues in the consolidated financial statements of the Engineering Group, amounting to Euro 0.1 million.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues of the Engineering Group would have been higher by Euro 0.1 million.

Acquisition of control of LG-NET S.r.l.

On July 10, 2018 (hereinafter also "acquisition date"), the wholly controlled company Municipia S.p.A. acquired 76% of the share capital of the company LG-NET S.r.l.. 13.47 % of the company's share capital was already owned by the Parent Company Engineering Ingegneria Informatica S.p.A.. Therefore, the Group's interests on this acquisition is equal to 89.47%.

The company LG-NET S.r.l., established in 2000, is an IT company, with registered office in Rome and specialized in the supply and organisation of IT Systems addressed to the Public Administration.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

Taking account that the Company does not hold the entire control, the portion of shareholders' equity pertaining to minority holders was determined based on the portion pertaining to current values attributed to assets and liabilities at the control acquisition date, excluding any goodwill that can be attributed to such values (so-called partial goodwill method).

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

(in Euros)

Description	Provisional fair value
Property, plant and equipment	2,227
Other non-current assets	3,237
Trade assets	19,256
Cash and cash equivalents	111,663
Other current assets	4,185
Other non-current liabilities	114,530
Other current liabilities	37,142
Provisional fair value of assets acquired	**(11,104)**
Shareholding acquired	89,5%
Purchase consideration	175,000
Shares held by non-controlling interests	10,5%
Non-controlling interests	(1,169)
Goodwill	**184,935**
Cash and cash equivalents	(111,663)
Net outflow of cash resulting from the acquisition	**63,337**

The temporary fair value of net assets acquired, including the non-controlling interests previously owned, amounted to Euro 0.01 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. Based on current measurements, effects might occur on the following main items: intangible assets, deferred tax assets and liabilities and related economic effects.

The temporary fair value of receivables acquired amounted to Euro 0.02 million.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of consolidated revenues for the Engineering Group, equal to Euro 0.05 million.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues of the Engineering Group would have been higher by Euro 0.2 million and the consolidated net profit lower by Euro 0.02 million.

INF.OR. S.r.l.

On May 17, 2018 the entire share capital of the company INF.OR. S.r.l. was acquired by the subsidiary Municipia S.p.A.. On October 3, 2018, INF.OR. S.r.l. was merged by incorporation into Municipia S.p.A.. The accounting and tax effects of the merger, however, are from May 17, 2018, the company's acquisition date.

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

(in Euros)

Net assets acquired	Book value	Fair Value adjustments	Final fair value
Property, plant and equipment	61,728		61,728
Intangible assets	1,536	3,415,409	3,416,945
Other non-current assets	543,240		543,240
Trade assets	1,149,707		1,149,707
Cash and cash equivalents	419,524		419,524
Other current assets	99,975		99,975
Other non-current liabilities	1,012,143	952,900	1,965,043
Other current liabilities	426,722		426,722
Total net assets acquired	**836,844**	**2,462,509**	**3,299,353**
Non-controlling interest			0
Total net assets acquired by the Group			3,299,353
Total amount			**6,000,000**
Goodwill			**2,700,647**
Cash and cash equivalents			(419,524)
Net outflow of cash resulting from the acquisition			**5,580,476**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 2.4 million, at the acquisition date and against the recognition, under item intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 3.4 million (including deferred taxes for around Euro 0.9 million).

The fair value of net assets, acquired by the Group, amounted to Euro 3.3 million, against a consideration for the acquisition of Euro 6 million, which involves the recognition of a goodwill (therefore recognised only for the portion pertaining to the Group), equal to Euro 2.7 million.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.
If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues and net profit of the Engineering Group would have been higher by Euro 1.1 million and Euro 0.1 million, respectively.

Completion of accounting activities connected with acquisitions

Fair Dynamics Consulting S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. acquired 100% of the company Fair Dynamics Consulting S.r.l..

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Fair Dynamics Consulting S.r.l. by the Parent Company. It is noted that the transaction under evaluation was accounted for, in the previous financial statements and pursuant to IFRS 3, by using the acquisition method, which involved the temporary recognition of fair values.

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

(in Euros)

Net assets acquired	Book value	Fair Value adjustments	Final fair value
Property, plant and equipment	817		817
Intangible assets	0	694,262	694,262
Other non-current assets	3,544		3,544
Trade assets	123,573		123,573
Cash and cash equivalents	85,659		85,659
Other current assets	41,302		41,302
Other non-current liabilities	14,431	193,699	208,130
Current borrowings	58,946		58,946
Other current liabilities	118,712		118,712
Total net assets acquired	**62,806**	**500,563**	**563,369**
Non-controlling interest			0
Total net assets acquired by the Group			563,369
Total amount			**600,000**
Difference in income statement			**36,631**
Goodwill			**0**
Cash and cash equivalents			(85,659)
Net outflow of cash resulting from the acquisition			**514,341**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to Euro 0.5 million, at the acquisition date and against the recognition, under item intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 0.7 million (including deferred taxes for around Euro 0.2 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 0.5 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 37 thousand, was recognised in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.
As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Sofiter Tech S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. subscribed a reserved capital increase on the occasion of the Extraordinary Shareholders' Meeting of the company Sofiter Tech S.r.l.. With this transaction, Engineering Ingegneria Informatica S.p.A. held control with 51% of the aforesaid company's share capital.

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Sofiter Tech S.r.l. by the Parent Company. It should be noted that the transaction under evaluation was accounted for, in the previous financial statements for the year and pursuant to IFRS 3, by using the partial goodwill method, which involved the temporary recognition of fair values.

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

(in Euros)

Net assets acquired	Book value	Fair Value adjustments	Final fair value
Property, plant and equipment	1,869		1,869
Intangible assets	1,879	1,864,441	1,866,320
Other non-current assets	0		0
Trade assets	3,104,930		3,104,930
Cash and cash equivalents	978,288		978,288
Other current assets	13,768		13,768
Other non-current liabilities	7,764	520,309	528,073
Other current liabilities	2,981,382		2,981,382
Total net assets acquired	**1,111,588**	**1,344,132**	**2,455,720**
Non-controlling interest			1,203,303
Total net assets acquired by the Group			1,252,417
Total amount			**1,297,959**
Difference in income statement			**45,605**
Goodwill			**0**
Cash and cash equivalents			(978,288)
Net outflow of cash resulting from the acquisition			**319,671**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 1.3 million, at the acquisition date and against the recognition, under item intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 1.8 million (including deferred taxes for around Euro 0.5 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 0.7 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 46 thousand, was recognised in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.
As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Business Unit by SP Sapiens S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. purchased a business unit from the company SP Sapiens S.r.l..

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values which saw no changes compared to the above-mentioned provisional values.

(in Euros)

Net assets acquired	Book value	Fair Value adjustments	Final fair value
Non-current liabilities	179,102	0	179,102
Current liabilities	171,097	0	171,097
Total net assets acquired	**(350,199)**	**0**	**(350,199)**
Non-controlling interest			0
Total net assets acquired by the Group			(350,199)
Total amount			**49,801**
Difference in income statement			**400,000**
Goodwill			**0**
Cash and cash equivalents			0
Net outflow of cash resulting from the acquisition			**49,801**

Therefore, while completing the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, no net value of fair value adjustments was reported.

The initial provisional accounting of the business combination, made the previous year, resulted in the allocation of Euro 0.4 million as goodwill. Based on the latest forecasts of the corporate Management, this amount as of December 31, 2018, was entirely recognised in the income statement.

Sogeit Solutions S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 60% of the company Sogeit Solution S.r.l..

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Sogeit Solutions S.r.l. by the Parent Company. It should be noted that the transaction under evaluation was accounted for, in the previous financial statements for the year and pursuant to IFRS 3, by using the partial goodwill method, which involved the temporary recognition of fair values.

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

(in Euros)

Net assets acquired	Book value	Fair Value adjustments	Final fair value
Property, plant and equipment	261,370		261,370
Intangible assets	62,975	4,010,247	4,073,222
Other non-current assets	64,190		64,190
Trade assets	3,972,761		3,972,761
Cash and cash equivalents	970,585		970,585
Other current assets	2,215		2,215
Non-current borrowings	50,000		50,000
Other non-current liabilities	112,983	1,118,858	1,231,841
Current borrowings	327,753		327,753
Other current liabilities	3,547,533		3,547,533
Total net assets acquired	**1,295,827**	**2,891,388**	**4,187,215**
Non-controlling interest			1,674,886
Total net assets acquired by the Group			2,512,329
Total amount			**6,077,502**
Goodwill			**3,565,173**
Cash and cash equivalents			(970,585)
Net outflow of cash resulting from the acquisition			**5,106,917**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 2.8 million, at the acquisition date and against the recognition, under item intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 4.0 million (including deferred taxes for around Euro 1.1 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 5.3 million as goodwill. Net of Euro 1.674 million pertaining to minority shareholders of the net fair values identified, the fair value of net assets, acquired by the Group, amounted to Euro 2.512 million, against a consideration for the acquisition of Euro 6.077 million, which involves the recognition of a goodwill (therefore recognised only for the portion pertaining to the Group), equal to Euro 3.565 million.
As described in more detail in Note 4.4, the above-mentioned goodwill was tested for impairment, with reference to the date of December 31, 2018, as required by IAS 36, which confirmed its full recoverability.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Bekast IT Consulting GmbH

In the previous year, Engineering ITS A.G. (company 51% owned by Engineering Ingegneria Informatica S.p.A.) acquired the entire shareholding of the company Bekast IT Consulting Gmbh, with registered office in Wolfsburg, Germany. Therefore, the Group's interests on this acquisition is equal to 51%.

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

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

(in Euros)

Net assets acquired	**Book value**	**Fair Value adjustments**	**Final fair value**
Property, plant and equipment	142,133		142,133
Intangible assets	4,150	779,000	783,150
Other non-current assets	48,099		48,099
Trade assets	952,041		952,041
Cash and cash equivalents	(201,949)		(201,949)
Other current assets	1,499		1,499
Other non-current liabilities		206,000	206,000
Other current liabilities	1,083,506		1,083,506
Total net assets acquired	**(137,533)**	**573,000**	**435,467**
Non-controlling interest			213,379
Total net assets acquired by the Group			222,088
Total amount			**663,000**
Goodwill			**440,912**
Cash and cash equivalents			201,949
Net outflow of cash resulting from the acquisition			**864,949**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 0.6 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 0.8 million (including deferred taxes for around Euro 0.2 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 0.7 million as goodwill. Net of Euro 0.213 million pertaining to minority shareholders of the net fair values identified, the fair value of net assets, acquired by the Group, amounted to Euro 0.222 million, against a consideration for the acquisition of Euro 0.663 million, which involves the recognition of a goodwill (therefore recognised only for the portion pertaining to the Group), equal to Euro 0.440 million.

As described in more detail in Note 4.4, the above-mentioned goodwill was tested for impairment, with reference to the date of December 31, 2018, as required by IAS 36, which confirmed its full recoverability.
The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.
As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

IT Soft US Inc.

In the previous year, Engineering Ingegneria Informatica S.p.A. wholly acquired the company SedApta US Inc., with registered office in Dover, Delaware, which, in its turn, controls 66% of the company IT Soft US Inc., with registered office in Chicago, Illinois.

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of SedApta US Inc. and IT Soft US Inc. by the Parent Company. It should be noted that the transaction under evaluation was accounted for, in the previous financial statements for the year and pursuant to IFRS 3, by using the partial goodwill method, which involved the temporary recognition of fair values.

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

(in Euros)

Net assets acquired	Book value	Fair Value adjustments	Final fair value
Intangible assets		33,211,770	33,211,770
Other non-current assets	441,970		441,970
Trade assets	2,723,064		2,723,064
Cash and cash equivalents	2,780,487		2,780,487
Other current assets	292,380		292,380
Other non-current liabilities		9,266,085	9,266,085
Current borrowings	92,985		92,985
Other current liabilities	809,928		809,928
Total net assets acquired	**5,334,988**	**23,945,685**	**29,280,673**
Non-controlling interest			9,654,474
Total net assets acquired by the Group			19,626,199
Total amount			**20,424,146**
Goodwill			**797,947**
Cash and cash equivalents			(2,780,487)
Net outflow of cash resulting from the acquisition			**17,643,659**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 23.9 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 33.2 million (including deferred taxes for around Euro 9.2 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 16.6 million as goodwill. Net of Euro 9.654 million pertaining to minority shareholders of the net fair values identified, the fair value of net assets, acquired by the Group, amounted to Euro 19.626 million, against a consideration for the acquisition of Euro 20.424 million, which involves the recognition of a goodwill (therefore recognised only for the portion pertaining to the Group), equal to Euro 0.798 million.

As described in more detail in Note 4.4, the above-mentioned goodwill was tested for impairment, with reference to the date of December 31, 2018, as required by IAS 36, which confirmed its full recoverability.
The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.
As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Pyxis S.r.l.

In the previous year, the closing related to the acquisition of Pyxis S.r.l. was carried out. The Engineering Group acquired 100% of the share capital through its subsidiary Engineering 365 S.r.l. (former MHT S.r.l.). For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Pyxis S.r.l. by the subsidiary Engineering 365 S.r.l..
The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

(in Euros)

Net assets acquired	Book value	Fair Value adjustments	Final fair value
Property, plant and equipment	13,840		13,840
Intangible assets	12,348	1,447,430	1,459,778
Other non-current assets	18,021		18,021
Trade assets	927,953		927,953
Cash and cash equivalents	684,922		684,922
Other current assets	36,465		36,465
Other non-current liabilities	70,975	403,832	474,807
Other current liabilities	800,241		800,241
Total net assets acquired	**822,333**	**1,043,598**	**1,865,931**
Non-controlling interest			0
Total net assets acquired by the Group			1,865,931
Total amount			**1,877,711**
Difference in income statement			**11,780**
Goodwill			**0**
Cash and cash equivalents			(684,922)
Net outflow of cash resulting from the acquisition			**1,192,789**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 1.0 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 1.4 million (including deferred taxes for around Euro 0.4 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 1.0 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 12 thousand, was recognised in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.
As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Infogroup S.p.A.

In the previous year, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 100% of the company Infogroup S.p.A.. Moreover, on May 1, 2018, the merger by incorporation of the company Infogroup S.p.A. into Engineering Ingegneria Informatica S.p.A. was completed. Given its reorganization nature, this transaction had no accounting impact on the consolidated financial statements of the Engineering Group in terms of value of assets and liabilities of the companies object of the merger.
For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Infogroup S.p.A. by the Parent Company.

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

(in Euros)

Net assets acquired	Book value	Fair Value adjustments	Final fair value
Property, plant and equipment	2,747,292		2,747,292
Intangible assets	595,336	65,776,704	66,372,040
Other non-current assets	2,063,978		2,063,978
Trade assets	29,770,667		29,770,667
Cash and cash equivalents	7,799,729		7,799,729
Other current assets	760,034		760,034
Other non-current liabilities	5,314,155	18,351,701	23,665,856
Other current liabilities	24,492,541		24,492,541
Total net assets acquired	**13,930,341**	**47,425,003**	**61,355,344**
Non-controlling interest			0
Total net assets acquired by the Group			61,355,344
Total amount			**61,400,000**
Difference in income statement			**44,656**
Goodwill			**0**
Cash and cash equivalents			(7,799,729)
Net outflow of cash resulting from the acquisition			**53,600,271**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 47.4 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 65.7 million (including deferred taxes for around Euro 18.3 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 47.5 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 45 thousand, was accounted for in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.
As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Infinity Technology Solutions S.p.A.

In the previous year, Engineering Ingegneria Informatica S.p.A. wholly acquired the company Infinity Technology Solutions S.p.A, with operating office in Genoa. Moreover, on May 1, 2018, the merger by incorporation of the company Infinity Technology Solutions S.p.A. into Engineering Ingegneria Informatica S.p.A. was completed. Given its reorganization nature, this transaction had no accounting effects on the consolidated financial statements of the Engineering Group in terms of assets and liabilities of the companies object of the merger by incorporation.

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

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

(in Euros)

Net assets acquired	**Book value**	**Fair Value adjustments**	**Final fair value**
Property, plant and equipment	32,306		32,306
Intangible assets	38,958	2,095,723	2,134,681
Other non-current assets	56,113		56,113
Trade assets	4,381,545		4,381,545
Cash and cash equivalents	316,904		316,904
Other current assets	467,208		467,208
Non-current borrowings	117,639		117,639
Other non-current liabilities	211,406	584,706	796,112
Current borrowings	708,356		708,356
Other current liabilities	2,284,033		2,284,033
Total net assets acquired	**1,971,600**	**1,511,017**	**3,482,617**
Non-controlling interest			0
Total net assets acquired by the Group			3,482,617
Total amount			**3,488,209**
Difference in income statement			**5,593**
Goodwill			**0**
Cash and cash equivalents			(316,904)
Net outflow of cash resulting from the acquisition			**3,171,305**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 1.5 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 2 million (including deferred taxes for around Euro 0.6 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 1.5 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 6 thousand, was accounted for in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.
As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

1.3 PURCHASE OF INVESTMENTS IN SUBSIDIARIES

During the year 2018, the Group paid the amounts due for the acquisition of control of the following companies and business units.

The following table shows the breakdown of the main disbursements of cash and cash equivalents acquired:

(in Euros)

31.12.2018	**Icode GmbH**	**Icraft GmbH**	**Bekast IT Consulting GmbH**	**Web Result S.r.l.**	**IT Soft US Inc.**	**INF.OR. S.r.l.**	**LG-NET S.r.l.**	**Engineering Software Lab d.o.o.**	**EUROAMS d.o.o.**	**Total**
Cash outlays that led to control (A)	1,008,988	2,297,418	847,528	770,000	4,481,458	4,000,000	158,571	18,915	398,978	13,981,856
Acquired cash and cash equivalents (B)	(179,379)	(240,825)	0	0	0	(419,524)	(111,663)		(1)	(951,392)
Cash flow to acquire controlling interest, net of cash and cash equivalents D = A + B	**829,609**	**2,056,593**	**847,528**	**770,000**	**4,481,458**	**3,580,476**	**46,908**	**18,915**	**398,977**	**13,030,464**

1.4 HYPERINFLATION IN ARGENTINA

In Argentina, following a long period of observation of inflation rates and other indicators, a consensus was reached at a global level regarding the occurrence of the conditions that determine the presence of hyperinflation pursuant to the IFRS International Financial Reporting Standards. As a consequence, as from July 1, 2018, all companies operating in Argentina are bound to apply the IAS 29 "Financial Reporting in Hyperinflationary economies" to their financial reporting.
With reference to the Group, the consolidated financial results as of December 31, 2018 included the effects resulting from the application of the above-mentioned accounting standard, with effect as from January 1, 2018.
The Group disclosed the consolidated financial figures in Euro and no redetermination of amounts disclosed in 2017 was required. Consistently with provisions set out by the IAS 29, the redetermination of the financial statements amounts generally entailed the following:

- as regards the income statement, costs and revenues were written up by applying the change in the general consumer price index, in order to reflect the loss of purchasing power of the local currency as of December 31, 2018. For the purposes of the conversion in Euro of the income statement, redetermined in this way, the punctual change as of December 31, 2018 was consistently applied instead of the average exchange rate for the period. With reference to net consolidated sales for the year, the effect resulting from the application of the standard led to a negative change of Euro 247.2 thousand for 2018;

- as regards the statement of financial position, the monetary elements were not redetermined insomuch as they were already expressed in the current measurement unit at year end. Non-monetary assets and liabilities are instead written-up to reflect the loss of the purchase power of local currency from the date in which assets and liabilities were initially recorded until year end;

- the effect determined on the net monetary position, for the portion generated over the twelve months of 2018 (total income of Euro 302.9 thousand) was charged to the income statement, under net financial income (charges), while the effects of the first-time application of the standard, as of January 1, 2018, were recorded directly as shareholders' equity components.

2 Form, contents and accounting standards

These consolidated financial statements as of December 31, 2018 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 standards utilised are the same as those used for the preparation of the last annual financial statements and were applied evenly, except for "IFRS 9 – Financial Instruments" and "IFRS 15 – Revenues from contracts with customers", as well as other accounting standards, amendments and interpretations applicable for accounting periods beginning on January 1, 2018, as indicated in paragraph 4.29. Pursuant to the IFRS 9 – Financial Instruments and IFRS 15 – Revenues from contracts with customers, the Group opted to disclose the effect, related to the retroactive remeasurement of amounts, in shareholders' equity on January 1, 2018, without remeasuring the balance of items of compared previous years. For further details on the impact resulting from the application of these standards, reference is made to the following Note 4.29.

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

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

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

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

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

The transactions with related parties concern subsidiaries, associates 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. These comparative figures were restated, with respect to those already disclosed in the financial statements ended December 31, 2017, only for items recognised within the completion process of accounting activities connected to the acquisition of control of acquired companies (as provided for by IFRS 3), as more widely shown in paragraph 1.2 of these Explanatory Notes.

USE OF ESTIMATES AND MEASUREMENTS

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

However, actual results could differ from those estimates. Estimates and assumptions are 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 borrowings, deferred tax assets and liabilities, as well as 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 opinions and assumptions might have a significant impact on the following financial years.

Impairment of assets (Goodwill Euro 66 million and Trademark Euro 453 million)
As more widely shown in paragraph 7 of these Explanatory Notes, to calculate the value in use of Cash Generating Units, the Group considered, in reference of the explicit period, the expected performance, included in the 2019 budget and, for the following years, forecasts included in the 2020-2022 multiannual plan. The budget and multiannual plan were updated by the management on August 3, 2017. No impairment was reported in relation to the impairment test performed based of the above forecasts.

Purchase Price Allocation (IFRS 3)
As described in paragraph "Completion of accounting activities connected to acquisitions", the recognition of business combination transactions implies the allocation of the difference between purchase cost and net book value to assets and liabilities of the company acquired.

As regards most of assets and liabilities, the allocation of the difference is performed by recognising assets and liabilities at their fair value. The portion that is not allocated, if positive, is recorded under goodwill; if negative, it is charged to income statement. In allocating the amounts, the Group relies on information available and, for the most important business combinations, on external expertises.

Share-based payments (Stock Option Plan – SOP)

The fair value of share-based payments is calculated based on the fair value of the Company's shares, which are not listed on an active market. Therefore, the Company used measurement techniques together with observable and not observable market parameters, which take also account of the current business plan of the Company. Given the level of subjectivity and the number of assumptions required to perform the measurement, changes in results and parameters used, together with the context in which the Company operates, might have a significant impact on fair value estimates of the Company's shares.

Prepaid taxes (Euro 23.2 million)

As of December 31, 2018, prepaid taxes are recorded in relation to tax losses for the current year and previous years insofar as there is a probable future taxable income for which the tax liabilities can be used. This probability is inferable also from the estimates included in the 2019-2022 multiannual plan.

Receivables from Sicilia Digitale S.p.A. (Euro 97.3 million)

As more thoroughly described in paragraph 14 herein, receivables from customers include the exposure as of December 31, 2018, with respect to Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A. or "SISE"), equal to Euro 135,980,883 (gross of the bad debt provision amounting to Euro 11,568,767 and provision for interest in arrears amounting to Euro 41,680,773), in addition to Euro 14,526,757 of construction contracts, were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. and Sicilia e-Servizi Venture S.c.r.l. in liquidation ("SISEV" or "Venture") on May 21, 2007 and expired on December 22, 2013.

Given the correctness of credit lines and the correct execution of services, after assessing that the expertise drawn up by the experts and concerning the writ of summons to obtain the payment of receivables amounting to around Euro 79,675 thousand, is materially omitting and misstating, the Directors, supported by the opinion of the legal advisers, and after performing the adequate checks, deem that SISEV's amount receivables from Sicilia Digitale S.p.A. are owed. In any case, after acknowledging, among other, the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement, in view of a legal dispute and of the objections filed in by Sicilia Digitale S.p.A. and the Sicilian Region, in its financial statements the subsidiary SISEV recognised the interest set out by law pertaining to the year under evaluation (around Euro 7.8 million) in the income statement and under item Financial income, in addition to the amount already recognised until December 31, 2017 (for a total amount of around Euro 41.7 million) and allocated an amount of around Euro 7.8 million to the bad debt provision, in addition to the total amount of around Euro 53.2 million already allocated to the bad debt provision in the previous year. The latter included the total impairment of the aforesaid interest set out by law and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable. The Directors stated that this decision results from an estimate made after a careful evaluation of all information currently available.

Fair value of options on non-controlling interests (Euro 28.7 million)

The fair value of liabilities, which represents a reasonable estimate of the exercise price for the option, was determined based on the operating cash flows method discounted by using the plan of the subsidiary involved. Prices for the year are determined based on the agreements included in the option agreements signed by the Group.

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 nevertheless the percentage of share capital held. The book value of consolidated investments is therefore derecognised against the relative shareholders' equity.

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

The shares of shareholders' equity and of the non-controlling interests result are included in a separate shareholders' equity account and in a separate line of the consolidated income statement.

3.2 ASSOCIATES

Associates 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 point 4.6. After acquisition, investments in associates are recorded under the equity method or rather recording the Group share of the result and of the movements in the reserves respectively to the income statement and shareholders' equity. Non-realised profits and losses on inter-group transactions are derecognised for the relative share.

When the Group share of losses in an associate 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 associate.

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 requirements set out by 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, 2018 (the details are shown in the previous paragraph of the Directors' Report) are listed hereunder:

Company	Registered office	Share capital	Percentage of share capital held		
			Direct	Indirect	Total
Engineering Sardegna S.r.l.	Cagliari	1,000,000 Euro	100.00%		100.00%
Engiweb Security S.r.l.	Rome	50,000 Euro	100.00%		100.00%
Municipia S.p.A.	Trento	13,000,000 Euro	100.00%		100.00%
LG-NET S.r.l.	Rome	26,500 Euro	13.50%		76.00%
Engineering International Inc.	Delaware (Usa)	10 Usd	100.00%		100.00%
Engineering International Belgium S.A.	Brussels	61,500 Euro	100.00%		100.00%
Engineering Luxembourg S.à.r.l.	Luxembourg	12,500 Euro		100.00%	100.00%
Engineering D.HUB S.p.A.	Pont-Saint-Martin	2,000,000 Euro	100.00%		100.00%
Nexen S.p.A.	Padua	1,500,000 Euro	100.00%		100.00%
Engineering 365 S.r.l. (former MHT S.r.l.)	Lancenigo	52,000 Euro	100.00%		100.00%
Engineering Software Lab d.o.o.	Belgrade	452,000 Rsd		100.00%	100.00%
EUROAMS d.o.o.	Belgrade	100 Rsd		100.00%	100.00%
Engi da Argentina S.A.	Buenos Aires	7,106,425 AR$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	Sao Paulo (Brazil)	51,630,020 Reais	100.00%		100.00%
Engineering Ingegneria Informatica Spain S.L.	Madrid	100,000 Euro	100.00%		100.00%
IT Soft US Inc.	Chicago	260,800 Usd		80.50%	80.50%
OverIT S.p.A.	Pordenone	300,000 Euro	95.00%		95.00%
OverIT International Inc.	Miami	50,000 Usd		80.00%	80.00%
OverIT GmbH	Munich	25,000 Euro		80.00%	80.00%
WebResults S.r.l.	Treviolo	10,000 Euro	100.00%		100.00%
Sicilia e-Servizi Venture S.c.a.r.l.	Palermo	300,000 Euro	65.00%		65.00%
Sogeit Solutions S.r.l.	Rome	100,000 Euro	68.50%		68.50%
Sofiter Tech S.r.l.	Rome	204,082 Euro	51.00%		51.00%
Engineering ITS AG	Berlin	50,000 Euro	51.00%		51.00%
DST Consulting GmbH	Dusseldorf	25,000 Euro		51.00%	51.00%
EMDS GmbH	Stuttgart	300,000 Euro		51.00%	51.00%
Engineering Software Labs GmbH	Stuttgart	25,000 Euro		51.00%	51.00%
Bekast IT Consulting GmbH	Wolfsburg (Germany)	115,000 Euro		51.00%	51.00%
Engineering Software Labs s.r.o.	Prague	3,887 Euro		51.00%	51.00%
Icraft GmbH	Hamburg	25,000 Euro		51.00%	51.00%
Icode GmbH	Berlin	50,000 Euro		51.00%	51.00%
KeyVolution GmbH	Wolfsburg (Germany)	25,000 Euro		51.00%	51.00%

Changes in the consolidation scope compared to December 31, 2017 relate to transactions carried out during the period as summarised below:

- on March 8, 2018, Engineering Balkan d.o.o. acquired from EuroDesk d.o.o. the whole share capital of EuroAmsd.o.o., a company operating in the implementation of ERP solutions;
- on May 17, 2018, Municipia S.p.A. signed the purchase agreement of the entire share capital of INF.OR. S.r.l., with registered office in Arezzo, which develops and distributes software for local Public Administrations. The merger of INF.OR. S.r.l. into Municipia S.p.A. was effective on October, 3;
- on June 1, 2018, the subsidiary Engineering ITS AG acquired the entire share capital of the companies Icraft GmbH and Icode GmbH;
- on July 2, 2018, the Parent Company acquired a further 2.48% of the subsidiary Engineering USA Inc.; its equity investment is now 68.48%;
- on July 10, Municipia acquired 76% of LG-NET S.r.l., therefore achieving an investment at Group level of 89.47% (13.47% already owned by the Parent Company);
- on August 2, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired the remaining 9% of the subsidiary WebResults S.r.l.; now the company is entirely owned;
- on August 2, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired 8.5% of the interests of the subsidiary Sogeit Solutions S.r.l.; its equity investment is now 68.5%;

- on September 26, 2018, the company Overit GmbH was established with registered office in Munich, with 84.2% shares of the subsidiary OverIT S.p.A. (80.0% indirect ownership of the Parent Company);
- in October 2018, the establishment of the company Engineering Software Labs s.r.o., with registered office in Prague, was recorded. The company owns the entire equity investment of the subsidiary Bekast IT Consulting GmbH (51.0% indirect ownership of the Parent Company).

In addition to the above-mentioned acquisitions, the following corporate transactions occurred during the year:

- on January 1, 2018, the company Infinity S.p.A., acquired in 2017, was merged into the Parent Company Engineering Ingegneria Informatica S.p.A. with retroactive effect as of January 1, 2018;
- on January 11, 2018, the foreign company SedApta US Inc. was merged into IT Soft US Inc.; both companies were purchased on September 8, 2017;
- on March 6, 2018, the company IT Soft US Inc. changed its brand (or DBA - Doing Business As), from Hyla Soft to Eng.USA;
- on February 14, 2018, the company Infogroup – Informatica e Servizi Telematici S.p.A., acquired in 2017, was merged into the Parent Company Engineering Ingegneria Informatica S.p.A. with retroactive effect on May 1, 2018;
- on July 5, 2018, the Serbian company Engineering Balkan d.o.o., indirectly controlled by Engineering, changed its corporate name into Engineering Software Lab d.o.o..

Given their nature, the last transactions described had no accounting effects on the consolidated financial statements of the Engineering Group in terms of assets and liabilities of the companies object of the transaction.

Based on provisions set out by IFRS 12, a summary of the main financial indicators of companies owning significant non-controlling interests is given hereunder.

(in Euros)

Company	Minority interests		Profit (loss) held by minority holders		Equity held by minority holders	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Sicilia e-Servizi Venture S.c.a.r.l.	35.0%	35.0%	(214,487)	(272,377)	(3,602,676)	(3,388,189)
Engineering ITS Holding AG	49.0%	49.0%	454,174	165,819	9,998,711	9,547,941
DST Consulting GmbH	49.0%	49.0%	(1,857)	0	1,379,387	1,377,839
EMDS GmbH	49.0%	49.0%	0	0	299,366	299,366
Engineering Software Labs GmbH	49.0%	49.0%	0	0	11,889	11,889
Sofiter Tech S.r.l.	49.0%	49.0%	478,304	354,467	1,179,544	1,112,386
Bekast IT Consulting GmbH	49.0%	49.0%	274,641	95,115	424,866	150,224
KeyVolution GmbH	49.0%	59.0%	(216)	(1,082)	8,878	4,312
Icraft GmbH	49.0%		103,637		223,393	
Icode GmbH	49.0%		350,662		391,623	
Total			**1,444,858**	**341,942**	**10,314,980**	**9,115,769**

Le informazioni riportate rappresentano i saldi prima delle eliminazioni infragruppo.

(in Euros)

Description	SISEV		ITS Holding AG		DST Consulting GmbH		EMDS GmbH		Engineering Software Labs GmbH		Sofiter Tech S.r.l.		Icraft GmbH		Icode GmbH		Bekast IT Consulting GmbH		KeyVolution GmbH	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Non-current assets	0	0	23,697,896	19,592,040	164,683	227,501	54,959	53,848	8,819	3,851	799,858	253,286	36,850		24,630		189,419	189,443	0	0
Current assets	**98,474,720**	**98,613,665**	**7,685,211**	**5,126,649**	**6,617,515**	**5,401,426**	**1,370,237**	**1,559,307**	**719,952**	**477,893**	**4,833,758**	**6,211,503**	**742,681**		**1,174,290**		**1,548,125**	**1,295,598**	**18,118**	**9,123**
Non-current liabilities	328	217,328	1,565,349	1,500,000	0	0	0	0	0	0	16,474	7,056	0		0		0	0	0	0
Current liabilities	108,767,753	108,076,877	9,412,226	3,733,094	3,967,124	2,817,012	814,244	1,002,203	704,509	457,482	3,209,909	4,187,558	323,628		399,689		870,471	1,178,461	0	1,813
Group Shareholders' Equity	(6,690,684)	(6,292,351)	10,406,821	9,937,653	1,435,688	1,434,077	311,585	311,585	12,374	12,374	1,227,689	1,157,789	232,511		407,607		442,207	156,356	9,240	2,997
Minority interest Shareholders' Equity	**(3,602,676)**	**(3,388,189)**	**9,998,711**	**9,547,941**	**1,379,387**	**1,377,839**	**299,366**	**299,366**	**11,889**	**11,889**	**1,179,544**	**1,112,386**	**223,393**		**391,623**		**424,866**	**150,224**	**8,878**	**4,312**
Revenues	3,260	600,551	2,704,232	3,118,596	19,635,515	21,179,012	4,469,565	4,425,580	1,471,481	316,721	8,445,685	8,953,660	1,972,236		2,188,515		5,957,167	1,708,904	101	0
Costs	(616,081)	(1,378,771)	(1,777,346)	(2,780,189)	(19,639,304)	(21,179,012)	(4,469,565)	(4,425,580)	(1,471,481)	(316,721)	(7,469,555)	(8,230,258)	(1,760,732)		(1,472,879)		(5,396,674)	(1,514,791)	(542)	(1,835)
Profit/(loss) for the year	(612,820)	(778,220)	926,886	338,407	(3,789)	0	0	0	0	0	976,131	723,402	211,503		715,636		560,492	194,113	(441)	(1,835)
Group profit/(loss) for the year	(398,333)	(505,843)	472,712	172,587	(1,933)	0	0	0	0	0	497,827	368,935	107,867		364,975		285,851	98,997	(225)	(752)
Profit/(loss) for the year of minority interest	**(214,487)**	**(272,377)**	**454,174**	**165,819**	**(1,857)**	**0**	**0**	**0**	**0**	**0**	**478,304**	**354,467**	**103,637**		**350,662**		**274,641**	**95,115**	**(216)**	**(1,082)**
Cash flow from operating activities	**(25,192)**	**(456,038)**	**259,041**	**(125,900)**	**760,316**	**(21,678)**	**91,830**	**593,811**	**(2,338)**	**(32,895)**	**897,931**	**(113,430)**	**450,848**		**1,089,612**		**998,588**	**(269,646)**	**(2,083)**	**(733)**
Cash flow from investing activities	0	0	(4,169,674)	365,469	(46,939)	(116,090)	(5,177)	(1,540)	117,604	(4,323)	(540,000)	(60,000)	22,243		(20,419)		(51,782)	(4,142)	0	0
Cash flow from financing activities	0	620,000	3,306,873	226,955	(350,000)	(875,883)	(361,046)	(340,154)	0	250,000	(500,000)	882,959	(1,360,703)		(779,171)		(377,007)	610,838	11,250	0
Total Cash flows	**(25,192)**	**163,962**	**(603,759)**	**466,524**	**363,377**	**(1,013,651)**	**(274,393)**	**252,117**	**115,266**	**212,782**	**(142,069)**	**709,529**	**(887,612)**		**290,022**		**569,799**	**337,050**	**9,167**	**(733)**

4 Accounting standards

These consolidated financial statements have been drawn up on an ongoing concern, due to the fact that Directors assessed the absence of financial, management indicators, or other indicators that might show critical issues related to the Group's ability to face its obligations in the foreseeable future. Risks and uncertainties related to the business are described in the sections dedicated to the Directors' Report. The description of how the Group manages financial risks, including liquidity and capital, is included 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 notes principally relate to the changes in the consolidation scope indicated above.

The accounting policies adopted in the preparation of the present 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 leased or for administrative purposes. This definition does not include property held principally or exclusively for rental purposes or for capital appreciation or for both of these reasons ("Investment property").

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

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

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

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

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

4.2 LEASING

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

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

4.3 INTANGIBLE ASSETS

Intangible assets, all with a definite useful life, except for the trademark, are recorded when they are identifiable and are likely to produce future economic benefits for the Group.

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

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

Category	Useful life
Software	3 – 6 years
Concessions, licenses and trademarks	3 – 8 years
Trademark	Indefinite
Other	2 – 14 years

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

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

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

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

Concessions, licenses and trademarks
Costs related to the acquisition of concessions, licenses and trademarks are capitalised under intangible fixed assets. The cost comprises the fair value of the price paid to acquire the right and any other direct costs incurred for its adaptation or for implementation within the operating or productive context of the entity. The period of amortisation does not exceed the lower between the useful life and the duration of the legal/contractual rights.

4.4 GOODWILL

Goodwill is the excess of an acquisition cost in comparison to the company share of the fair value of the identifiable assets and liabilities at the acquisition date.
Goodwill from the acquisition of companies for payment is not amortised and is subject to an impairment test at least once a year. For this purpose, goodwill is allocated to one or more Cash Generating Units. 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 associates or other companies is included in the book value of these companies.

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

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

A current value is determined for the relevant asset using a Discounted Cash Flow Model (DCF) based on the end of year account situation for each CGU. The current value is compared with the net book value and goodwill recorded in the financial statements to determine whether it is necessary to write-down the investment and record a loss in the financial statements.

Measurement methods are based on the criteria of maximum caution using capital cost parameters greater than the market average and introducing sensitivity analysis that validates maintaining goodwill value even where future scenarios are problematic.

4.5 LOSS IN VALUE OF AN ASSET (IMPAIRMENT)

A loss in value is established wherever the book value of an asset is greater than the recoverable value. Where indicators of a loss in value 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, irrespective of the existence of such indicators.

The recoverable value of an asset is recorded at the greater of its fair value, net of sales costs, and its usage value. The recoverable value is calculated for each individual asset, unless it is not capable of generating cash flows from continuous use sufficiently independent of cash flows generated from other assets or groups of assets, in which case the test is carried out at the level of the smallest independent Cash Generating Unit which comprises the relevant assets.

4.6 BUSINESS COMBINATIONS

In IFRS 3, business combinations are defined as “a transaction or other event in which a purchaser obtains control of one or more businesses”.
A business combination can be created through various procedures based on legal, fiscal or other motives. It may also involve the acquisition by an entity of share capital of another entity, acquisition of the net assets of another entity, undertaking of the liabilities of another entity or the acquisition of part of the net assets of another entity which, combined, establish one or more company activities. The combination may be realised through issue of instruments representing share capital, the transfer of cash or other liquid assets or other assets, or by a combination of the above. The operation may take place between shareholders of entities which combine or between an entity and shareholders of another entity. It may entail the incorporation of a new entity that controls the entities taking part in the combination or net assets transferred or the restructuring of one or more of the participating entities.

The business combinations are recorded under the acquisition method. This method considers that the acquisition price must be reflected in the value of the assets of the entity acquired and this allocation must be at fair value (of the assets and of the liabilities) and not at their book value. The difference (positive) comprises the goodwill.

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

4.7 OTHER EQUITY INVESTMENTS

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

Associates
Associates are defined as those in which significant influence is exercised. Such influence is presumed where more than 20% of the effective or potentially exercisable voting rights are held at the reporting date.

4.8 OTHER NON-CURRENT ASSETS

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

Investments in other companies refer to equity investments other than subsidiaries, associates and joint ventures and are entered at cost adjusted for any impairment whose effect is recognized in the income statement.

4.9 INVENTORIES

Inventories are assets held for sale within the normal course of business or employed or to be employed in the productive processes for sale or services.
Inventories are measured at the lower between purchase cost and the fair value. The fair value is the sales price estimated for normal activity, net of completion costs and sales expenses. Any potential write-down is derecognised in subsequent years if the reason for the write-down no longer exists.

4.10 CUSTOMER CONTRACT ASSETS

Customer contract assets concern specific projects in the course of completion based on long-term contracts.

If the result of a project in course can be reliably estimated, the contractual revenues and costs are recorded based on the percentage of completion method (so-called cost to cost), so as to attribute the revenues and profits over the entire duration of the contract.
If the result of a project in course of completion cannot be reliably estimated, the contractual revenues are recorded for the amount of costs incurred if it is probable that such costs are recoverable.

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

4.11 DEFERRED CONTRACT COSTS

4.11.a Incremental costs of obtaining a contract

IFRS 15 permits capitalize costs sustained to obtain a contract, provided that costs be considered as "incremental" and recoverable through future economic benefits of the contract. All costs borne in relation to the acquisition of the contract are considered as incremental costs. Conversely, costs that were borne regardless of the acquisition of the contract, and therefore could not be qualified as incremental, are expensed in the income statement as they are not related to the stage of completion (not a cost-to-cost component).

Incremental costs are suspended and accounted for under a special item in the current assets (deferred contract costs) and systemically released together with the transfer of control of goods/services to the customer.

4.11.b Costs to obtain a contract

IFRS 15 envisages cost suspension for the execution of contracts, i.e. capitalisation of costs that comply with all the following criteria:

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

This type of costs is usually 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, always fulfilling the aforesaid three conditions, pre-operating costs are suspended and systemically expensed in order to reflect the amount of goods/services transferred to customers.

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 receivable are owned within the business model, whose target is collecting contract cash flows made up solely of payments of principal and interest on the principal amount to be refunded. They are therefore initially recorded at fair value, adjusted with directly attributable transaction costs, and subsequently measured at amortised cost based on the effective interest rate method (i.e. the rate that equalizes, upon initial recognition, the current value of expected cash flows and the book value) and adequately adjusted to take account of any possible write-downs, through the creation of a bad debt provision. Trade receivables are included in current assets, except for amounts that are overdue after one year with respect to the reporting date. These receivables are disclosed under non-current assets.

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

For trade receivables accounted with the criterion of amortised cost, after identifying an impairment, its value is measured as the difference between the book value of the asset and the current value of the expected future cash flows, discounted on the basis of 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 written off from the financial statements upon their transfer. Receivables that were instead factored through with recourse factoring transactions were not written off from the financial statements.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits on demand, other short-term financial assets with original expiry not greater than 3 months and current account overdrafts. The latter, in the preparation of the statement of financial position, are included under “borrowings”. 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

Reserves consist of specific capital reserves.

4.17 RETAINED EARNINGS/(LOSSES CARRIED FORWARD)

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

Unlike derivative instruments, borrowings are initially booked at the fair value of collected sums, rectified by any directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest criteria.

Derivative financial instruments
Derivatives recognised at fair value are designated as hedge instruments when the relationship between the derivative and the subject being hedged is formally documented and the effectiveness of the hedge, which is periodically verified, is within the limits provided for under IFRS 9.
For these instruments the fair value is determined on the basis of evaluation techniques taking as reference the indicators that can be observed on the market (so-called level 2, as per IFRS 7). The report must contain the

evaluation method of the efficacy of the hedging instrument to offset the exposure to changes in the fair value of the item hedged or the cash flows relating to the hedged risk, and must be highly effective for all of the years for which the hedge was designated.

The type established by the Company is a cash flow hedge in order to offset the risk of changes in interest expense for the loan covered by the hedge, converting the loan to a fixed interest rate.

The hedge was created through agreeing an interest rate swap contract, against which the Company receives an indexed variable interest rate and expiry and time periods in line with the hedged loan and paying a fixed interest rate.

The efficacy, measured periodically, is verified with the perfect hedge derivative method. Changes in the fair value of the derivative are calculated based on the methods utilised for prospective or retrospective assessment of efficacy in the hedging report and are compared with the changes in the fair value of a similar derivative instrument. The hedging is deemed as effective in relation to the application of a quality measurement of the economic relation between the hedged element and the hedging element.

The effective hedging component is recorded under other comprehensive income statement items and shareholders' equity reserve and is calculated as the lower value between the accumulated changes in hedge derivative fair value and the changes in fair value of the hypothetical derivative. The ineffective hedging component is recorded to the income statement.

4.19 TREATMENT OF THE PUT OPTIONS ON SUBSIDIARY SHARES

IAS 32 envisages that an agreement that sets out that an entity is bound to acquire shares in cash or against other financial assets originates a financial liability corresponding to the present value for the redemption amount of put option.
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 shares of subsidiaries.
The Group:
(i) recorded, as a counter-entry of equity reserves, the payables resulting from the obligation and any following changes in the same liability that are related to the mere elapsing of time (unwinding of price discount); (ii) expensed the latter to the income statement.

4.20 EMPLOYEE BENEFITS

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

Post-employment benefits
Post-employment benefits are recorded as costs when the Company has committed, in a demonstrable way and without a realistic possibility of withdrawal, to a formal detailed plan that provides for the termination of employment before the normal retirement date or following an offer prepared to encourage voluntary redundancy. In the case of an offer prepared by the Company to encourage voluntary redundancy, the benefits owed to employees for termination of employment are recorded in the accounts 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 profits/losses into account. The amount of the defined obligation is calculated and certified annually by an independent actuary based on the "Projected unit credit" method.
Actuarial gains and losses are recognised in the comprehensive income statement and recorded under shareholders' equity on an accrual basis.

Defined contribution plans
As from January 1, 2007, the Group companies have participated in defined contribution pension plans by means of the payment of contributions to publicly or privately managed programs; the latter may be mandatory, contractual or voluntary. Payment of the contributions fulfils the Company's obligation to its employees. Contributions thus constitute costs for the period in which they are due.

Share-based payments
Pursuant to provisions set out by IFRS 2 (Share-based payments) with reference to equity-settled share-based payments, the cost of the incentive plan is apportioned along the vesting period and it is determined with reference to the fair value of the right assigned, at the date in which the commitment is undertaken, so that existing market conditions are reflected at the reference date. At each reporting date, all hypotheses are reviewed in relation to the number of options that are expected will reach maturity. The charge pertaining to the year is recorded in the income statement, under item personnel costs, and its contra-entry is recognised as equity reserve.

4.21 PROVISIONS FOR RISKS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

4.22 REVENUES AND COSTS

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

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

Pursuant to IFRS 15, the company shall recognise revenues from contracts with customers and related impact on accounts through the following steps:
a) identification of the contract;
b) identification of the performance obligations of the contract;
c) determination of the transaction price;
d) allocation of the transaction price for each identified performance obligation;
e) recognition of the revenue when the performance obligation is fulfilled.

Therefore, the amount that the Company records as revenue should reflect the amount that it is entitled to receive against the transfer of goods and/or services to customers. These amounts shall be recognised when the underlying performance obligations are fulfilled, i.e. when the Group has transferred the control of goods or services to customers in the following ways:
a) over time;
b) at point in time.

The following table shows the main types of products and services that the Group supplies to its customers and the related recognition modalities:

Products and Services	Type and timing to fulfil performance obligations
Development of annual and multiannual projects	The Group fulfils the related obligations and recognises over time revenues based on the percentage of costs accrued or the periodical progress of services rendered. The unconditional right to receive a payment from the customers arises based on the progress of costs accrued or the periodic underlying progress of each order.
Other services and events	The Group fulfils the related performance obligations and recognises revenues at a point in time, based on events underlying the supply of goods and services. The unconditional right to receive a payment by the customer arises following the occurrence of these events.

Moreover, as regards the recognition of revenues, the necessity of evaluating the possible obtainment/collection of economic benefits linked to the revenue is highlighted. As regards construction contracts (i.e. contract assets), the requirement to record revenues is introduced, taking also account of the possible discount effect resulting from collections over time, as described in the dedicated paragraph.

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.

Costs for research undertaken in order to gain new technical expertise are recorded in the income statement in the year in which they are incurred. These costs are almost entirely attributable to personnel costs.

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

4.23 GRANTS

Grants are recognised when there is reasonable certainty that they will be received and that the conditions required for obtaining them are met.
When grants relate to cost components, they are recorded as revenues, and systematically allocated to different periods to offset the costs to which they relate.
When the grants relate to an asset, for example plant, they are recorded to 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 time 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 time 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 in the measure 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 statement items are valued utilising the currency of the main economic environment in which the entity operates (“functional currency”).

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

Conversion of financial statements of foreign operations
A foreign operation is an entity that is a subsidiary, associate 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 data 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 to 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. The changes to accounting standards are recognised retrospectively with the recording of the effect to shareholders’ equity of the first of the period disclosed. The comparative information is restated accordingly. The prospective approach is made only when it is impractical to reconstruct the comparative information. The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard itself. If the standard does not provide for transition procedures, the change is booked in accordance with the method described in the previous paragraph.

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

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

4.27 FINANCIAL RISK AND CAPITAL MANAGEMENT

As in all businesses, risk factors which may affect the Group results exist and therefore preventive actions have been taken. These procedures concern the commitment and responsibilities undertaken and are subject to maximum transparency and correctness. For the relative details reference is made to paragraph XIII of the Directors' Report. 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 business. For information on Risk Management, see paragraph XVI of the Group Directors' Report.
The Company's business is exposed to the following risks: market risk (exchange rate risk and interest rate risk), credit risk and liquidity risk.
The Board of Directors provides for a high level of capital management policies in order to maintain trust among investors, creditors and the market, allowing for future development. The Board also monitors capital returns, understood as the result from operations compared with total shareholders' equity. Furthermore, the Board of Directors monitors the level of dividends to be distributed to holders of ordinary shares. For details on the Company's debt/equity ratio, see paragraph IX of the Directors' Report.

4.27.1 Credit risk

The credit risk is the Group's exposure to the risk of potential losses resulting from the non-performance of obligations undertaken by the counterparties.
Allocations to bad debt provisions, carried out by Group companies, reflect the effective credit risks through the targeted quantification of the allocation itself.
The Group manages the credit risk by having relations mainly with counterparties with high creditworthiness and does not have any relevant concentrations of credit risk. The maintenance of an effective credit risk management represents a strategic target for the Group and, for this purpose, the type of business and the payment instruments adopted generally guarantee a limited credit risk.
Credit positions are individually impaired, if they are singularly significant, for which a partial or total non-payment is an objective condition. The amount of impairment takes account of an estimate of recoverable cash flows and the related collection date, as well as future recovery charges and expenses and the value of guarantees and security deposits received from customers. With respect of receivables that are not subjected to analytical impairment, provisions are collectively allocated, taking account of the historical experience, provisions related to the future macroeconomic conditions affecting the customers' ability to repay receivables, as well as available statistics.
The recoverability of trade receivables is constantly monitored by the Group through the activity of a specific corporate department.

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

4.27.2 Liquidity risk

Liquidity risk is the difficulty in fulfilling obligations connected with borrowings paid cash or through another financial asset.
The difficult economic context of commercial and financial markets requires special attention for the management of liquidity risk. To this purpose, special attention was given to actions aimed at both generating financial resources with operating management and maintaining an adequate level of available liquidity. The Group therefore intends to meet requirements resulting from financial payables to be overdue and planned investments through cash flows from operations, cash on hand and the centralised management of the Group's treasury.
The Group deems that it has access to sufficient funds to fulfil its scheduled obligations, taking account of cash and cash equivalents, its ability of generating cash flows, the sourcing of funds from the bond market and the availability of credit lines by banks.

A detailed analysis of the due dates for borrowings is contained in paragraphs 20 and 25 hereof.

4.27.3 Market risk

The strategy followed for this type of risk aims at mitigating interest rate and exchange rate risks, while optimizing debt cost.
These risks are prudently managed, in compliance with the best market practices.
The main objectives indicated in the policy are as follows:

- to pursue the defence of the long-term plan scenario against the effects caused by the exposure to interest rate and exchange rate risks, by defining the optimal combination between fixed and variable interest rates;
- to pursue the potential reduction of the Group's debt cost;
- to manage operations of derivative financial instruments, taking account of the economic and equity impacts that these actions would have, also due to their classification and accounting.

Exposure to the interest rate risk arises from the need to finance the operations and M&A investments, as well as to invest any available liquidity. Fluctuations in market interest rates may negatively, or positively, affect the economic result of the Group, thus indirectly affecting costs and returns of financing and investment transactions. The interest rate risk, to which the Group is exposed, derives from bank borrowings. To mitigate these risks, when it is deemed suited, the Group uses derivatives designated as cash flow hedges. The use of these instruments is governed by written procedures that are consistent with the management strategies of the Group's risks and that do not envisage any derivatives with 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 senior executives and their related parties do not appear to be any more favourable than those applied, or which may have been reasonably applied, in the event of similar transactions under normal market conditions with executives without strategic responsibility of the same entities.

4.29 NEW IFRS STANDARDS AND IFRIC INTERPRETATIONS

The International Accounting Standards (IFRS) endorsed by the European Commission and effective on December 31, 2018 were applied in preparing the Group consolidated financial statements. With reference to the new IFRS Standards in force, reference is made to the first application of IFRS 9 – "Financial Instruments" and IFRS 15 – "Revenues from contracts with customers", as from January 1, 2018. Their impact is described hereunder.

Accounting standards, amendments and IFRS interpretations applied as of January 1, 2018

The following accounting standards, amendments and IFRS interpretations were applied for the first time by the Group as of January 1, 2018:

- on May 28, 2014, the IASB published the standard **IFRS 15 – Revenue from Contracts with Customers,** which aims to replace the standards IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services, together with further clarification published on April 12, 2016. The standard establishes a new model for revenue recognition which will be applied to all contracts stipulated with customers, with the exception of those falling within the scope of other IAS/IFRS standards such as leasing, insurance contracts and financial instruments. The fundamental steps for booking revenues according to the new model are as follows:

  - identification of the contract with the customer;
  - identification of the performance obligations of the contract;

- price determination;
- allocation of the price to the performance obligations in the contract;
- criteria for registration of the revenue when the entity satisfies each performance obligation.

Therefore, the amount that the entity recognises as revenue should reflect the amount that it is entitled to receive against the transfer of goods and/or services to customers. These amounts shall be recognised when its performance obligations are fulfilled. Moreover, as regards the recognition of revenues, the necessity of evaluating the possible obtainment/collection of economic benefits linked to the revenue is highlighted. As regards customer contract assets, the requirement to record revenues is introduced, taking also account of the possible discount effect resulting from collections over time.

Impacts on the consolidated financial statements of the Engineering Group, resulting from the adoption of IFRS 15

The standard was applied as from January 1, 2018. The Group opted to recognise the effect related to the retroactive remeasurement of amounts, in shareholders' equity on January 1, 2018, without remeasuring the balance of items of compared previous years.
At completion of surveys carried out, no significant impact was identified from the adoption of IFRS 15 for the Engineering Group, except for the following:

(i) "premium" credit collection contracts;
(ii) the rename of items "Construction contracts" with "Customer contract assets".

In particular, in the case of "premium" credit collection contracts (sub i), according to provisions of the new standard, the following was carried out:

- recognition of "at point in time" revenue, upon tax collection inasmuch as, based on contract terms governing the consideration, the Company has the unconditioned right to collection only upon completion of the service (i.e. collection of the tax);
- recognition of an asset ("Deferred contract costs"), against contract costs (cost borne to execute the contract), to the extent they are deemed to be recoverable (i.e. within the limits of the amount of overall estimated future performances);
- expense to income statement of the cost pertaining to each financial year in the amount corresponding to the transfer of asset-related services to customers and the related recognition in the income statement.

It should be highlighted that, in addition to the above-mentioned effects, analyses were carried out on other aspects of the contracts with customers that were relevant for the Group's assets and business. No significant impact was recognised in the application of the new standard. For example, reference is made to contractual issues (costs to obtain a contract, guarantees) that were measured and recorded pursuant to the new standard, whose analysis is in any case taken into consideration also for new contracts.

The application of the new standard generated a reduction of the shareholders' equity as of January 1, 2018 of Euro 4.2 million (net of tax effect).

In the event of retroactive application of the new IFRS 15 standard to the Group financial statements as of December 31, 2017, the results would have been disclosed with:

- a decrease in total revenues equal to Euro 27.4 million;
- a decrease in operating expenses equal to Euro 21.5 million;
- an increase of taxes of Euro 1.7 million.

- On July 24, 2014, the IASB published the final version of **IFRS 9 – "Financial Instruments".** The document includes the results of the IASB project, aimed at superseding the IAS 39 standard. The new standard should be applied by the financial statements as of January 1, 2018 or subsequent years.
  The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, and in the case of financial assets, the new standard utilises a unique approach based on the modalities for management of financial instruments and on the characteristics of contractual cash flows of the financial assets themselves in order to determine the valuation criterion, thereby replacing the various rules

provided for by IAS 39. In the case of borrowings, on the other hand, the primary modification concerned the booking of changes in the fair value of a financial liability classified as a financial liability and measured at fair value in the income statement in the case that these changes were due to a change in the credit rating of the issuer of the liability itself. According to the new standard, these changes must be booked in "Other comprehensive income" and no longer in the income statement. Moreover, in the event of non-substantial modifications of liabilities, it is no longer allowed to spread the economic effects of renegotiation over the residual duration of the payable, by modifying the effective interest rate at that date, and the related effect will have to be recognised in the income statement.
With reference to impairment, the new standard requires that the estimate of losses on receivables must be implemented on the basis of the model of expected losses (and not the model of incurred losses utilised by IAS 39) by using supportable information that is available without unreasonable charges or efforts and which include historical, current or forecasted data. The standard requires that this impairment model be applicable to all financial instruments, i.e. to financial assets measured at their amortised cost as well as those measured at fair value through other comprehensive income, receivables deriving from rental contracts and trade receivables.
Finally, the standard introduces a new model of hedge accounting in order to adjust the requirements needed by the current IAS 39, which are occasionally considered too strict and unsuitable to reflect the risk management policies of companies. The primary novelties within the document include the following:

- an increase in the type of transactions eligible for hedge accounting, even including the risks of non-financial assets/liabilities which are eligible to be managed in hedge accounting;
- a change in the modalities for booking forward contracts and options when these are included in a hedge accounting relationship and in order to reduce the volatility of the income statement;
- changes to the efficacy test through the replacement of the current modalities based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and hedging instrument; in addition, an evaluation of the retrospective efficacy of the hedging relationship will no longer be requested.

The increased flexibility of the new accounting rules is counterbalanced by additional requests for reporting on the risk management activities of the Group.

Impacts on the consolidated financial statements of the Engineering Group, resulting from the adoption of IFRS 9

It should be noted that the only effect resulting from the adoption of IFRS 9 concerned the impairment based on the expected credit loss envisaged by IFRS 9. To this purpose, the Group developed a new credit risk modelling, which allowed for analytically determining the different credit risk related to customers' creditworthiness since the occurrence of receivables and progressively according to their ageing. This information was used by the Group in determining the bad debt provision according to the impairment modelling based on expected credit loss, which involved an effect on the initial shareholders' equity related to the implementation of IFRS 9, equal to a reduction of the same by Euro 0.49 million as a consequence of a credit reduction of equal amount (i.e. Euro 0.49 million), without significant amendments to economic data of the first half 2018.

The decrease in retained earnings refers to the recording of further and possible losses due to the reduction of financial assets resulting from the application of the provisional model for the expected credit loss, introduced by IFRS 9 in replacement of the incurred credit loss model envisaged by IAS 39. Based on this new modelling, also financial assets that are not overdue were analysed. No impairment was reported for these assets.

It is also specified that impairment recorded on January 1, 2018 referred primarily to trade receivables. The analyses made on financial assets and liabilities reported no relevant impairment.

Moreover, the following table shows an overview of financial assets and liabilities in place as of December 31, 2017, while highlighting the related measurement criterion applied pursuant to the previous IAS 39 and the new IFRS 9.

Summary table of the consolidated equity-financial position, restated as of January 1, 2018:

(in Euros)

	Approved 31.12.2017	Adoption effects IFRS 9	Restated IFRS 15	01.01.2018
Current assets	**980,980,889**	**(487,442)**	**(5,872,035)**	**974,621,412**
of which: trade receivables	550,834,537	(487,442)	(27,380,785)	522,966,310
of which: deferred contract costs	-	-	21,508,751	21,508,751
Non-current assets	**684,352,962**	**-**	**1,638,843**	**685,991,805**
of which: deferred tax assets	32,251,670	-	1,638,843	33,890,513
Total assets	**1,665,333,851**	**(487,442)**	**(4,233,192)**	**1,660,613,217**
Current liabilities	611,315,471	-	-	611,315,471
Non-current liabilities	466,312,451	-	-	466,312,451
Total liabilities	**1,077,627,922**	**-**	**-**	**1,077,627,922**
Shareholders' equity	**587,705,929**	**(487,442)**	**(4,233,192)**	**582,985,295**
of which: retained earnings/(losses carried forward)	(9,996,382)	(487,442)	**(4,233,192)**	(14,717,016)
Total liabilities and shareholders' equity	**1,665,333,851**	**(487,442)**	**(4,233,192)**	**1,660,613,217**

As regards both standard (IRFS 15 "Revenues from contracts with customers" and IFRS 9 "Financial instruments"), the Engineering Group opted to disclose the effect, related to the retroactive remeasurement of amounts, in shareholders' equity on January 1, 2018, taking account of the types existing on that date, without any restatement of financial years under comparison. The summary of the effects of the adoption of new standards on the opening balances as of January 1, 2018 is shown hereunder.

- On June 20, 2016, the IASB published the amendment to **IFRS 2 – "Classification and measurement of share-based payment transactions".** Amendments supply some clarification in relation to accounting of the effects of vesting conditions, in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of amendments to terms and conditions of a share-based payment, which modify the classification from cash-settled to equity-settled. The amendments were applied as from January 1, 2018. The adoption of this amendment had no impact on the Group consolidated financial statements.

- On December 8, 2016 the IASB published the document **"Annual Improvements to IFRS's: 2014-2016 Cycle"**, which partially supplements the already existing standards within the annual improvement process. The main amendments involve:

  - IFRS 1 – First-Time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters. The amendment was applied as from January 1, 2018 and concerns the cancellation of some short-term exemptions envisaged in paragraphs E3-E7 in the Appendix E of IFRS 1 as it is deemed that the benefit of these exemptions no longer exists.
  - IAS 28 – Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organisation or other qualifying entity (such as a mutual fund or similar entity) to measure investments in associates and joint ventures, measured at fair value through profit or loss (rather than by using the equity method), should be performed for each single investment upon initial recognition. The amendment was applied as from January 1, 2018.
  - IFRS 12 – Disclosure of Interests in Other Entities – Clarification of the scope of the Standard. The amendment clarifies the application scope of IFRS 12, and specifies that disclosures required by the standard, except for the ones envisaged in paragraphs B10-B16, also apply to interests held for sale, held for distribution to shareholders and discontinued operations in accordance with IFRS 5. The amendment was applied as from January 1, 2018.

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

- On December 8, 2016, the IASB issued the amendment to the **IAS 40 – "Transfers of Investment Property".** These amendments clarify transfers of investment property to, or from investment property. More specifically, an entity must reclassify a property to, or from investment property only when there is a change in use. A change in use must be related to a specific event already occurred and shall not be limited to a change in the Management's intentions of an entity for the use of a property. These amendments were applied as from January 1, 2018. The adoption of these amendments had no impact on the Group consolidated financial statements.

- On December 8, 2016, IASB published the interpretation **IFRIC 22 – "Foreign Currency Transactions and Advance Consideration".** This interpretation aims at supplying guidelines from transactions carried out in a foreign currency, where non-monetary advances and payments on account are recognised in the financial statements before the recognition of the related assets, costs or revenue. This document gives indication on how the entity should determine the date of a transaction and therefore the spot exchange rate to be used when transactions in foreign currency are carried out, in which the payment is made or received in advance.

  The interpretation clarifies that the transaction date is the earlier between:

  a) the date in which the advanced payment or the payment on account received are recorded in the entity's financial statements; and
  b) the date in which the assets, the cost or the revenue (or part of the same) is recorded in the financial statements (with consequent reverse of the advanced payment or the payment on account received).

  In the event of a number of advances or payments on account received, a specific transaction date must be identified for each of these transactions. IFRIC 22 was applied as from January 1, 2018. The adoption of this interpretation had no impact on the Group consolidated financial statements.

IFRS and IFRIC 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, 2018

- On January 13, 2016, the IASB published the standard **IFRS 16 – Leases** which will replace IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of a good in order to distinguish lease contracts from service contracts, while identifying the following as discriminating factors: identification of the good, the right of replacement of the latter, the right to substantially obtain all the economic benefits deriving from the use of the good and the right to manage the use of the good underlying the contract.

  The standard provides for a single model for the recognition and measurement of lease contracts for the lessee and which includes the booking of the assets also subject to an operating lease under assets and with an offsetting item equal to a financial payable, thereby providing for the possibility of not recognizing contracts, which involve low-value assets (i.e. lease contracts related to assets with a value lower than Euro 5,000) as well as leases with a contractual duration equal to or less than 12 months, as leasing contracts. On the contrary, the standard does not include significant changes for lessors.

  The standard is applicable as of January 1, 2019 but early application is allowed.

  The Company has completed the preliminary assessment project of possible impacts resulting from the application of the new standard at the transition date (January 1, 2019). This process envisages multiple steps, including the complete mapping of contracts that are potentially suited to include a lease, and the analysis of the same in order to understand the main clauses that are relevant for the purposes of IFRS 16.

  Directors initiated a project aimed at implementing the new standard which envisages, as first step, a detailed analysis of contracts and accounting impacts and, as a second step, the implementation and/or adjustment of administrative processes and the accounting system. Directors have not yet defined the approach that they intend to adopt amongst those permitted by the IFRS 16 standard.

  The Company elected to apply this standard by using the modified retrospective transition method and recording the cumulated effect resulting from the application of the standard to shareholders' equity as of

January 1, 2019, pursuant to provisions set forth in paragraphs IFRS 16: C7-C13. In particular, in relation to lease contracts previously classified as operating leases, the Company will account for the following:

a) a financial liability, equal to the present value of residual future payments at the transition date, discounted by using, for each single contract, the incremental borrowing rate applicable at the transition date;
b) a right of use, equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognised in the statement of financial position at the reporting date of these financial statements.

The following table shows the estimated impact of the IFRS 16 adoption at transition date.

(in millions of Euros)

Description	Impacts at transition date (01.01.2019)
Non-current assets - right of use	**157.1**
Non-current liabilities	
Borrowings for non-current leases	137.9
Current liabilities	
Borrowings for current leases	19.2
Total	**157.1**

In adopting IFRS 16, the Group intends to take advantage of the exemption below:

- in paragraph IFRS 16:5(a) with regard to short-term leases;
- in paragraph IFRS 16:5(b) as regards lease contracts for which the underlying asset is defined as low value asset (i.e. the assets underlying a lease contract do not exceed Euro 5,000).

The Company is willing to adopt the following implementation measures, as provided for in IFRS 16:

- Portfolio approach: the Group identified contracts with similar characteristics and that can be treated as a portfolio;

Moreover, with reference to transition methods, the Company intends to adopt the following implementation measures in the event the modified retrospective transition model is adopted:

- classification of contracts regarding short-term leases (expiring within 12 months from the transition date). For these lease contracts, the rates will be recognised in the income statement on a straight-line basis;
- exclusion of initial direct costs from the measurement of the right of use as of January 1, 2019;
- use of information at the transition date, to determine the lease term, with special reference to the use of extension options and advanced termination.

The transition to IFRS 16 introduces some elements of professional advice, which involve the definition of some accounting policies and the use of assumptions and estimates in relation of the lease term, upon definition of the incremental borrowing rate.

- On October 12, 2017, the IASB published an amendment to **IFRS 9 – "Prepayment Features with Negative Compensation"** (published on October 12, 2017). This document specifies that the instruments that envisage a prepayment might comply with the "SPPI" test also in the event the reasonable additional compensation, to be paid in case of prepayments, is a negative compensation for the lender. The amendment is applicable as from January 1, 2019 but earlier application is permitted. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On June 7, 2017, the IASB published the interpretation **"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"** (published on June 7, 2017). The interpretation deals with uncertainty over tax treatments to be adopted on income taxes. In particular, the interpretation requires that an entity analyses the uncertain tax treatments (independently or together, according to their characteristics), always assuming that Tax Authorities will examine those amounts and will have full knowledge of all relevant information when doing so. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to reflect the uncertainty when determining current and deferred income taxes. Moreover, no other disclosure obligation is envisaged in the document but it is highlighted that the entity shall determine whether it will be necessary to supply information on remarks made by the management on the uncertainty related to tax accounting, in compliance with IAS 1.

The new interpretation is applicable as from January 1, 2019 but earlier application is permitted.

The Directors are currently evaluating the possible impact of this interpretation on the Group consolidated financial statements.

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

At the reporting date of these consolidated financial statements, the competent bodies of the European Union had not yet completed the approval process required for the adoption of amendments and the standards below.

- On May 18, 2017, the IASB published the standard **IFRS 17 – Insurance Contracts**, intended to supersede the standard IFRS 4 Insurance Contracts.
  The target of the new standard is to guarantee that an entity supplies information representing both rights and obligations related to insurance contracts. The IASB has developed this standard to cancel all inconsistencies and weaknesses of the existing accounting policies, by supplying a consolidated principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer. The new standard also envisages presentation and information requirements to improve comparability between entities belonging to the same sector.
  According to the new standard, an insurance contract is measured based on a General Model or a simplified version named Premium Allocation Approach ("PAA").
  The main characteristics of the General Model are:

  - estimates and assumptions of future cash flows are always the current ones;
  - measurement reflects the time value of the money;
  - estimates envisage an extensive use of observable market information;
  - there is a current and explicit measurement of risk;
  - the expected revenue is deferred and aggregated in clusters of insurance contracts upon initial recognition; 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, 2021 but early application is allowed solely for entities which apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The Directors deem that the adoption of this standard will not have a significant effect on the Group consolidated financial statements.

- On June 7, 2017 the IASB issued the interpretation document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document deals with uncertainty over tax treatments to be adopted on income taxes.
  The document sets out that uncertainty when determining tax credits or tax loss be reported in the financial statements only when it is probable that the entity will pay or recover the amount. Moreover, no other disclosure obligation is envisaged in the document but it is highlighted that the entity shall determine whether it will be necessary to supply information on remarks made by the management on the uncertainty related to tax accounting, in compliance with IAS 1.

The new interpretation is applicable as from January 1, 2019 but earlier application is permitted. The Directors are currently evaluating the possible impact of this interpretation on the Group consolidated financial statements.

- On October 12, 2017, the IASB published the document **IAS 28 – "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**. This document clarifies that an entity shall apply IFRS 9, including requirements related to impairment, to other long-term interests in associates or joint ventures to which the equity method is not applied. The amendment is applicable as from January 1, 2019 but earlier application is permitted. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On December 12, 2017, the IASB published the document **"Annual Improvements to IFRSs: 2015-2017 Cycle"**, which includes the amendments to the standards within the annual improvement process. The main amendments involve:

  - **IFRS 3 – "Business Combinations" and IFRS 11 – "Joint Arrangements"**: the amendment clarifies that when an entity gains control of a business that is a joint operation, it shall remeasure the interests previously held in this business. Conversely, this process is not envisaged in the event of a joint control.
  - **IAS 12 – "Income Taxes"**: this amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as equity) should be accounted for consistently with the transaction that generated the profit (income statement, OCI or equity).
  - **IAS 23 – "Borrowing costs"**: the amendment clarifies that in the event of loans that are still in place after the reference qualifying asset is ready for use or sale, these amounts become part of the amounts used to calculate the borrowing costs.

  The amendments are applicable as from January 1, 2019 but earlier application is permitted. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On February 7, 2018 the IASB published the document **"Plant Amendment, Curtailment or Settlement"**. The document clarifies how an entity should recognise a modification (i.e. a curtailment or a settlement) of a defined benefit plan. Modifications require that the entity updates its assumptions and remeasures net liabilities or assets related to the plan. These amendments clarify that, upon occurrence of this event, an entity uses updated assumptions to measure the current service cost and the interests for the rest of the reference period following the event. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On October 22, 2018 the IASB published the document **"Definition of a Business (Amendments to IFRS 3)"**. The document supplies some clarifications on the definition of the business for the purposes of a correct application of the IFRS 3 standard. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to determine a business in the presence of an integrated set of activities/processes and assets. However, in order to be considered a business, a set of activities/processes and assets must include, at a minimum, an input and a substantive process that significantly contribute to the ability to create outputs. To this purpose, the IASB replaced the wording "ability to create output" with "ability to contribute to create outputs" to clarify that a business can exist also without the presence of all inputs and processes necessary to create an output.

  The amendment has also introduced a concentration test, optional for the entity, that permits an assessment of whether an acquired set of activities and assets is not a business. If the test outcome is positive, the acquired set of activities/processes and assets is not a business and the standard does not require further assessments. If the test outcome is negative, the entity shall carry out further analyses to determine whether the acquired activities/processes and assets is a business. To this purpose, the amendment added a number of illustrative examples to the IFRS 3 standard in order to help entities understand the practical application of the new definition of business in specific cases. Amendments are applicable to all business combinations and subsequent acquisitions of assets, as from January 1, 2020 but early application is allowed.
  While considering that this amendment will be applied on the new acquisition transactions that will be concluded as from January 1, 2020, any effect will be recognised in the consolidated financial statements ended after this date.

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

  The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On September 11, 2014, the IASB published an amendment to **IFRS 10 and IAS 28 – "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"**. The document was published for the purposes of resolving the current conflict between IAS 28 and IFRS 10. In accordance with provisions of IAS 28, the profit or loss resulting from the transfer or conferment of a non-monetary asset to a joint venture or associate in exchange for a share capital quota of the latter is limited to the quota retained in the joint venture or associate by other investors which are external to the transaction. Conversely, the standard IFRS 10 provides for the booking of the entire profit or loss in the case of loss of control of a subsidiary, even if the entity continues to retain a non-controlling quota and including in this case even the transfer or conferment of a subsidiary to a joint venture or associate. The amendments introduced envisage that in the sale or transfer of an asset or a subsidiary company to a joint venture or associate, the measurement of a profit or loss to be recognised in the financial statements of the transferring/receiving company will depend on whether the assets or the subsidiary sold or transferred represent a business, as envisaged by IFRS 3. If the assets or subsidiary company sold or transferred represent a business, the entity shall recognise the profit or loss on the entire portion previously held. Conversely, the portion of profit or loss, related to the interests which is still held by the entity, should be derecognised.

  At the moment, the IASB has suspended the application of this amendment. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

4.30 SEASONALITY OF GROUP OPERATIONS

The activities of the Company are not subject to seasonality.

Consolidated statement of financial position

A) Non-current assets

5 Property, plant and equipment

(in Euros)

Description	31.12.2018	31.12.2017	Change
Property, plant and equipment	37,467,016	38,304,315	(837,299)

(in Euros)

Description	31.12.2018			31.12.2017		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
Land and buildings	19,255,889	1,416,900	17,838,989	19,166,681	790,343	18,376,338
Plant and machinery	7,244,505	3,269,496	3,975,008	6,527,603	2,153,622	4,373,981
Industrial and commercial equipment	72,330,481	60,573,232	11,757,249	68,666,754	56,529,307	12,137,447
Other assets	5,384,327	1,913,709	3,470,618	4,854,874	2,006,515	2,848,359
Leasehold improv.	1,537,634	1,112,527	425,107	1,703,841	1,135,697	568,144
Total	**105,752,835**	**68,285,865**	**37,467,016**	**100,919,754**	**62,615,484**	**38,304,315**

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

(in Euros)

Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improv.	Total
Balance as of 01.01.2017	**9,614,167**	**4,497,811**	**8,738,280**	**2,614,307**	**803,080**	**26,267,690**
Exchange difference effect	(382,947)	(3,955)	(41,629)	(27,258)	(25,877)	(481,665)
Additions	9,770,379	674,737	5,215,821	745,798	129,380	16,536,115
Disposal	0	(730)	(704,009)	(153,733)	(84,882)	(943,355)
Decrease/(Increase) acc. depreciation	0	730	582,734	103,018	38,810	725,292
Depreciation	(625,261)	(997,509)	(4,349,711)	(730,925)	(299,288)	(7,002,694)
Change in consolidation scope	0	202,897	2,695,960	297,153	6,922	3,202,933
Balance as of 31.12.2017	**18,376,338**	**4,373,981**	**12,137,447**	**2,848,359**	**568,144**	**38,304,315**
Exchange difference effect	(493,515)	(10,252)	(24,641)	(11,476)	(18,660)	(558,544)
Additions	582,724	620,638	4,969,777	1,498,409	146,376	7,817,923
Disposal	256,379	(47,136)	(1,300,888)	(1,125,392)	(270,249)	(2,487,285)
Decrease/(Increase) acc. depreciation	(60,497)	27,917	1,127,898	1,138,553	171,106	2,404,977
Depreciation	(626,558)	(1,000,334)	(5,164,046)	(957,628)	(171,610)	(7,920,177)
Change in consolidation scope	(195,882)	10,194	11,702	79,793	0	(94,193)
Balance as of 31.12.2018	**17,838,989**	**3,975,008**	**11,757,249**	**3,470,618**	**425,107**	**37,467,016**

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

Tangible assets reported a total increase of Euro 7.8 million, mainly due to:

- the increase in “Industrial and commercial equipment”, equal to Euro 5.0 million, attributable to the purchase of new computers for in-house use while the decreases, equal to Euro 1.3 million, are due to the disposal and/or donation of obsolete computers;
- the increase in “Other assets”, amounting to Euro 1.5 million, refers to the purchase of new furniture and furnishings.

The “Land and buildings” item results, in the amount of Euro 9.2 million, from the entry, in the previous year, of two real estate agreements with Mediocredito Italiano S.p.A..

The following table shows the breakdown of leased assets included in item “Land and buildings” as of December 31, 2018:

(in Euros)

Description	2018
Historical cost of leased assets	9,746,571
Accumulated depreciation of leased assets	(590,701)
Total	**9,155,870**

This transaction referred to the financial lease of a real estate property in Turin, in the area of former Officine Savigliano. The transfer of the two contracts was formalised with Notary Deed of February 23, 2017, in particular:

- the contract no. 890731 envisages instalments to be paid for the principal of Euro 4.1 million, in addition to interest of Euro 0.5 million and the redemption price of Euro 0.1 million. The balance of the last instalment is expected on December 23, 2023;
- the contract no. 890732 envisages instalments to be paid for the principal of Euro 4.1 million, in addition to interest of Euro 0.5 million and the redemption price of Euro 0.1 million. The balance of the last instalment is expected on December 23, 2023.

Pursuant to IAS 17, the two properties under finance leases are recorded at cost under tangible fixed assets, with a counter-entry in the financial payable to the lessor, and are depreciated according to the useful life of the asset and consistently with the nature of the individual asset. The financial charge is incurred in the income statement for the duration of the contract.

6 Intangible assets

(in Euros)

Description	31.12.2018	31.12.2017	Change
Intangible assets	545,300,808	569,268,687	(23,967,879)

(in Euros)

Description	31.12.2018			31.12.2017		
	Historical cost	Accumulated amortisation	Net value	Historical cost	Accumulated amortisation	Net value
Development costs	7,882,026	2,546,745	5,335,280	2,295,466	958,830	1,336,636
Industrial patents and intellectual property	39,865,674	32,280,867	7,584,807	35,376,980	27,366,706	8,010,274
Conc., licences and trademarks	453,061,619	17,448	453,044,171	453,060,691	9,916	453,050,775
Work in progress	4,347,694	0	4,347,694	6,288,879	0	6,288,879
Other assets	138,799,793	63,810,936	74,988,856	141,954,918	41,372,796	100,582,122
Total	**643,956,805**	**98,655,997**	**545,300,808**	**638,976,936**	**69,708,248**	**569,268,687**

The changes in intangible assets are detailed as follows:

(in Euros)

Description	Deve-lopment costs	Industrial patents and intellectual property	Conc., licences and trademarks	Assets in progress	Other assets	Total
Balance as of 01.01.2017	**1,948,133**	**5,419,370**	**453,053,256**	**1,112,873**	**22,668,927**	**484,202,558**
Exchange difference effect	(632)	(322,749)	0	0	0	(323,381)
Additions	6,835	6,061,443	4,124	5,176,007	4,271,032	15,519,442
Disposal	(6,152)	0	(1,656)	0	(329,086)	(336,894)
Decrease/(Increase) acc. amortisation	0	(0)	0	0	(72)	(73)
Amortisation	(613,598)	(3,842,576)	(6,447)	0	(22,509,765)	(26,972,386)
Change in consolidation scope	2,051	694,786	1,499	0	96,481,087	97,179,422
Balance as of 31.12.2017	**1,336,636**	**8,010,274**	**453,050,775**	**6,288,879**	**100,582,122**	**569,268,687**
Exchange difference effect	(318)	(189,308)	14	0	(278,146)	(467,759)
Additions	5,391,584	4,889,034	913	3,432,172	6,587,969	20,301,672
Disposal	0	(174,018)	0	(5,373,358)	(2,070,913)	(7,618,288)
Decrease/(Increase) acc. amortisation	0	41,121	0	0	(685,795)	(644,674)
Amortisation	(1,388,853)	(5,001,181)	(7,531)	0	(29,146,381)	(35,543,946)
Change in consolidation scope	(3,769)	8,885	0	0	0	5,116
Balance as of 31.12.2018	**5,335,280**	**7,584,807**	**453,044,171**	**4,347,694**	**74,988,856**	**545,300,808**

Intangible assets reported a total increase of Euro 20.3 million, mainly due to:

- the increase in item “Development costs”, equal to Euro 5.3 million, is mainly related to:
  - the product denominated “Net@Suite Cloud Edition” of the Energy and Utilities area, related to the realization of the internally developed Cloud platform, in use as from January 1, 2018 and with a 5-year amortisation, that amounts to Euro 2,128 thousand;
  - the product “CPM Corporate Performance Management” of the Finance area, in use as from October 1, 2018 and with a 3-year amortisation, that amounts to Euro 1,452 thousand;
  - a system to support processes in intensive care units, named “ICU Intensive Care Unit”, in the Health area, in use as from August 1, 2018, with a 5-year amortisation, that amounts to Euro 1,242 thousand;
  - the product “eXHC eXtendede Fome Care”, a support system of integration processes between hospital and local structures, in use as of July 1, 2018 with a 5-year amortisation, that amounts to Euro 292 thousand;
  - the project SEA, Euro 258 thousand, with a 3-year amortisation.

- the item “Industrial patents and intellectual property” increased by Euro 4.8 million, including Euro 2.9 million related to the purchase of software programmes and Euro 1.3 million related to the products identified within the above-mentioned Purchase Price Allocation of the purchase price of Infogroup S.p.A.;
- the item “Assets in progress” reported an increase of Euro 3.4 million for in-house investments for the realization of new solutions.

The item “Concessions, licences and trademarks” includes the Trademark, amounting to Euro 453 million, including deferred tax assets (equal to around Euro 126 million) referring to the fair value of the Engineering brand. This value emerged, in the previous year, upon completion of the accounting activities connected with the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries by Mic Bidco S.p.A. and following reverse merger of Mic Bidco S.p.A. in Engineering Ingegneria Informatica S.p.A..

(in Euros)

Description	As of December 31, 2017	Change in consolidation scope	Write-downs	As of December 31, 2018
Gross value - Trademark	453,039,362	0	0	453,039,362
Acc. impairment losses	-	-	-	-
Net value - Trademark	**453,039,362**	**0**	**0**	**453,039,362**

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

The trademark is a right which is legally protected through the registration at the competent authorities. By reason of the fact that this right has no legal, contract, competitive or economic term, which limits its useful life, the same is classified as indefinite life intangible asset and therefore it is not amortised but it is subject to impairment loss when tested for impairment, as provided for by IAS 36.

The impairment test, performed on December 31, 2017, confirmed that no impairment was needed on the value of the trademark disclosed in the consolidated financial statements. In the first half of 2018, the Group's performance, in terms of operating results, and forecasts for the entire 2018, remained substantially unchanged with respect to forecasts included in the 2018 budget and assumptions for the following years developed by the corporate management. Therefore, there are no indicators that the trademark was impaired in 2018.

The item "Other assets" recorded a total increase of Euro 6.6 million, primarily due to the identification and measurement at fair value, pursuant to IFRS 3, of assets and liabilities of the following companies:

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Infinity Technology Solutions S.p.A.. The measurement at fair value of assets acquired and liabilities undertaken of Infinity Technology Solutions S.p.A. resulted in the identification of the "Contract portfolio" and the "Customer Relation Value", as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 1,182 thousand (in addition to Euro 458 thousand of deferred tax liabilities) and Euro 328 thousand (in addition to Euro 127 thousand of deferred tax liabilities). The residual period of amortisation is 2 years and 1 year, respectively;
- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Infogroup – Informatica e Servizi Telematici S.p.A.. The measurement at fair value of assets acquired and liabilities undertaken of Infogroup – Informatica e Servizi Telematici S.p.A. resulted in the identification of the "Contract portfolio" and the "Customer Relation Value", as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 35,350 thousand (in addition to Euro 13,679 thousand of deferred tax liabilities) and Euro 11,113 thousand (in addition to Euro 4,300 thousand of deferred tax liabilities). The residual period of amortisation is 4 years and 2 years, respectively;
- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Sogeit Solution S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of Sogeit Solution S.r.l. resulted in the identification of the "Contract portfolio", as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount calculated at the acquisition date was equal to Euro 1,735 thousand (in addition to Euro 671 of deferred tax liabilities). The residual period of amortisation is 1 year;
- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary IT Soft US Inc.. The measurement at fair value of assets acquired and liabilities undertaken of IT Soft US Inc. involved the definition of the "Contract Portfolio" and the "Customer Relation Value", as per income assessment discounted (WACC 10.52%) by the prospective residual margins resulting from such orders.

The amount, determined at the acquisition date, is equal to Euro 4,789 thousand (in addition to Euro 1,853 thousand of deferred tax liabilities) and Euro 11,015 thousand (in addition to Euro 4,262 thousand of deferred tax liabilities). The residual period of amortisation is 4 years for both;

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Bekast It Consulting GmbH. The measurement at fair value of assets acquired and liabilities undertaken of Bekast It Consulting GmbH resulted in the identification of the "Contract portfolio", as per income assessment discounted (WACC 9.8%) by the prospective residual margins resulting from such orders. The amount calculated at the acquisition date was equal to Euro 397 thousand (in addition to Euro 105 of deferred tax liabilities). The residual period of amortisation is 7 years;
- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary INF.OR. S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of INF.OR. S.r.l. resulted in the identification of the "Contract portfolio" and the "Customer Relation Value", as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 349 thousand (in addition to Euro 135 thousand of deferred tax liabilities) and Euro 2,114 thousand (in addition to Euro 818 thousand of deferred tax liabilities). The "Contract portfolio" was entirely amortised over the year, while the residual amortisation period of the "Customer Relation Value" was equal to 4 years;
- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Fair Dynamics. The measurement at fair value of assets acquired and liabilities undertaken of Fair Dynamics resulted in the identification of the "Contract portfolio" and the "Customer Relation Value", as per income assessment discounted (WACC 9.04%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 63 thousand (in addition to Euro 22 thousand of deferred tax liabilities) and Euro 444 thousand (in addition to Euro 172 thousand of deferred tax liabilities). The "Contract portfolio" was entirely amortised over the year, while the residual amortisation period of the "Customer Relation Value" was equal to 4 years;
- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Sofiter Tech S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of Sofiter Tech S.r.l. resulted in the identification of the "Contract portfolio", as per income assessment discounted (WACC 9.04%) by the prospective residual margins resulting from such orders. The amount calculated at the acquisition date was equal to Euro 685 thousand (in addition to Euro 265 of deferred tax liabilities). The "Contract portfolio" was entirely amortised over the year;
- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Pixys S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of Pixys S.r.l. resulted in the identification of the "Contract portfolio" and the "Customer Relation Value", as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 111 thousand (in addition to Euro 43 thousand of deferred tax liabilities) and Euro 933 thousand (in addition to Euro 361 thousand of deferred tax liabilities). The "Contract portfolio" was entirely amortised over the year, while the residual amortisation period of the "Customer Relation Value" was equal to 4 years.

The book value recorded under fixed assets was determined through an estimate of the fair value of the assets, in accordance with IFRS 3, made with the support of an independent expert and based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As provided for by IFRS 3, when the completion of accounting assets connected to measurements at fair value of assets acquired and liabilities undertaken occur after the year (in any case within 12 months from acquisition), the amounts were reflected retrospectively upon acquisition, with the related amendments and supplements of equity amounts already provisionally included in the consolidated financial statements of the previous year.

The average residual amortisation period is as follows:

(in Euros)

Description	Amortisation, remaining years	Remaining amount
Other assets	1	51,816,939
Other assets	4	808,399
Other assets	5	21,470,473
Tot. Other assets		**74,095,810**
Development costs	1	5,741
Development costs	2	5,693
Development costs	3	3,021
Development costs	4	1,109
Development costs	5	5,319,717
Tot. Development costs		**5,335,280**
Industrial patents and intellectual property	1	381,689
Industrial patents and intellectual property	2	252,831
Industrial patents and intellectual property	3	1,573,025
Industrial patents and intellectual property	4	399,269
Industrial patents and intellectual property	5	4,977,991
Tot. Industrial patents and intellectual property		**7,584,806**
Conc., licences and trademarks	indefinite useful life	453,029,458
Conc., licences and trademarks	2	96
Conc., licences and trademarks	3	12,588
Conc., licences and trademarks	4	1,955
Conc., licences and trademarks	5	75
Tot. Conc., licences and trademarks		**453,044,171**
Total Intangible assets		**540,060,068**

7 Goodwill

(in Euros)

Description	31.12.2018	31.12.2017	Change
Goodwill	67,365,314	60,844,715	6,520,598

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

(in Euros)

Description	31.12.2017	Changes in consolidation scope	Exch. rate difference	31.12.2018
Goodwill Finance	16,344,694			16,344,694
Goodwill - Energy & Utilities	9,662,147			9,662,147
Goodwill - Telco & Media	6,819,242			6,819,242
Goodwill - PAL, Health and Taxes	13,589,040	5,600,941		19,189,981
Goodwill - Other	14,429,592	999,999	(80,341)	15,349,250
Total	**60,844,715**	**6,600,940**	**(80,341)**	**67,365,314**

Goodwill as of December 31, 2018, recorded in the consolidated financial statements of the Engineering Group, amounted to Euro 67,365,314.

As provided for by IFRS 3, following the completion of accounting assets connected to measurement at fair value of assets acquired and liabilities undertaken and the consequent retrospective adjustment of amounts, goodwill as of December 31, 2017 (Euro 129,985,817) was restated for an amount equal to Euro 60,844,715. In particular the retrospective change is attributable:

- in the amount of Euro -47,470 thousand, to the final allocation of goodwill, in relation to Infogroup S.p.A. (goodwill generated from the transaction is entirely allocated);
- in the amount of Euro -15,804 thousand, to the outcome of the final allocation of goodwill related to the company IT Soft US Inc. (residual goodwill at the date of these financial statements, equal to Euro 798 thousand);
- in the amount of Euro -731 thousand, to the outcome of the final goodwill related to the company Sofiter Tech S.r.l. (goodwill at the date of these financial statements is entirely allocated);
- in the amount of Euro -537 thousand, to the outcome of the final allocation of goodwill related to the company Fair Dynamics Consulting GmbH (residual goodwill at the date of these financial statements is entirely allocated);
- in the amount of Euro -292 thousand, to the outcome of the final allocation of goodwill related to the company Bekast IT Consulting GmbH (residual goodwill is equal to Euro 441 thousand);
- in the amount of Euro -1,735 thousand, to the outcome of the final allocation of goodwill related to the company Sogeit Solutions S.r.l. (residual goodwill is equal to Euro 3,565 thousand);
- in the amount of Euro -1,516 thousand, to the outcome of the merger into Engineering Ingegneria Informatica S.p.A. and final allocation of goodwill related to the company Infinity Tecnology Solutions S.p.A. (goodwill at the date of these financial statements is entirely allocated);
- in the amount of -1,055 thousand, to the outcome of the merger into MHT S.r.l. and final allocation of goodwill related to the company Pyxis S.r.l. (goodwill is entirely allocated).

Goodwill recognised during the year is equal to Euro 6,600,940.

- in the amount of Euro 2,701 thousand, to the final allocation of goodwill, in relation to INF.OR. S.r.l. in Municipia. This goodwill was allocated to the corresponding CGU;
- in the amount of Euro 2,018 thousand, in relation to the purchase transaction of the company Icraft GmbH, occurred on June 1, 2018, as described in Note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 697 thousand, to the purchase transaction of the company Icode GmbH, occurred on June 1, 2018, as described in Note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 185 thousand, to the purchase of the company LG-NET S.r.l. on July 10, 2018, as described in Note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 800 thousand, to the purchase transaction of the company EuroAMS d.o.o., occurred on February 28, 2018, as described in Note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 600 thousand, to the purchase occurred, through awarding by competitive tender, of the business unit of the company Sofiter Tech S.p.A., in liquidation, by the company Sofiter Tech S.r.l.;
- in the amount of Euro -400 thousand, following the write-down of the business unit of the company SP Sapiens S.r.l. acquired by the Parent Company.

The 2018 exchange rate differences related to goodwill amounted to around Euro -80 thousand and refer to the goodwill of Dynpro Systemas S.A., 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 (CGU) to which it is related.

The impairment test, made on December 31, 2018 on the goodwill allocated to the Cash Generating Units (CGU), to which goodwill is related, confirmed that there is no need for write-downs of the value disclosed in the financial statements. In 2019, the Group performance, in terms of operating results, remained substantially unchanged with respect to forecasts included in the 2019 budget and assumptions for the following years developed by the corporate Management. Therefore, there are no indicators that goodwill was impaired in 2018.

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

An analysis of the total value of goodwill was made as per the IAS 36 and IFRS 3 international accounting standards. The value of the goodwill as of December 31, 2018, tested for impairment, was Euro 67,365,314, as described hereunder.

(in Euros)

Description	31.12.2018
Goodwill Finance	16,344,694
Goodwill - Energy & Utilities	9,662,147
Goodwill - Telco & Media	6,819,242
Goodwill - PAL, Health and Taxes	19,189,981
Goodwill Dynpro Systemas S.A.	677,533
Goodwill OverIT S.p.A.	1,854,482
Goodwill Nexen S.p.A.	410,814
Goodwill Engineering Excellence Center S.r.l.	345,175
Goodwill Engineering ITS AG	5,857,216
Goodwill Sofiter Tech S.r.l.	600,000
Goodwill EuroAMS d.o.o.	799,999
Goodwill IT Soft US Inc.	797,947
Goodwill Sogeit Solutions S.r.l.	3,565,173
Goodwill Bekast IT Consulting GmbH	440,912
Total	**67,365,314**

Based on the tests carried out according to the methods described above and according to special modalities described hereunder, the aggregate value of the goodwill tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows.

There is no evidence at the present date for the Group to proceed with any write-down.

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

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

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

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

(in Euros)

Description	Growth rate Terminal Value	WACC* post-tax 2018	WACC* post-tax 2017
Finance	0.50%	7.76%	7.76%
Energy & Utilities	0.50%	7.76%	7.76%
Telco & Media	0.50%	7.76%	7.76%
PAL, Health and Taxes	0.50%	7.76%	7.76%
OverIT S.p.A.	0.50%	7.07%	7.63%
Nexen S.p.A.	0.50%	8.55%	8.30%
Engineering Excellence Center S.r.l.	0.50%	7.76%	7.76%
ITS Engineering AG	0.50%	6.46%	8.30%
Bekast IT Consulting GmbH	0.50%	6.46%	n.a.
IT Soft US Inc.	0.50%	8.86%	8.30%
Sogeit Solutions S.r.l.	0.50%	8.55%	8.30%
Dynpro Systemas S.A.	0.50%	10.67%	8.30%

* *Weighted Average Cost of Capital*.

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

- Risk free rate, equal to the average rate of 2018, supplied by Barclays and extrapolated by Bloomberg (> 2%);
- Equity Risk Premium, equal to the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The rate taken as a benchmark for assessments relates to 2018, supplied by Barclays and extrapolated by Damodaran (> 5%);
- Debt cost, equal to the average indebtedness cost (long and short term) of the Group > 1%;
- Beta unlevered equal to 1;
- LTG (Long Term Growth) equal to 0.5%.

For a WACC:

- of 7.76% for the CGU Finance, Energy & Utilities, Telco & Media, PAL Health and Taxes and EXC;
- of 7.07% for the OverIT S.p.A. CGU;
- of 8.55% for the Nexen S.p.A. CGU;
- of 6.46% for the ITS Engineering AG CGU;
- of 6.46% for the Bekast IT Consulting GmbH CGU;
- of 8.55% for the Sogeit Solutions S.r.l. CGU;
- of 8.86% for the IT Soft US Inc. CGU.

As recommended by the best practice, the component of the Terminal Value was limited to a maximum of 70% of the total sum of the discounted “free cash flow” and the Terminal Value itself.

To this purpose, it is worth noting that, to determine the WACC, the following was used:
- Risk free rate, equal to 2.59% when the gross yield of 5-year BTPs is equal to 2.35%
- Equity Risk Premium extracted by Damodaran equal to 5.96%.

As a consequence, the approach used included parameters of absolute prudence by using a high WACC compared to Group characteristics.

8 Other equity investments

Investment in associates measured at equity

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

(in Euros)

Description	31.12.2018	31.12.2017	Change
Equity investments	150,975	150,975	-

Changes in investments:

(in Euros)

Investments	Value as of 31.12.2017	Change in consolidation scope	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2018
In associates	150,975						150,975
Total	**150,975**	-	-	-	-		**150,975**

b) Associates

Equity investments in associates is as follows:

(in Euros)

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

Data of associates remained unchanged over the year.

9 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 tax assets will be reversed in the income statement. These concern the temporary differences between the book values and the tax recognised values of some financial statement items.

(in Euros)

Description	31.12.2018	31.12.2017	Change
Deferred tax assets	23,186,256	32,251,670	(9,065,414)

The calculation of deferred tax assets was carried out through critically evaluating the existence of future recoverability requisites of these assets. They are calculated at the current rates (24.0% for IRES and based on regional rates for IRAP) and recorded in the entries shown in the table hereunder:

(in Euros)

Description	31.12.2018		31.12.2017	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Provision to other prov. and charges	9,090,349	2,427,689	9,406,076	2,380,253
IAS amortisation/depreciation	3,075,787	571,971	2,762,972	478,588
Goodwill	433,717	120,249	540,825	150,078
Directors' fees	998,460	239,630	1,353,345	324,803
Bad debt provision	26,644,264	6,491,885	38,238,031	9,131,062
Provisions for risks	12,581,592	3,726,019	22,580,193	6,315,474
Leaving incentives	8,876,213	2,130,291	5,023,969	1,205,752
Finance lease	44,419	12,393	44,419	12,393
Tax losses	3,656,803	1,023,112	556,110	587,202
Adjustments for IFRS	3,245,204	905,412	3,220,185	898,432
Adjustments for IFRS IAS 19	15,056,437	3,613,545	13,344,048	3,206,891
Adjustments for IFRS 15	3,472,869	958,293		
Tax credit - Mic Bidco S.p.A. merger			26,157,965	6,277,912
Other	2,922,934	965,767	4,174,073	1,282,829
Total	**90,099,049**	**23,186,256**	**127,402,210**	**32,251,670**

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

Changes in deferred tax assets are detailed below:

(in Euros)

Description	Deferred tax assets
Balance as of 01.01.2017	**21,968,822**
Exchange difference effect	(363,479)
Increase	16,839,038
Decrease	(8,169,615)
Change in consolidation scope	1,976,903
Balance as of 31.12.2017	**32,251,670**
Exchange difference effect	(474,129)
Increase	6,844,917
Decrease	(15,476,401)
Change in consolidation scope	40,199
Balance as of 31.12.2018	**23,186,256**

The decrease in deferred tax assets depends primarily on the item “Tax credit - Mic Bidco S.p.A. merger” and on the use of bad debt provision and the leaving incentives fund.

The following tables report the detail of tax assets.

(in Euros)

Description	Bad debt provision	Tax credit Mic Bidco	Adjustments for IFRS IAS 19	Other temporary differences	Total
Balance as of December 31, 2017	**9,131,062**	**6,277,912**	**4,105,323**	**12,737,372**	**32,251,669**
Impact on income statement	(2,639,177)	(6,277,912)	1,371,927	(2,118,371)	(9,663,533)
Impact on comprehensive income statement			598,120		598,120
Balance as of December 31, 2018	**6,491,885**	**0**	**6,075,370**	**10,619,001**	**23,186,256**

In particular, the item “Tax credit - Mic Bidco S.p.A. merger” refers to tax positions, recognised in the previous year, of the company Mic Bidco S.p.A., merged into Engineering Ingegneria Informatica S.p.A. due to the reverse merger. These positions are subject to anti evasion provisions as per Article 172, paragraph 7, of the T.U.I.R. (Consolidated Act on Income Taxes), for which an appeal for cancellation was filed, and refer to:

- tax losses of the merged company as of December 31, 2016 and further tax losses accrued as from January 1 to May 23, 2017, effective date of the merger;
- temporarily non-deductible interest expense as of December 31, 2016 and further temporarily non-deductible interest expense accrued over the period from January 1 to May 23, 2017;
- “ACE surplus” as of December 31, 2016 and further “ACE surplus” generated in Mic Bidco S.p.A. over a period from January 1 to May 23.

Following the reply to the claim by the Inland Revenue Office, which accepted the possibility of fully carrying forward the above-mentioned tax exceeding amounts, the Company released the deferred tax assets recorded as of December 31, 2017, for a total amount of Euro 6.2 million, and redetermined the tax burden for the taxable period.

The increase in the year is primarily related to adjustments resulting from the application of the IFRS 15 standard, as from January 1, 2018, as well as to adjustments for the measurement of post-employment benefits according to requirements of IAS 19.

10 Other non-current assets

(in Euros)

Description	31.12.2018	31.12.2017	Change
Other non-current assets	5,560,690	5,794,572	(233,882)

As better described later on, the item, reporting a negative change for the period of Euro 233,882, includes investments in other non-consolidated companies, non-current financial assets and residual assets, as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Investments in other companies	2,960,207	2,384,117	576,090
Non-current financial assets	2,600,483	3,402,095	(801,612)
Other		8,360	(8,360)
Total	**5,560,690**	**5,794,572**	**(233,882)**

a) Investments in other companies

Changes in the investments in other non-consolidated companies

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

(in Euros)

Investments in other companies	Value as of 31.12.2017	Change in consolidation scope	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2018
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.	36,314		201,090				237,404
Distretto Tecnol. Micro e Nanosistemi S.c.r.l.	34,683						34,683
Wimatica S.c.a.r.l. (Da Esel)	6,000						6,000
Consorzio Cefriel	191,595						191,595
Consorzio Abi Lab	1,000						1,000
Investment Ce.R.T.A.	360						360
Consorzio Arechi Ricerca	5,000						5,000
Investments in other companies	9,000						9,000
EHealthnet S.c.a.r.l.	10,800						10,800
Distretto Tecnologico Campania Bioscience S.c.a.r.l.	20,000						20,000
Caf Italia 2000 S.r.l.	260						260
M2Q S.c.a.r.l.	3,000						3,000
SedApta S.r.l.	750,000						750,000
Consel S.r.l.	382,486						382,486
Istella S.r.l.	375,000		375,000				750,000
Investment in Novito Acque S.r.l.	100,000						100,000
Ekovision	300,000						300,000
Palantir Digital Media S.r.l.	500						500
Seta S.r.l.	82,192						82,192
Total	**2,384,117**		**576,090**				**2,960,207**

b) Non-current financial assets

(in Euros)

Description	31.12.2018	31.12.2017	Change
Tax receivables and taxes paid abroad	1,820,819	2,140,641	(319,822)
Security deposits	769,664	764,350	5,314
Other	10,000	497,104	(487,104)
Total	**2,600,483**	**3,402,095**	**(801,612)**

Non-current financial assets relate to:

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

B) Current assets

11 Inventories

(in Euros)

Description	31.12.2018	31.12.2017	Change
Inventories	55,440	197,738	(142,298)

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

12 Customer contract assets

(in Euros)

Description	31.12.2018	31.12.2017	Change
Customer contract assets	167,359,263	150,323,955	17,035,309

Customer contract assets, disclosed net of advance payments, are broken down as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Customer contract assets	150,323,955	143,901,388	6,422,567
Exchange difference	(2,308,856)	(2,962,549)	653,693
Change in consolidation scope	-	5,690,351	(5,690,351)
Adjustments and changes in customer contract assets	2,448,554	(2,065,121)	4,513,674
Costs incurred plus profits booked according to percentage completion net of losses	497,817,744	410,931,342	86,886,402
Invoicing of work in progress related to customer contract assets	(480,922,134)	(405,171,456)	(75,750,678)
Total	**167,359,263**	**150,323,955**	**17,035,308**

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

13 Deferred contract costs

(in Euros)

Description	31.12.2018	31.12.2017	Change
Deferred contract costs	23,333,398	-	23,333,398

The Group recognised deferred contract costs, related to the obtaining of the contract represented by transition and start-up costs for Euro 4,023,189. These costs are directly attributable to the performance of the service offered and, in particular, they are referred to as transition costs or costs related to the specific training of personnel before the execution of a particular order (start-up costs).

The Group also recognised contract costs, related to the fulfilment of the contract and amounting to Euro 19,310,209. They are direct costs charged to orders, which include the purchase of materials from third parties, external workforce and personnel costs.

The cost pertaining to the year 2018, determined based on the relation between revenues accrued for activities performed at the reporting date and the total revenues estimated until end of concession, amounted to Euro 573.9 thousand, for the so-called transition costs and start-up costs, amounting to Euro 18,571.5 thousand and related to the fulfilment of the contract.

14 Trade receivables

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

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

(in Euros)

Description	31.12.2018	31.12.2017	Change
Trade receivables	568,087,727	550,834,537	17,253,190

The breakdown is as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Customers	556,694,403	532,353,951	24,340,452
Associates	-	73,376	(73,376)
Others	11,393,324	18,407,210	(7,013,886)
Total	**568,087,727**	**550,834,537**	**17,253,190**

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

In order to determine the expected credit loss, trade receivables were initially grouped by counterparty (third parties and Public Administration) and then, for receivables from third parties only, by overdue days. Customer contract assets refer to invoices to be issued for work in progress, and feature substantially the same risks as trade receivables for the same type of contracts.

The Group therefore concluded that the expected credit loss for trade receivables represents a reasonable approximation of losses on customer contract assets.

Rates on expected credit loss are based on collection terms over a period of 545 days prior to January 1, 2018, and the corresponding losses on historical receivables during this period. Historical loss rates are adjusted to reflect the current and future macroeconomic condition affecting the customers' ability to repay receivables. The Group has defined the default average rate of Italian companies for the 2018-2019 two-year period, as relevant factor in relation to receivables to third parties, while it recognised the specific risk of the country as primary factor for receivables from the Public Administration. These factors were used to adjust the recognised historical loss rates.
On this base, the bad debt provision, to be jointly written-down as of January 1, 2018, was determined as follows. Based on the above-mentioned model, no significant impact is reported that require the adjustment of the bad debt provision as of December 31, 2018.

Expected Credit Loss – Receivables to third parties

(in Euros)

31.12.2017	0 - 30 days	31-90 days	91-120 days	121 - 180 days	181-365 days	366 - 545 days	Over 545 days	Total
Rate of Expected Credit Loss	0.02%	0.08%	0.18%	0.24%	0.40%	0.95%	2.18%	1.98%
Trade receivables from third parties and jointly impaired	188,529,862	12,356,541	2,184,491	3,211,492	13,165,358	1,461,612	14,660,317	235,569,673
Bad debt provision	**33,421**	**9,524**	**3,901**	**7,557**	**52,788**	**13,851**	**319,917**	**440,959**

Expected Credit Loss – Public Administration

(in Euros)

	31.12.2017
Rate of Expected Credit Loss	0.08%
Trade receivables from Public Administration and jointly impaired	56,087,316
Bad debt provision	**46,482**

a) Customers

(in Euros)

Description	31.12.2018	31.12.2017	Change
Receivables on invoices issued	469,074,342	430,113,557	38,960,785
of which overdue	*216,075,060*	*225,347,976*	*(9,272,916)*
Invoices to be issued	169,880,983	183,724,738	(13,843,755)
Credit notes to be issued	(374,939)	(247,427)	(127,512)
Bad debt provision	(39,322,655)	(46,443,440)	7,120,786
Provision for interest in arrears	(42,563,328)	(34,793,477)	(7,769,852)
Total	**556,694,403**	**532,353,951**	**24,340,452**

The "Receivables from customers" item is equal to Euro 556,694,403, net of a bad debt provision amounting to Euro 39,322,655, sufficient to cover any future losses, in addition to allocations made as provision for interest in arrears (Euro 42,563,328) to cover any possible future losses related to the aforesaid entry.

(in Euros)

Trade Receivables	31.12.2018
Allowance for bad debt as of December 31, 2017 – IAS39	**46,443,440**
Restated amounts IFRS 9 – retained earnings	487,441
Opening balance of allowance for bad debt January, 1 2018 – IFRS 9	46,930,881
Bad debt provisions of the period	3,403,934
Write-off of receivables	(11,012,160)
Allowance for bad debt as of December 31, 2018	**39,322,655**

It is noted that, as of December 31, 2018, the Group factored trade receivables for a total amount of Euro 155.8 million (Euro 191.4 million as of December 31, 2017). Risks and benefits related to receivables were transferred to the transferee. Receivables were therefore written off from the Assets in the Consolidated Statement of Financial Position, according to the consideration received by factoring companies.

Receivables from customers include the exposure as of December 31, 2018, with respect to Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A. or "SISE"), equal to Euro 135,980,883 (gross of the bad debt provision amounting to Euro 11,568,767 and provision for interest on arrears amounting to Euro 41,680,773), in addition to Euro 14,526,757 of construction contracts, 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 the mutual interest, on October 9, 2012 SISEV, the Sicilian Region and Sicilia Digitale S.p.A. signed an "agreement" which regulated the repayment of SISEV receivables, indicating the final repayment date on December 31, 2013. Moreover, this agreement outlined that the Sicilian Region was undertaking to carry out controls and provide Sicilia Digitale S.p.A. with all the technical and economic means, so as the latter would have been able to correctly fulfil its obligations, and envisaged that, while executing the agreement, such obligations would have been undertaken by SISEV. Sicilia Digitale S.p.A. and the Sicilian Region fulfilled their obligations only partially as to the receivable refunding plan, as envisaged by the agreement, although no objections were arisen with respect to the correct performance of services rendered.

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

As regards Sicilia Digitale S.p.A.'s judgement of opposition to the first order decree, deposited on September 3, 2013, obtained in the amount of around Euro 30,052 thousand, the Judge ordered an Office Technical Expertise aimed at evaluating, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the order of payment. On December 17, 2016, the Office Technical Experts, designated for the assessment of the actual performance by Venture of services that are related to the invoicing object of the payment order, transmitted to the parties a first draft of the expertise where a total amount receivable of Euro 28,068 thousand was assessed in favour of Venture. Therefore, almost the entire amount claimed in Court was assessed by experts (taking account that in the arrears some payments were received by Venture and today the receivables in question were equal to Euro 28,346 thousand). Following a request of integration by the Judge, the experts therefore issued and lodged the supplementary expertise (in which the assets object of the payment claim were divided according to the existence or non-existence of approvals by the management of Sicilia Digitale S.p.A. and/or the Region). After filing the supplementary expertise, as a result of the specification of the conclusion to the involved parties, with sentence of August 30, 2018, the Judge also ordered Sicilia Digitale S.p.A. to pay Euro 19,508 thousand in favour of SISEV, in addition to interests, starting from, and at the rate shown in the order decree. The Judge therefore relied on the opinions of the experts, included in the supplementary expertise, and assigned to SISEV only the services certified by SISE's managers. SISEV proposed a timely objection to be filed against the above-mentioned sentence.

In addition to the above, on February 18, 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of receivables (around Euro 79,675 thousand, including the works recognised in the financial statements to complete the amount already requested with an appeal for an order of payment) as the company deems, as already stated, that these amounts were correctly originated and are correctly payable, also pursuant to provisions contained in the trilateral agreement signed on October 9, 2012 by the Sicilian Region, Sicilia Digitale S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia Digitale S.p.A., appeared and filed objections including, but not limited to, the fact that the measure dated October 9, 2012 was invalid, the service contracts and related orders were null and void, Venture unfulfilled its know-how transfer obligations. The parties also filed a claim for damages for a total amount of Euro 95,643 thousand. These plaintiff's claims were objected at the first hearing of June 8, 2016. After filing the pre-trial briefs, the Judge reserved on the ruling of all claims submitted, including but not limited to, evidence by SISEV based on documents and expertises.

On May 30, 2018, the Office Technical Experts, designated by the Court of Palermo, transmitted to the parties and related experts the draft of the expertise. Given the extent of this document, the Company firstly asked the Judge to postpone the terms to file objections to the expertise. The Judge upheld the request and granted the extension by assigning to the parties the final term of September 30, 2018 to file the respective remarks on the expertise. The experts were assigned a further term of October 30, 2018 to file the conclusive report, together with remarks of the parties. The Court fixed the hearing on November 8, 2018. The above-mentioned final report highlights (i) an assessed receivable of SISEV for the amount of only Euro 4,198 thousand, against the request of Euro 79,675 thousand and (ii) supplies the Judge, as possible alternative evaluation criterion, a second calculation stating an overall amount receivable of Venture for Euro 26,157 thousand. The case was adjourned to December 12, 2019 for the evaluation of the experts. The Directors stated that, deeming the expertise materially omitting and misstating, a new request to renew the experts is being filed.

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

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

In any case, after acknowledging, among other, the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement, in view of a legal dispute and of the objections filed in by Sicilia Digitale S.p.A. and the Sicilian Region, in its financial statements the subsidiary SISEV recognised the interest set out by law pertaining to the year under evaluation (around Euro 7.8 million) in the income statement and under item financial income, in addition to the amount already recognised until December 31, 2017 (for a total amount of around Euro 41.7 million) and allocated an amount of around Euro 7.8 million to the bad debt provision, in addition to the total amount of around Euro 53.2 million already allocated to the bad debt provision in the previous year. The latter included the total impairment of the aforesaid interest set out by law and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable. The Directors stated that this decision results from an estimate made after a careful evaluation of all information currently available.

Overdue receivables by sector are shown in the following table:

(in Euros)

Description	Days falling due					Total as of 31.12.2017
	30	60	90	120	Over 120	
Public Administration	6,713,637	2,538,952	4,702,041	1,623,434	85,741,482	101,319,547
Finance	26,878,082	2,224,209	1,214,768	582,375	3,334,083	34,233,518
Industry & Services	22,557,454	5,509,868	2,507,045	2,080,537	28,538,496	61,193,400
Telco & Utilities	12,954,248	4,871,851	1,082,130	1,456,995	8,236,286	28,601,511
Total	**69,103,422**	**15,144,881**	**9,505,985**	**5,743,341**	**125,850,347**	**225,347,976**

(in Euros)

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

Receivables due for overdue invoices at the reporting date of 2018 financial statements, remained substantially unchanged compared to December 2017.

The closing balance of the bad debt provision for trade receivables was reconciled to the related opening balance as follows.

b) From associates

(in Euros)

Description	31.12.2018	31.12.2017	Change
Receivables on invoices issued	-	73,376	(73,376)
Total	**-**	**73,376**	**(73,376)**

c) From others

(in Euros)

Description	31.12.2018	31.12.2017	Change
Prepayments	1,935,586	2,739,638	(804,052)
Other	9,457,738	15,667,572	(6,209,834)
Total	**11,393,324**	**18,407,210**	**(7,013,886)**

Receivables from others principally relate to prepayments for rentals, insurance policies, software package maintenance costs, usage licenses and others.

15 Other current assets

(in Euros)

Description	31.12.2018	31.12.2017	Change
Other current assets	60,314,237	72,606,806	(12,292,568)

The other current assets are broken down as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Current financial assets	16,828,709	25,957,180	(9,128,471)
Other	43,485,528	46,649,625	(3,164,097)
Total	**60,314,237**	**72,606,806**	**(12,292,568)**

a) Current financial assets

Current financial assets are broken down as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Tax receivables	13,894,361	22,573,499	(8,679,138)
Social security institutions	2,783,304	3,202,089	(418,784)
Other	151,044	181,593	(30,549)
Total	**16,828,709**	**25,957,180**	**(9,128,471)**

The tax receivables substantially relate to:

- for around Euro 7.3 million to IRES and IRAP receivables. The amount is the difference between advanced payments and withholdings applied, and tax provisions calculated as of December 31, 2018;
- for around Euro 0.7 million relating to receivables for taxes paid abroad;
- for around Euro 3.4 million relating to receivables from the Inland Revenue Office for recoverable VAT.

Receivables from social security institutions related to the payment of the INAIL advance payment for 2018 and INPS receivables to be recovered over subsequent years.

b) Other

The "Other" item includes:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Applied research grants	33,919,906	40,331,997	(6,412,090)
Prepaid expenses	1,343,222	718,261	624,960
Other	8,222,400	5,599,368	2,623,033
Total	**43,485,528**	**46,649,625**	**(3,164,097)**

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.

16 Cash and cash equivalents

(in Euros)

Description	31.12.2018	31.12.2017	Change
Cash and cash equivalents	177,502,797	207,017,853	(29,515,056)

The balance includes cash and cash equivalents and bank current accounts. Bank and postal deposits are remunerated at interest rates in line with the market.

Cash and cash equivalents consist of the following:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Bank and postal deposits	177,465,956	206,968,722	(29,502,766)
Cash and cash equivalents	36,841	49,131	(12,290)
Total	**177,502,797**	**207,017,853**	**(29,515,056)**

As of December 31, 2018, the item "Cash and cash equivalents" amounted to Euro 177.5 million, a decrease of Euro 29.5 million compared to December 31, 2017, and corresponding to cash and cash equivalents related to current accounts and cash equivalents readily convertible into cash.

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

C) Shareholders' equity

17 Information on shareholders' equity

(in Euros)

Description	31.12.2018	31.12.2017	Change
Shareholders' equity	615,824,211	584,472,106	31,352,105

The changes are shown in the table below:

(in Euros)

Shareholders' equity	Value as of 31.12.2017	Increase	Decrease	Value as of 31.12.2018
Share capital	31,875,000	0	0	31,875,000
Total share capital	**31,875,000**	**0**	**0**	**31,875,000**
Legal reserve	6,375,000	0	0	6,375,000
Merger reserve	503,705,347	732,540	0	504,437,886
Currency translation reserve	(2,370,708)	0	(1,565,624)	(3,936,332)
Other reserves	3,464,443	0	(13,076,237)	(9,611,794)
Total reserves	**511,174,082**	**732,540**	**(14,641,862)**	**497,264,761**
Prior years' undistributed profits	904,725	47,710,323	(9,445,022)	39,170,026
First-time application of IAS/IFRS	(571,860)	0	(116,477)	(688,337)
IAS 19 actuarial gains/(losses)	(10,329,247)	0	(1,389,252)	(11,718,499)
Retained earnings /(losses carried forward)	**(9,996,382)**	**47,710,323**	**(10,950,750)**	**26,763,190**
Profit/(loss) for the year	**47,710,323**	**55,211,805**	**(47,710,323)**	**55,211,805**
Total Group shareholders' equity	**580,763,023**	**103,654,668**	**(73,302,934)**	**611,114,756**
Capital and reserves of minority interests	**2,388,964**	**0**	**(160,664)**	**2,228,300**
Profit/(loss) for the year of minority interests	**1,320,119**	**1,161,036**	**0**	**2,481,155**
Total shareholders' equity	**584,472,106**	**104,815,703**	**(73,463,598)**	**615,824,211**

Share capital

The subscribed and fully paid-in share capital is Euro 31,875,000, divided into 12,156,787 shares each without par value. Sole Shareholder Mic Newco S.p.A..

18 Reserves

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

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

- Merger reserve:
  the merger reserve totalled Euro 504,437,886 and it is broken down as follows:
  - Euro 116,044,240 relate to mergers of subsidiaries, occurred from 2003 to 2013; the reserve substantially refers to profits gained by the incorporated companies over the years before the merger;
  - Euro 387,661,107 refer to the reverse merger of Mic Bidco S.p.A., occurred in 2017;
  - Euro 334,422 relate to the merger of the subsidiary Infinity Technology Solutions S.p.A. on January 1, 2018;
  - Euro 398,117 related to the merger of the subsidiary Infogroup S.p.A. on May 1, 2018.

- Other reserves:
  other reserves (negative) of Euro 9,611,794 are broken down as follows:
  - Special Egov research reserve, of Euro 72,000, is neither available nor distributable;
  - Special Erp Light research reserve, of Euro 168,000, is neither available nor distributable;
  - Special research reserve applied to the PIA Project, of Euro 1,080,000, is neither available nor distributable;
  - Stock Option Reserve, this reserve, amounting to Euro 19,328,858, is for the assignment of Stock Options, as per the share incentive plan and the extraordinary plan addressed to employees and approved by the Board of Directors on June 28, 2017;
  - Forward contract reserve, amounting to Euro (28,668,781) on Non-Controlling Interests. The contra-entry is described in the previous paragraph 20.

- Translation reserve:
  At the reporting date, it amounted to Euro (3,936,332) and is neither available nor distributable.

19 Retained earnings/(losses carried forward)

Retained earnings are equal to Euro 26,763,190 and include:

- Prior years' undistributed profits:
  at the reporting date, they amounted to Euro 39,170,026 and are neither available nor distributable. The increase for the year amounted to Euro 47,710,323 and it is due to the allocation of the profit for the previous year, while the decrease, equal to Euro (9,445,022), is mainly due to:
  - impact resulting from the first-time application of the IFRS 15 and IFRS 9 standards, equal to Euro 4,233,192 and Euro 487,441, respectively;
  - purchase of further Non-Controlling Interests of already controlled companies, for an amount of Euro 4,480,934.

- First-time application of IAS/IFRS reserve:
  at the reporting date, it amounted to Euro (688,337) and is neither available nor distributable.

- Actuarial gains/(losses) reserve - IAS 19:
  at the reporting date, it amounted to Euro (11,718,499) and is neither available nor distributable.

D) Non-current liabilities

20 Non-current borrowings

(in Euros)

Description	31.12.2018	31.12.2017	Change
Non-current borrowings	177,939,035	232,425,051	(54,486,016)

Non-current borrowings relate to “Non-current borrowings” and “Other non-current borrowings”, broken down as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Non-current borrowings	171,045,154	224,003,101	(52,957,947)
Measurement of financial payables at amortised cost	(3,423,590)	(2,070,855)	(1,352,735)
Other non-current borrowings	10,317,470	10,492,805	(175,334)
Total	**177,939,035**	**232,425,051**	**(54,486,016)**

The long-term debt as of December 31, 2018 is shown in the table below, including the portion due within 12 months, with indication of the lender and the interest rate.

(in Euros)

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Of which over 5 years
Miur Prog. 28953 Foodsys	2019	0.25 - 2.75	186,672	0	0
Volksbank	2020	0.30	0	1,565,349	0
Volkswagen bank GmbH	2021	2.57	7,367	12,255	0
Intesa Sanpaolo Fin.83817	2020	Euribeur 363m+0,85000	16,625,000	8,312,500	0
Bei/Serapis N. 84744	2022	Euribeur 363m+1,06000	9,090,909	22,727,273	0
Banca IMI - Pool banche	2021	0.9%	20,150,000	83,850,000	0
Banca Popolare Milano	2023	1.25	6,822,222	54,577,778	0
Total			**52,882,170**	**171,045,154**	**0**

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 169,467,550.

The portion due within 12 months was reclassified under current borrowings.

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

- to support research and development activities the European Investment Bank (EIB) granted two direct credit lines of Euro 15 and 50 million, disbursed on January 30, 2013 and January 8, 2016, respectively. The first loan was redeemed on January 30, 2018;
- the loan granted by Banca Intesa Sanpaolo S.p.A. was supplied in two instalments, of which the first of Euro 31.5 million on December 30, 2015 and the second of 38.5 million on June 30, 2016. The first instalment, amounting to Euro 31.5 million, was used for the redemption of the previous loan of original Euro 35 million, granted by the European Investment Bank (EIB) through Unicredit S.p.A.;
- following the reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., occurred on May 26, 2017, a loan of Euro 130 million was supplied in favour of Engineering Ingegneria Informatica S.p.A. by a Pool of Banks through Banca IMI. This loan was used to redeem another loan of Euro 290 million, granted by the same pool of banks, always through Banca IMI S.p.A., to Mic Bidco S.p.A.. This loan was used to acquire the entire share capital of Engineering Ingegneria Informatica S.p.A. with respect to the OPA (Public Purchase Offer) launched in May 2016;
- on December 27, 2017, a 6-year loan was also granted by Banco BPM, for the amount of Euro 61.4 million, in relation to the acquisition of Infogroup S.p.A.;

- it should be noted that, during the year, the loan of Euro 130 million signed with a pool of banks through Banca IMI was renegotiated which involved a change in the rate applied by the loan itself. In particular, the above-mentioned renegotiation determined an unsubstantial change of the related financial liability. For further details on the effects resulting from the above-mentioned change, reference is made to Note 40.

Covenants

The covenants of previous loans, all at variable rate, envisage the fulfilment of the following financial parameters:

- as regards the loans granted by the European Investment Bank (EIB):
  - Net Financial Debt/ EBITDA not exceeding 2.3 (two point three);

- as regards the loan granted by Banca Intesa Sanpaolo S.p.A.:
  - Net Financial Position/Reported EBITDA lower than 2.2 (two point two);
    (The Bank undertook to revaluate and allow for the amendment of the parameter until a maximum of 3.5x should conditions change);
  - EBITDA/Net Financial Charges higher than 5.0 (five);

- as regards the loan granted by Banca IMI S.p.A./pool of banks:
  - Net Debt/Reported EBITDA not exceeding 3.0 (three).

- as regards the loan granted by Banco BPM:
  - the same parameters of the loan granted by Banca IMI S.p.A./pool of banks.

The financial parameters are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report.
Failure to observe the financial parameters, unless restored within the 30 (thirty) following business days for the EIB loans, within 20 (twenty) business days for the IMI/pool of banks loan, in the event the value be higher than 3.5, while no action shall be taken if it remains within 3.0 and 3.5 and in the following half year it is once again fulfilled, and 60 (sixty) following business days for the loan of Banca Intesa Sanpaolo and both values are not fulfilled, may give the banks the right to withdrawal as per article 1845 of the Civil Code and to exercise the right to recover all amounts covered by the agreement.
All parameters envisaged in the agreement have been fulfilled.
As regards the instalment of Euro 31.5 million supplied by Banca Intesa Sanpaolo S.p.A., the rate swap contract was confirmed to hedge against rate fluctuations, which was entered on July 1, 2014, with Unicredit S.p.A. to hedge the loan supplied by the same bank on behalf of European Investment Bank (EIB) and redeemed on December 30, 2015. This changes the variable portion of the rate, 3-month Euribor, 360 days, into a fixed rate equal to 0.56% for the entire duration of the loan instalment redemption.
As regards the loan granted by Banca IMI S.p.A./pool of banks on July 23, 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate at 0.15%, with maturity term on October 21, 2019, will not be activated as long as the 6-month Euribor, 360 day basis remains negative.

The last loan highlighted in the statement, supplied by MIUR through Mediocredito Centrale, is at a subsidised fixed rate and is always linked to the development of research projects.

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

(in Euros)

Description	31.12.2018	31.12.2017	Change
Derivative (cash flow hedge)	67,643	175,695	(108,052)
Security deposits	747,185	797,498	(50,314)
Finance lease liabilities	5,887,784	7,384,753	(1,496,969)
Non-current equity investments to be paid	3,614,858	2,134,858	1,480,000
Total	**10,317,470**	**10,492,805**	**(175,334)**

The item “Other current liabilities” mainly includes:

- the fair value of the derivative signed on July 1, 2014 with Unicredit S.p.A. (Interest Rate Swap), recognised under item financial charges after the redemption of the Unicredit S.p.A.’s loan related to the hedging;
- the payables for finance leases, for the portion of finance leases related to real estates in Turin (Euro 5,670 thousand).

(in Euros)

Amounts due for finance leases	instalments	principal
Within one year	1,493,309	1,250,877
Beyond one year	6,144,945	5,670,119
Over 5 years	0	0
Total lease instalments	**7,638,254**	0
interest	(717,258)	0
Total current lease instalment value	**6,920,996**	**6,920,996**

We report below the breakdown of the Group net financial position:

(in Euros)

Description	31.12.2018	31.12.2017
Cash	36,841	48,131
Other liquid assets	177,465,956	206,968,722
A) Cash and cash equivalents	**177,502,797**	**207,017,853**
B) Current financial receivables	**4,700,000**	**2,700,000**
Current bank payables	(4,263,099)	(5,231,331)
Current borrowing	(55,519,222)	(94,720,362)
Other current financial payables	(14,339,879)	(15,403,365)
C) Current borrowing	**(74,122,200)**	**(115,355,058)**
D) Net current financial position (A+B+C)	**108,080,598**	**94,362,796**
Non-current borrowing	(167,621,564)	(221,932,246)
Other non-current payables	(10,317,470)	(10,492,805)
E) Non-current borrowing	**(177,939,035)**	**(232,425,051)**
F) Net financial position (D+E)	**(69,858,437)**	**(138,062,255)**

21 Deferred tax liabilities

(in Euros)

Description	31.12.2018	31.12.2017	Change
Deferred tax liabilities	167,646,133	174,709,616	(7,063,483)

Deferred tax liabilities, calculated at the current rates (24.0% for IRES and base on regional rates for IRAP), have been calculated on the items listed in the following table.

(in Euros)

Description	31.12.2018		31.12.2017	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Goodwill	29,330,922	8,737,445	15,000,862	4,277,860
Trademark	453,029,362	126,395,192	453,029,362	126,395,192
Research grants	1,406,717	344,810	1,621,769	409,202
Research grants taxed in 5 years	66,123,982	15,869,756	66,832,326	16,039,757
Bad debt provision	20,666	4,960	18,036	4,960
IFRS adjustments	2,159,879	602,606	2,264,050	631,856
IFRS - IAS 8 adjustments	1,031	328	1,031	328
Allocation of goodwill	56,201,952	15,680,344	86,299,937	26,919,571
Other	44,555	10,692	128,712	30,891
Total	**608,319,065**	**167,646,133**	**625,196,085**	**174,709,616**

Movements in deferred tax liabilities are illustrated below:

(in Euros)

Description	
01.01.2017	**150,060,715**
Change in consolidation scope	241,791
Increase	33,554,135
Decrease	(9,147,025)
31.12.2017	**174,709,616**
Increase	8,474,299
Decrease	(15,537,781)
31.12.2018	**167,646,134**

The following table reports the detail of deferred tax liabilities.

(in Euros)

Description	Bad debt provision	Trademark	Allocation of goodwill	R&D grants	Other temporary differences	Total
Balance as of December 31, 2017	**4,960**	**126,395,192**	**26,919,571**	**16,448,959**	**4,940,934**	**174,709,616**
Impact on income statement			(11,239,257)	(234,393)	4,410,168	(7,063,482)
Impact on comprehensive income statement						0
Balance as of December 31, 2018	**4,960**	**126,395,192**	**15,680,314**	**16,214,566**	**9,351,102**	**167,646,134**

22 Non-current provisions for risks and charges

(in Euros)

Description	31.12.2018	31.12.2017	Change
Non-current provisions for risks and charges	4,015,264	3,894,900	120,364

Changes are detailed below:

(in Euros)

Description	
01.01.2017	**408,104**
Exchange difference effect	(416,806)
Increase	3,903,602
31.12.2017	**3,894,900**
Exchange difference effect	(429,662)
Increase	550,026
31.12.2018	**4,015,264**

23 Other non-current liabilities

(in Euros)

Description	31.12.2018	31.12.2017	Change
Other non-current liabilities	37,459,457	13,068,793	24,390,664

Other non-current liabilities include:

- the measurement of payables – based on provisions set out by IAS 32 – for sales options granted to non-controlling interests (put options contract) to which the Company Engineering Ingegneria Informatica S.p.A. is subject with reference to a non-controlling interest. In particular, the minority shareholders of a subsidiary acquire the right to exercise a sales option of their shares to Engineering Ingegneria Informatica S.p.A. in special cases, as defined in the agreement signed by the parties. The price to exercise the option is fixed based on economic parameters and adequately valued multipliers. The fair value of liabilities, which represents a reasonable estimate of the exercise price for the option, was determined based on contract terms set out in the related contract, by using the parameters that are inferable from the 2019-2021 plan of the subsidiary involved;

- the residual amount refers to payables for a non-competition agreement signed with the top management (around Euro 9.0 million).

24 Post-employment benefits

(in Euros)

Description	31.12.2018	31.12.2017	Change
Post-employment benefits	69,768,374	67,709,887	2,058,488

Due to the introduction of 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) with the payment fulfilling obligations toward employees. For accounting purposes, it is included under other contributions, as post-employment benefit matured is recorded as a cost in the period with the payable recognised under short-term payables.

Post-employment benefits accrued up to 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 rate was established as variable from 0.1484% to 1.2861% and was deducted adopting a rate curve combining the effective yield rates movements of the Euro Bonds of primary companies with AA rating or higher.

Demographic assumptions:

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

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

(in Euros)

Engineering Group		Discounting				
		-10%		100%		10%
	-10%	**69,831,490**	467,977	**69,363,513**	-461,066	**68,902,447**
		-409,558	63,125	-404,861	-865,918	-400,231
Infla	100%	**70,241,048**	472,674	**69,768,374**	-465,696	**69,302,678**
		412,887	85,570	408,117	-62,233	403,454
	+10%	**70,653,935**	477,444	**70,176,491**	-470,359	**69,706,132**

The figures shown in the table do not include the liabilities measured pursuant to IAS 19 of the consolidated company Infogroup S.p.A..

Actuarial gains and losses are recognised under shareholders’ equity on an accrual basis, while interest cost was recognised in the income statement under financial charges.

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2017	**64,649,745**
Provisions	23,303,560
Change in opening balance for merger	83,800
Amounts paid to social security institutions + INPS	(21,553,669)
Actuarial gains/(losses)	1,503,111
Benefits paid	(5,977,916)
Post-empl. benefits on acquisition of Group business units/subsidiaries	2,127,085
Transfer payables of Group business units/subsidiaries	(1,779,392)
Post-empl. benefits, consolidated companies	5,353,564
Balance as of 31.12.2017	**67,709,886**
Provisions	25,888,258
Change in opening balance for merger	4,882
Amounts paid to social security institutions + INPS	(23,930,990)
Actuarial gains/(losses)	1,953,964
Benefits paid	(2,845,726)
Post-empl. benefits on acquisition of Group business units/subsidiaries	982,457
Transfer payables of Group business units/subsidiaries	(97,909)
Post-empl. benefits, consolidated companies	235,270
Post-empl. benefits, companies not in consolidation scope	(131,719)
Balance as of 31.12.2018	**69,768,374**

The “Provisions” item comprises the interest cost for an amount equal to Euro 194,076.

E) Current liabilities

25 Current borrowings

(in Euros)

Description	31.12.2018	31.12.2017	Change
Current borrowings	74,122,200	115,355,058	(41,232,858)

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

(in Euros)

Description	31.12.2018	31.12.2017	Change
Payables to lenders	55,519,222	94,720,362	(39,201,139)
Bank payables	4,263,099	5,231,331	(968,232)
Other current borrowings	14,339,879	15,403,365	(1,063,486)
Total	**74,122,200**	**115,355,058**	**(41,232,858)**

Payables to lenders

As of December 31, 2018, short-term loans totalled Euro 55,519,222 and related to the short-term portion of payables to lenders for which reference is made to paragraph 20 “Non-current borrowings”.

Bank payables

(in Euros)

Description	31.12.2018	31.12.2017	Change
Payables for advances on invoices	78,643	-	78,643
Bank overdrafts	4,184,456	5,231,331	(1,046,875)
Total	**4,263,099**	**5,231,331**	**(968,232)**

Other current borrowings

(in Euros)

Description	31.12.2018	31.12.2017	Change
Other grants	10,836,827	12,509,210	(1,672,383)
Payables for leasing	1,366,832	1,232,508	134,325
Equity investments to be paid	2,136,220	1,661,648	474,572
Total	**14,339,879**	**15,403,365**	**(1,063,486)**

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

"Payables for leasing" relate to the short-term portion of financial leases described in paragraph 20 "Non-current borrowings". "Equity investments to be paid" relate primarily, in the amount of Euro 1,415 thousand, to the earn out of INF.OR. S.r.l. and of Euro 1,193 thousand to the earn out of Sogeit Solutions S.r.l..

26 Current tax payables

(in Euros)

Description	31.12.2018	31.12.2017	Change
Current tax payables	4,080,474	4,250,916	(170,443)

The balance as of December 31, 2018 primarily includes current tax payables.

The breakdown is as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
IRES	3,395,991	3,401,278	(5,287)
IRAP	674,007	839,192	(165,185)
Substitute tax	10,475	10,447	29
Total	**4,080,474**	**4,250,916**	**(170,443)**

27 Current provisions for risks and charges

(in Euros)

Description	31.12.2018	31.12.2017	Change
Current provisions for risks and charges	17,144,424	20,270,005	(3,125,581)

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

(in Euros)

Description	31.12.2018	31.12.2017	Change
Provision for risks and charges	11,305,512	10,581,400	724,111
Provision for losses on projects	5,838,912	9,688,605	(3,849,692)
Total	**17,144,424**	**20,270,005**	**(3,125,581)**

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

- around Euro 5.1 million, related to a restructuring plan connected with the reorganization underway, resolved and communicated to the counterparties, and allocations, based on IAS 37 provisions set out last year already, for expected staff leaves under incentive schemes;

- Euro 1.8 million, related to legal disputes and to the risk of penalties with contracts with customers;

- around Euro 1.0 million, related to the allocation to leaving incentives;

- around Euro 5.8 million for provisions for losses on projects and relate to likely future losses on some projects being implemented. The provision for losses on projects was adjusted to account for probable future charges which will be incurred on projects in which difficulties have arisen. The allocated amount is the best estimate made based on the current information available to us.

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

(in Euros)

Description	
01.01.2017	**35,096,799**
Increase	5,737,183
Decrease	(25,575,455)
Change in consolidation scope	5,011,479
31.12.2017	**20,270,005**
Increase	9,343,732
Decrease	(12,465,495)
Change in consolidation scope	(3,818)
31.12.2018	**17,144,424**

28 Other current liabilities

(in Euros)

Description	31.12.2018	31.12.2017	Change
Other current liabilities	170,068,831	153,298,644	16,770,187

This item is broken down as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Directors and Statutory Auditors	1,134,066	1,614,518	(480,452)
Consultants	132,720	100,403	32,316
Acquisition of business unit	548,080	748,512	(200,432)
Withholding taxes	1,158,227	1,339,719	(181,492)
Tax payables	31,201,074	26,396,043	4,805,031
Due to RTI partners	3,309,836	3,285,973	23,863
Social security institutions	21,506,869	21,021,279	485,590
Others	11,347,156	7,652,005	3,695,151
Employees	91,277,770	81,466,254	9,811,516
Partners for research projects	7,828,320	8,895,539	(1,067,219)
Accrued m/l loan interest	269,840	592,573	(322,734)
Other accruals	50	36,911	(36,861)
Deferred income	354,823	148,913	205,910
Total	**170,068,831**	**153,298,644**	**16,770,187**

Tax payables are broken down as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
VAT	13,130,412	9,967,726	3,162,685
Suspended VAT	1,427,637	1,586,584	(158,947)
IRPEF	15,246,413	14,167,070	1,079,343
Other	1,396,612	674,663	721,949
Total	**31,201,074**	**26,396,043**	**4,805,031**

29 Trade payables

(in Euros)

Description	31.12.2018	31.12.2017	Change
Trade payables	337,615,519	318,140,848	19,474,672

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

The account consists of:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Suppliers	291,805,320	271,651,212	20,154,108
Associates	256	-	256
Others	45,809,942	46,489,636	(679,693)
Total	**337,615,519**	**318,140,848**	**19,474,672**

a) Suppliers

(in Euros)

Description	31.12.2018	31.12.2017	Change
Due to suppliers	177,584,373	187,785,773	(10,201,400)
Due to foreign suppliers	19,150,066	17,139,486	2,010,580
Invoices to be received	95,908,093	67,705,246	28,202,847
Credit notes to be received	(837,212)	(979,293)	142,081
Total	**291,805,320**	**271,651,212**	**20,154,108**

b) Associates

(in Euros)

Description	31.12.2018	31.12.2017	Change
Invoices received	256	-	256
Total	**256**	**-**	**256**

b) Others

(in Euros)

Description	31.12.2018	31.12.2017	Change
Advances for future work	45,809,942	46,489,636	(679,693)
Total	**45,809,942**	**46,489,636**	**(679,693)**

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

Income statement

A) Total revenues

(in Euros)

Description	31.12.2018	31.12.2017	Change
Total revenues	1,180,302,036	1,028,797,459	151,504,577

30 Total revenues

Group revenues show a change of Euro 151,504,577. These relate to revenues from sales and services of products produced, in particular, consultancy services, IT design, usage licences, software maintenance services, and outsourcing services.

(in Euros)

Description	31.12.2018	31.12.2017	Change
Revenues from sales and service	1,138,138,861	995,753,711	142,385,149
Change in Inv. fin. prod. and cust. contract assets	16,753,312	6,039,028	10,714,284
Other revenues	25,409,864	27,004,720	(1,594,856)
Total	**1,180,302,036**	**1,028,797,459**	**151,504,577**

The Group recognises over time and at point in time revenues, as summarised in the following table, by product types:

(in Euros)

2018	Development of annual and multi-annual projects	Other services and events	Total
Fulfilment of obligations			
At a point in time		169,987,098	169,987,098
Over time	984,905,074		984,905,074
	984,905,074	**169,987,098**	**1,154,892,172**

As regards figures that would have been disclosed in the Group financial statements as of December 31, 2018, in the event of application of the previous IAS 11 and IAS 18 international accounting standards, the adoption of the new IFRS 15 standard involved:

- a decrease in total revenues equal to Euro 25.7 million;
- a decrease in operating expenses, equal to Euro 23.3 million, as a consequence of the different accounting treatment of costs for the execution of the contract (deferred contract costs).

For a more thorough description of evaluation criteria related to IFRS 15 applied, see Note 4.22.

31 Other revenues

(in Euros)

Description	31.12.2018	31.12.2017	Change
Other revenues	25,409,864	27,004,720	(1,594,856)

The breakdown of other revenues is as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Grants	15,681,287	18,083,317	(2,402,031)
Other income	9,728,577	8,921,402	807,174
Total	**25,409,864**	**27,004,720**	**(1,594,856)**

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community.
Re-invoicing of fringe benefits to employees for cars is included in item “Other revenues”.

32 Disclosures pursuant to article 1, paragraphs 125-129, Law 124/2017

As required by Law 124 of 2017, disclosures are hereby supplied on grants, contributions and economic advantages of any kind whatsoever, received from public administrations and/or companies directly or indirectly controlled by the same.

Project title	Project description	Lender	Collection date	Total
Agrevolution: evolutionary technological platform for the agri-food chain	Analyses, design and development of aggregation, management and evolution activities of Interfirm Networking within the agri-food chain.	MISE	24.12.2018	27,372
			Total	**27,372**
Software Ecosystem for electronic health - EHEALTHNET	Research, modelling and development of innovative computer applications within the eHealth.	MIUR	16.01.2018 12.11.2018 03.12.2018	179,585 120,822 348,326
			Total	**648,733**
IRM&M “Integrated Risk Measurement & Management”	IT services platform and methods for financial risk measurement, pursuant to Basel 2.	MISE	11.05.2018	176,540
			Total	**176,540**
R&S public laboratory in agro-industrial field	R&D, modelling and development of innovative IT applications to support energy consumption awareness in a home, building and campus context.	MIUR	19.01.2018 13.06.2018	93,976 69,229
			Total	**163,206**
Internet-based it engineering for the structural development of a “smart” territory_puglia@service (*)	R&D, analysis and prototype definition of evolved models to create and supply services in typical application contexts of P.A. and cultural tourism.	MIUR	09.03.2018	3,442,881
			Total	**3,442,881**
Operational Knowledge from Insights and Analytics on Industrial Data	OK-INSAID aims at developing a collection and analysis integrated platform of big data generated in production lines to offer supporting services to improve products, processes and maintenance policies.	MIUR	15.11.2018 16.11.2018	104,440 417,760
			Total	**522,200**
POLIS2020	Supporting activities for design and development of innovative applications aimed at creating a social-technical platform able to supply instruments and methods, which will allow to focus on local public and private entities in change processes. The instruments and methodologies will be defined in order to favour and optimise interrelation between technology and social aspects.	Puglia Region	07.02.2018	3,154,625
			Total	**3,154,625**
Regeneration of nervous tissues and osteocartylagines through innovative methods of tissue engineering_rinovatis (*)	Analyses, design and development of embedded software for the simulation and the operation of a hardware device aimed at the detection of microvesicles in blood.	MIUR	09.03.2018	265,912
			Total	**265,912**
Risk Evaluation Dashboard	RED intends to supply, through the use of big data and special algorithms, necessary information to the Operators, within the territory, to carry out rapid and weighted assessments on the type of mitigation to be adopted under emergency or non-emergency conditions.	Valle D’Aosta Region	21.12.2018 24.12.2018	36,405 49,895
			Total	**86,300**
Sigma (integrated system of sensors in a cloud environment for advanced multirisk management)	Industrial research and experimental development activities, aimed at acquiring new knowledge within business intelligence techniques and services for risk management applications in cloud environment.	MIUR	13.02.2018 18.12.2018	137,040 187,424
			Total	**324,464**
SiMonA - Advanced monitoring systems of production lines	SiMonA aims at creating a framework that supplies instruments to facilitate the control and monitoring of Wireless Sensor Network within the production facilities, supplying location-based and energy saving services, as well as real time communication modules between human operators and machine tools.	Piedmont Region	26.10.2018	22,278
			Total	**22,278**
SINTESYS - Security and INTElligence System	Research activities, aimed at the acquisition of new knowledge within data mining services and techniques on OpenSource Intelligence multimodal sources to be applied to design and development of an IT integrated system for homeland security.	MIUR	01.06.2018	364,892
			Total	**364,892**
ICT solutions for the fruition and “enhanced” exploration of Cultural Heritage (NEPTIS)	R&D, modelling and development of applications to support cultural and tourist development of territories, with special reference to integrated cultural and tourist paths, as well as flexibility of development of social and mobile applications (App).	MIUR	23.01.2018	689,751
			Total	**689,751**
A collective intelligence virtual environment, enabling the development of ecosystems for the sustainable_winning technological entrepreneurship (*)	Analysis, design and development of software components and services within a enterprise social software platform for the development and management of intelligence and collective knowledge within the context of creation processes of new sustainable technological entrepreneurship.	MIUR	09.03.2018	2,139,183
			Total	**2,139,183**
Grand Total				**12,028,337**

(*) The collection was not direct but through Ditech Distretto tecnologico High-tech S.C.

In order to avoid the accumulation of irrelevant information, the Group availed itself of the possibility of not providing guidance on the benefits received and amounting to less than Euro 10,000 in the period under evaluation.

B) Operating expenses

(in Euros)

Description	31.12.2018	31.12.2017	Change
Operating expenses	1,102,261,578	968,448,890	133,812,688

33 Operating expenses

The breakdown of operating expenses is as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Raw materials and consumables	20,135,999	16,322,136	3,813,863
Service costs	421,907,011	367,419,368	54,487,643
Personnel costs	589,005,361	518,886,310	70,119,051
Amortisation and depreciation	43,464,123	33,975,081	9,489,042
Allocations	15,772,403	19,194,803	(3,422,400)
Other costs	11,976,680	12,651,191	(674,511)
Total	**1,102,261,578**	**968,448,890**	**133,812,688**

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

34 Raw materials and consumables

(in Euros)

Description	31.12.2018	31.12.2017	Change
Raw materials and consumables	20,135,999	16,322,136	3,813,863

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

(in Euros)

Descrizione	31.12.2018	31.12.2017	Change
Hardware	5,994,128	5,398,858	595,270
Software	13,567,538	10,222,047	3,345,491
Consumables	591,711	700,415	(108,704)
Other	(17,377)	817	(18,194)
Total	**20,135,999**	**16,322,136**	**3,813,863**

35 Service costs

(in Euros)

Description	31.12.2018	31.12.2017	Change
Service costs	421,907,011	367,419,368	54,487,643

Service costs comprise the following accounts:

(in Euros)

Description	31.12.2018	31.12.2017	Change
EDP purchases, services and data lines	4,992,883	3,853,229	1,139,654
Insurance	4,251,052	4,104,798	146,254
Bank charges and commissions	2,900,241	2,115,462	784,779
Technical support and consultancy	289,408,305	249,383,644	40,024,661
Legal and administrative consultancy	3,644,703	4,016,852	(372,149)
Training and refresher courses	3,207,263	3,127,824	79,439
Consultants	571,057	399,101	171,956
Cost of corporate boards	2,751,304	3,250,664	(499,360)
Building rental	15,813,140	13,929,766	1,883,374
Maintenance of tangible and intangible assets	21,345,649	17,640,718	3,704,931
Canteen and other personnel costs	9,931,103	8,382,802	1,548,301
Automotive expenses	13,332,351	12,244,366	1,087,985
Hardware and software rental	4,760,117	3,763,748	996,369
Maintenance and security services	4,890,801	4,510,264	380,537
Advertising and sales rep. expenses	1,863,367	1,904,537	(41,170)
Travel costs	21,398,317	20,563,385	834,931
Postage and shipping expenses	4,028,861	3,641,181	387,681
Utilities	7,811,675	7,481,263	330,412
Other	5,004,824	3,105,764	1,899,060
Total	**421,907,011**	**367,419,368**	**54,487,643**

The “Technical support and consultancy” item is related to professional resources used in our production and operating cycle. Therefore, its growth is directly related to the increase in revenue.

The following table shows the remuneration paid in 2018 to the audit firm of the consolidated financial statements, in accordance with Article 149-*duodecies* of the consolidated law on finance.

(in Euros)

Service	Provider	Beneficiary	Remuneration
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	318,000
Other services (*)	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	15,500
Audit	Deloitte & Touche S.p.A.	Engineering D.HUB S.p.A.	35,000
Audit	Deloitte & Touche S.p.A.	Municipia S.p.A.	20,000
Audit	Deloitte & Touche S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	15,000
Audit	Deloitte & Touche S.p.A.	Engineering 365 S.r.l.	10,000

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

Fee is net of expenses.

36 Personnel costs

(in Euros)

Description	31.12.2018	31.12.2017	Change
Personnel costs	589,005,361	518,886,310	70,119,051

Personnel costs consist of:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Salaries and wages	445,472,507	390,301,887	55,170,619
Social security expenses	104,572,311	91,024,753	13,547,558
Post-employment benefits	25,694,182	23,127,914	2,566,268
Restructuring and reorganising personnel	316,500	663,437	(346,937)
Other personnel costs	12,949,861	13,768,319	(818,457)
Total	**589,005,361**	**518,886,310**	**70,119,051**

It should be noted that, the item "Other personnel costs" also include the cost of Euro 9.9 million related to the Stock Options plan, with counter-entry recorded in a shareholders' equity reserve.

As the assigned Stock Option Plan is classified as Equity Settled, the counter-entry of costs is recorded in a shareholders' equity reserve, which, in addition to this amount, also includes the increase for the portion of Stock Option assigned to the subsidiary Engineering D.HUB S.p.A. and amounting to Euro 385 thousand.

It is specified that, over the year, 18,235 options were assigned to the beneficiaries of the Stock Option Plan. The fair value of rights assigned during 2018 was calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model). It totalled Euro 0.2 million (the fair value of options granted in the first pool amounted to Euro 15.92 per option).
The fair value of rights assigned during 2018 was calculated upon assignment.

In particular, the main inputs used to measure the fair value as of June 30, 2018, of the Stock Option Plan are summarised as follows:

- multiple of EV/EBITDA, determined as mean of a panel of listed comparable values;
- interest rate curve [IRS 3 years] as of June 30, 2018;
- historical volatility [AT 260 days], observed as of June 30, 2018;
- dividend yield equal to zero for the stock grant measurement;
- historical series of logarithmic yields for the securities involved;
- liquidity discount equal to 20%;
- strike price equal to Euro 42.15, contractually determined.

The fair value of options granted in the first pool amounted to Euro 15.92 per option. The fair value at the assignment date was determined independently and based on the following parameters for the options granted:

- options are granted free;
- options accrued are exercisable;
- the exercise price is Euro 0;
- the concession time is 3.5 years;
- the exercise price for each share at the assignment date is Euro 42.15.

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

	As of December 31, 2018		As of December 31, 2017	
(in Euro, unless stated otherwise)	**Average price for the exercise of the option**	**Number of options**	**Average price for the exercise of the option**	**Number of options**
As of January 1, 2018	**-**	**911,759**	**-**	**-**
Granted during the year	42.15	18,235	42.15	911,759
Exercised during the year	-	-	-	-
As of December 31, 2018	**-**	**929,994**	**-**	**911,759**

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

As of December 31, 2018, the reserve for share-based payments amounted to Euro 19.4 million. The increase for the year in the income statement amounted to Euro 9.9 million.

The average workforce is as follows:

(unit)

Average number of employees	31.12.2018	31.12.2017	Change
Executives	388	358	30
Managers	1,997	1,789	208
Other employees	7,955	7,059	896
Total	**10,339**	**9,205**	**1,134**

The average number of employees in 2018 increased on the previous year by 1,134.

37 Amortisation and depreciation

(in Euros)

Description	31.12.2018	31.12.2017	Change
Amortisation and depreciation	43,464,123	33,975,081	9,489,042

The breakdown is as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Depreciation of property, plant and equipment	7,920,177	7,002,694	917,483
Amortisation of intangible assets	35,543,946	26,972,387	8,571,559
Total	**43,464,123**	**33,975,081**	**9,489,042**

38 Provisions

(in Euros)

Description	31.12.2018	31.12.2017	Change
Provisions	15,772,403	19,194,803	(3,422,400)

The provisions increased due to the changes reported in the following table:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Allocation to bad debt provision	7,727,142	13,132,420	(5,405,279)
Allocation to provision for risks	7,500,995	5,907,353	1,593,643
Write-down of fixed assets	544,266	155,030	389,236
Total	**15,772,403**	**19,194,803**	**(3,422,400)**

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

The bad debt provision includes only the allocation to the provision for interest in arrears, totalling around Euro 7.7 million, attributable to a receivable from the company Sicilia Digitale S.p.A..

The allocation to the provision for risks, amounting to Euro 7.5 million, refers primarily to allocations made in view of future reorganizations and restructuring of personnel.

The item “Write-down of fixed assets” mainly refers, in the amount of Euro 400 thousand, to the impairment in goodwill of the business unit SP Sapiens S.r.l. occurred following the latest forecasts made by Directors on the related cash flows that do not allow for the recovery of this goodwill.

39 Other costs

(in Euros)

Description	31.12.2018	31.12.2017	Change
Other costs	11,976,680	12,651,191	(674,511)

Other costs are broken down as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Dues and subscriptions	804,006	1,641,467	(837,460)
Taxes	7,332,792	7,496,425	(163,633)
Gifts and donations	98,526	269,636	(171,110)
Charges for social causes	1,086,166	565,437	520,729
Other	2,655,190	2,678,226	(23,037)
Total	**11,976,680**	**12,651,191**	**(674,511)**

40 Financial income/(expenses)

(in Euros)

Description	31.12.2018	31.12.2017	Change
Financial income/(expenses)	3,651,166	(5,490,788)	9,141,955

Financial income is broken down as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Interest income	8,112,864	7,992,386	120,478
Fair value gain (differential from derivative)	248,974	607,915	(358,941)
Other income	7,267,355	1,731,682	5,535,672
Total	**15,629,193**	**10,331,983**	**5,297,209**

Interest income include interest in arrears (around Euro 7.7 million) related to receivables from the Sicilia Digitale S.p.A./Sicilian Region, reference of which is made to the previous section 14.

Conversely, the "Other income" item comprises primarily the positive exchange rate differences (equal to around Euro 3.0 million) and financial income, resulting from the change in contract terms occurred over the year of the loan of Euro 130 million, signed with a pool of banks, and amounting to around Euro 3.1 million. In particular, the above-mentioned effect is attributable to the application of IFRS 9, in relation to the non-substantial change of the aforesaid financial liability related to a loan of Euro 130 million, signed with a pool of banks, through Banca IMI (as described in Note 20 of the consolidated financial statements as of December 31, 2018), which involved the recognition in the income statement, based on the new standard, of the difference between current value of cash flows, as amended (determined by using the effective interest rate of the instrument in place at the modification date) and the book value of the instrument in place at the modification date.

Financial charges consist of:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Interest expense	5,126,310	10,323,712	(5,197,402)
Other	6,851,716	5,499,059	1,352,657
Total	**11,978,026**	**15,822,772**	**(3,844,745)**

Interest expense refers principally to loans detailed in Note 20 hereof.

The "Other" item comprises the exchange losses.

41 Income/(expenses) from investments

(in Euros)

Description	31.12.2018	31.12.2017	Change
Income/(expenses) from investments	(32,549)	(998,988)	966,439

The breakdown is as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Write-downs of equity investments	(208,080)	(1,027,160)	819,080
Other income	-	28,172	(28,172)
Non-recurring income (expenses)	175,531	-	175,531
Total	**(32,549)**	**(998,988)**	**966,439**

42 Taxes

(in Euros)

Description	31.12.2018	31.12.2017	Change
Taxes	23,966,116	4,828,350	19,137,766

The breakdown of taxes is as follows:

(in Euros)

Description	31.12.2018	31.12.2017	Change
Current	21,142,445	14,741,797	6,400,648
Deferred	2,823,670	(9,913,447)	12,737,118
Total	**23,966,116**	**4,828,350**	**19,137,766**

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

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

(in Euros)

Reconciliation between theoretical and effective IRES tax	31.12.2018		31.12.2017	
	Amount	%	Amount	%
Profit before taxes	81,659,076		58,287,992	
Ordinary rate applied	**19,598,178**	**+24.0%**	**13,989,117**	**+24.0%**
Tax effects deriving from:				
Income taxable in prior years	4,287,347	+5.3%	3,672,441	+6.3%
Income not taxable	(5,155,653)	-6.3%	(4,617,087)	-7.9%
Expenses not deductible	12,312,007	+15.1%	10,239,531	+17.6%
IAS differences	(365,096)	-0.4%	(365,096)	-0.6%
Other changes reducing taxable IRES	(8,686,006)	-10.6%	(10,184,785)	-17.5%
Utilisation of previous years tax losses	(3,270,905)	-4.0%	(3,515,881)	-6.0%
Effect of foreign tax rates	(1,264,605)	-1.5%	(43,295)	-0.1%
Total assessable IRES	**72,730,277**		**38,228,941**	
Tax/Tax Rate	**17,455,266**	**+21.4%**	**9,174,947**	**+15.7%**

The item “Other changes reducing taxable IRES” mainly comprises the use of provisions (Euro 3.0 million), the ACE receivable (Euro 2.2 million) and the Patent Box (Euro 0.7 million).

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

Other significant information

COMMITMENTS UNDERTAKEN

The following table summarises the commitments of the Group as of December 31, 2018.

(in Euros)

Description	31.12.2018
Third party sureties	310,475,856
Bank sureties in favour of other companies	14,220,941
Bid Bonds and Performance Bonds	45,795,362
Total commitments undertaken	**370,492,159**

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

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

Bid Bonds and Performance Bonds
These types of commitments relate to guarantees given for participation in tenders.

OPERATING LEASES

The operating leases relating to rental contracts for cars, photocopiers, HW and ordinary office machines are shown below.

(in Euros)

Description	31.12.2018	31.12.2017
Liability remaining as of January 1	23,398,419	19,020,050
Amount of contracts agreed in year	11,372,643	15,367,769
Amount of fees paid in year	(12,597,985)	(10,815,505)
Amount of fees paid in advance	(803,772)	(173,894)
Amount of fees still due	**21,369,304**	**23,398,421**

At year-end, the amount of rental due was as follows:

(in Euros)

Description	31.12.2018	31.12.2017
Within 1 year	10,460,800	10,753,247
Over 1 year	10,904,461	12,645,174
Over 5 years	4,044	
Total	**21,369,304**	**23,398,421**

In addition to the above, the main Group commitments are related to rents of headquarters and branches, for a total amount of around Euro 125,845,081 as of December 31, 2018.

43 Breakdown of financial instruments by category

As regards all transactions, the Group applies the following criteria to (financial or non-financial) balances, for which an accounting standards requires, or permits, the measurement at fair value and which are included within the scope of IFRS 13:

a) identification of the “unit of account”, i.e. the level for which an asset or a liability is aggregated or disaggregated in order to be recognised for the purposes of IFRS standards;
b) identification of the principal market (or, in its absence, of the most advantageous market), in which transactions for the assets and liabilities under evaluation might occur. In the absence of any evidence to the contrary, it is assumed that the market, which is correctly used, coincides with the principal market or, in its absence, with the most advantageous market;
c) as regards non-financial assets, definition of the highest and best use. In the absence of any 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 measurement at fair value. These techniques maximise the use of observable inputs that market participants would use when pricing the asset or the liability;
e) determination of asset fair value, i.e. estimation of the price at which an asset would be sold; determination of the fair value of liabilities and equity instruments, i.e. estimation of the price for the related transfer in an orderly transaction between market participants at the measurement date;

f) inclusion of the "non-performance risk" while measuring assets and liabilities and, especially for financial instruments, determination of an adjustment factor in measurement at fair value in order to include not only the counterparty risk (CVA - credit valuation adjustment), but also its own debt risk (DVA - debit valuation adjustment).

According to the inputs used for measurements at fair value, a fair value hierarchy was defined, according to which assets and liabilities, measured at fair value, are to be classified, or for which the fair value is disclosed in the financial statements:

a) level 1: listed prices in active markets for identical assets or liabilities to those under evaluation;
b) level 2: observable inputs, different from those included in level 1, such as: (i) listed prices in active markets for similar assets or liabilities; (ii) listed prices in non-active markets for similar or identical assets or liabilities; (iii) other observable inputs (interest rate curves, implicit volatility, credit spreads);
c) level 3: unobservable inputs, to be used to the extent that relevant observable inputs are not available. Unobservable inputs used to measure fair value reflect the assumptions that the market participants would make in pricing assets and liabilities to be measured.

Reference is made to the table hereunder for the definition of the level of fair value hierarchy according to which the single instruments measured at fair value were classified.

No transfers from the various levels of fair value hierarchy occurred during the year.

The fair value of derivatives is determined by discounting expected cash flows, by using the curve of market interest rates at the reference date, and the curve of listed credit default swaps of the counterparty and of Group companies to include the non-performance risk, as explicitly envisaged by IFRS 13.
As regards medium/long-term financial instruments, other than derivatives, wherever market prices are not available, the fair value is determined by discounting expected cash flows, by using the curve of market interest rates at the reference date and considering the counterparty risk in the event of financial assets and its own credit risk in the event of borrowings.

As of January 1, 2019 (first-time application of IFRS 9), the Group management evaluated which business model would have been applicable to financial assets held and classified its financial instruments within appropriate categories, as envisaged by IFRS 9. Moreover, the Group reclassified the borrowings based on new provisions set out by IFRS 9.

The following table shows an overview of financial assets and liabilities in place as of December 31, 2017, while highlighting the related measurement criterion applied pursuant to the previous IAS 39 and the new IFRS 9.

(in Euros)

	IAS 39			IFRS 9		
	Portfolio	**Accounting standard**	**Balance 31.12.2017**	**Portfolio**	**Accounting standard**	**Balance 01.01.2018**
Investments accounted at fair value	AFS	FV to OCI	150,975	HFT	FV to OCI	150,975
Trade receivables	L&R	Amortised cost	550,834,537	HTC	Amortised cost	550,834,537
Cash and cash equivalents	L&R	Amortised cost	207,017,853	HTC	Amortised cost	207,017,853
Total assets	**0**	**0**	**757,852,390**	**0**	**0**	**757,852,390**

(in Euros)

	IAS 39		IFRS 9	
	Accounting standard	**Balance 31.12.2017**	**Accounting standard**	**Balance 01.01.2018**
Non-current derivatives	Cash Flow Hedge/Fair Value Hedge	175,695	Cash Flow Hedge/Fair Value Hedge	175,695
Non-current borrowings	Amortised cost	226,137,959	Amortised cost	226,137,959
Current borrowings	Amortised cost	102,845,848	Amortised cost	102,845,848
Trade payables	Amortised cost	318,140,848	Amortised cost	318,140,848
Total liabilities	**0**	**647,300,350**	**0**	**647,300,350**

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, 2018.

(in Euros)

Book value as of 31.12.2018	Assets at amortised cost	Assets at FVOCI	Assets at FVPL
Other non-current assets	5,560,690		
Trade receivables	568,087,727		
Other current assets	60,314,237		
Cash and cash equivalents	177,502,797		
Total assets	**811,465,452**	**0**	**0**

(in Euros)

Book value as of 31.12.2017	Assets at amortised cost	Assets at FVOCI	Assets at FVPL
Other non-current assets	5,794,572		
Trade receivables	550,834,537		
Other current assets	72,606,806		
Cash and cash equivalents	207,017,853		
Total assets	**836,253,768**	**0**	**0**

(in Euros)

Book value as of 31.12.2018	Liabilities at amortised cost	Liabilities at FVOCI	Liabilities at FVPL	Other liabilities
Non-current borrowings	167,621,564		67,643(*)	
Other non-current liabilities	19,040,503		28,668,781(**)	
Current borrowings	63,285,373			
Other current liabilities	180,905,658			
Trade payables	337,615,519			
Total liabilities	**768,468,617**	**0**	**28,736,424**	**0**

(in Euros)

Book value as of 31.12.2017	Liabilities at amortised cost	Liabilities at FVOCI	Liabilities at FVPL	Other liabilities
Non-current borrowings	221,932,246		175,695(*)	
Other non-current liabilities	18,465,903		4,920,000(**)	
Current borrowings	102,845,848			
Other current liabilities	165,807,854			
Trade payables	318,140,848			
Total liabilities	**827,192,698**	**0**	**5,095,695**	**0**

(*) 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.

This new interpretation had no impact on the consolidated financial statements of the Group.

44 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, associates, as well as senior managers with strategic responsibilities of the Parent Company and the companies directly and/or indirectly controlled by it and in which the Parent Company exercises significant influence are considered related parties.

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

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

The following tables summarise the commercial and financial transactions undertaken at arms' length between the Group companies as of December 31, 2018, eliminated for consolidation purposes:

(in Euros)

Description	Engineering Ingegneria Informatica S.p.A.	Engineering Sardegna S.r.l.	Municipia S.p.A.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Sicilia e-Servizi Venture	Engineering do Brasil S.A.	Engineering International Belgium S.A.	Engineering D. HUB S.p.A.	Engi da Argentina S.A.	Engineering 365 S.r.l.	WebResults S.r.l.	Engineering Software Lab d.o.o.	Engineering Luxembourg S.r.l.	Engineering ITS AG	Engineering Ingegneria Informatica Spain S.L.	Engineering DSS GmbH	Engineering Software Labs GmbH	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.	Bekast IT Consulting GmbH	Icraft GmbH	Icode GmbH	LG - NET S.r.l	Total Liabilities
Engineering Ingegneria Informatica S.p.A		482,023	3,796,952	9,925,155	6,948,931	21,154,890	33,295	200,358	1,992,033	68,066,600	29,320	4,966,480	4,290,336	1,213,294			584,798	18,456	160,000	24,000	449,790					124,336,712
Engineering Sardegna S.r.l.	4,535,558		4,059							201,152																4,740,769
Engineering do Brasil S.A.	16,325,754					488,297				77,554	4,156															16,895,761
Engineering 365 S.r.l.	7,624,282									8,296				52,182												7,684,759
Engineering ITS AG	3,543,407									271,648								225,555					250,000	520,000		4,810,610
Engineering DSS GmbH																1,356,341										1,356,341
Engineering BSC GmbH																306,458		156,123				42,840				505,421
Engineering Software Labs GmbH	600,161															28,438		1,023								629,621
Eng. Usa	277,558							61,364		188,474																527,397
Bekast IT Consulting GmbH																	23,544	5,420								28,965
Icraft GmbH																25,851										25,851
Icode GmbH																20,779							1,978			22,757
Engineering Software Labs s.r.o.																						972				972
Municipia S.p.A.	28,185,198			2,013,899	14,640				4,730	1,898,200		13,600													90,000	32,220,267
Engiweb Security S.r.l.	3,221,686		51,923		25,965					89,964																3,389,539
Nexen S.p.A.	3,268,856			12,962						1,054																3,282,872
OverIT S.p.A.	714,410							34,281		19,558	34,475					36,987		2,669								842,379
Sicilia e-Servizi Venture	68,994,545																									68,994,545
Eng. International Belgium Sa	2,372,148									33					40,370											2,412,551
Engineering D. HUB S.p.A.	8,416,127	718,217	202,039	563,481	5,286	166,325			33																	10,071,508
Engi da Argentina S.A.	2,460,319					109,113		2,516																		2,571,949
WebResults S.r.l.	559,918	321,668																								881,585
Engineering Software d.o.o.	637,188									11,586		0														648,774
Engineering Luxembourg S.r.l.	214,200								180,686																	394,885
Engineering Ingegneria Informatica Spain S.L.	634,769			256																						635,025
Sofiter Tech S.r.l.	395,129																									395,129
OverIT International Inc.						153,456																				153,456
Sogeit Solutions S.r.l.	75,020																									75,020
Total assets	**153,056,231**	**1,521,908**	**4,054,974**	**12,515,752**	**6,994,822**	**22,072,081**	**33,295**	**298,519**	**2,177,482**	**70,834,120**	**67,951**	**4,980,079**	**4,290,336**	**1,265,476**	**40,370**	**1,774,854**	**608,342**	**409,246**	**160,000**	**24,000**	**449,790**	**43,812**	**251,978**	**520,000**	**90,000**	**288,535,419**

(in Euros)

Description	Engineering Ingegneria Informatica S.p.A	Municipia S.p.A.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Engineering International Belgium S.A.	Engineering D. HUB S.p.A.	Engineering ITS AG	Total Charges
Engineering Ingegneria Informatica S.p.A.		541,635	336	40,321			140,152		722,444
Engineering Sardegna S.r.l.	33,387								33,387
Engineering do Brasil S.A.	667,362								667,362
Engineering 365 S.r.l.	19,276								19,276
Engineering ITS AG	90,920								90,920
Engineering Software Labs GmbH								4,500	4,500
Bekast IT Consulting GmbH								8,250	8,250
Municipia S.p.A.	727,609								727,609
Engiweb Security S.r.l.	69,568								69,568
Sicilia e-Servizi Venture S.c.r.l.	505								505
Engineering International Belgium S.A.	26,964								26,964
WebResults S.r.l.	411								411
Engineering Luxembourg S.à.r.l.						2,034			2,034
Engineering Ingegneria Informatica Spain S.L.	2,788								2,788
OverIT International Inc.					582				582
Total income	**1,638,790**	**541,635**	**336**	**40,321**	**582**	**2,034**	**140,152**	**12,750**	**2,376,601**

(in Euros)

Description	Engineering Ingegneria Informatica S.p.A.	Engineering Sardegna S.r.l.	Municipia S.p.A.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Engineering do Brasil S.A.	Engineering Internatio-nal Belgium S.A.	Engineering D. HUB S.p.A.	Engi da Argentina S.A.	Engineering 365 S.r.l.	WebResults S.r.l.	Engineering Software Lab d.o.o.	Engineering Luxembourg S.r.l.	Engineering ITS AG	Engineering Ingegneria Informatica Spain S.L.	Engineering DSS GmbH	Engineering BSC GmbH	Engineering Software Labs GmbH	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.	Bekast IT Consulting GmbH	EuroAMS SRB d.o.o.	Icraft GmbH	LG - NET S.r.l	Total Costs
Engineering Ingegneria Informatica S.p.A		1,044,502	1,002,907	19,837,871	277,562	29,823,970	58,680	3,415,020	25,760,833		4,057,473	8,673,008	2,822,808		83,036	567,925			160,000	24,000	802,220					98,411,814
Engineering Sardegna S.r.l.	1,245,534								62,656																	1,308,191
Engineering do Brasil S.A.	568,647					122,873			16,198																	707,718
Engineering 365 S.r.l.	917,919								6,800				239,947													1,164,667
Engineering ITS AG	166,963								189,706								20,960	62,934								440,563
Engineering DSS GmbH															1,334,399			40,921								1,375,321
Engineering BSC GmbH															206,347		1,396,479					36,000				1,638,826
Engineering Software Labs GmbH	787,586														30,872		14,094	2,959								835,510
Eng. Usa	634,015						62,481		238,431																	934,927
Bekast IT Consulting GmbH															86,822	178,515	67,928	59,865	52,586							445,715
KeyVolution GmbH																						39				39
Icraft GmbH															21,724											21,724
Icode GmbH															17,461									25,910		43,371
Municipia S.p.A.	6,074,543			478,077					880,372																90,000	7,522,993
Engiweb Security S.r.l.	575,336																									575,336
Nexen S.p.A.	2,660,370			11,071																						2,671,441
OverIT S.p.A.	491,985								17,819	34,475					143,455		2,878									690,612
Sicilia e-Servizi Venture	452,961																									452,961
Eng. International Belgium Sa	396,764													380,629												777,393
Engineering International Inc	13,051																									13,051
Engineering D. HUB S.p.A.	10,159,528	568,121		105,952		32,835																				10,866,436
Engi da Argentina S.A.	285,424					447,425	21,698																			754,547
WebResults S.r.l.	1,086,130	184,940																								1,271,070
Engineering Software Lab d.o.o.	294,781								11,594		4,952												152,280			463,606
Engineering Luxembourg S.r.l.	40,401																									40,401
Engineering Ingegneria Informatica Spain S.L.	266,552			256																						266,807
Sofiter Tech S.r.l.	848,525																									848,525
OverIT International Inc.						343																				343
Sogeit Solutions S.r.l.	61,312																									61,312
Total revenues	28,028,326	1,797,562	1,002,907	20,433,227	277,562	30,427,447	142,858	3,415,020	27,184,410	34,475	4,062,425	8,673,008	3,062,756	380,629	1,924,116	746,440	1,502,338	166,679	212,586	24,000	802,220	36,039	152,280	25,910	90,000	134,605,221

45 Main events occurred after December 31, 2018

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

- on January 11, 2019, Engineering Ingegneria Informatica S.p.A. subscribed the last survey deed related to the purchase of the Dekra S.r.l. BU, for which the second and third instalments were paid, amounting to Euro 535,465;
- with deed of January 14, 2019, Engineering Ingegneria Informatica S.p.A. purchased a further 31.5% of the share capital of Sogeit Solutions S.r.l., thus owning the entire share capital of the company and becoming its Sole Shareholder;
- on January 15, 2019, with Consorzio Agrario del Nordest Soc. Coop. and ESRI S.p.A., Engineering Ingegneria Informatica S.p.A. established a new limited liability company, with registered office in Verona, whose denomination is Terram and holding 40% of the share capital. The corporate scope is the development of an IT system aimed at offering a series of services destined to the agricultural sector;
- by deed of January 22, 2019, Municipia S.p.A. acquired the entire share capital of Municipia Mobilità S.r.l., with registered office in Rome, Piazzale dell'Agricoltura no. 24, share capital of Euro 100,000, and becoming its Sole Shareholder;
- on January 31, 2019, the Extraordinary Shareholders' Meetings of Municipia S.p.A. and Municipia Mobilità S.r.l., resolved on the merger proposal by incorporation of Municipia Mobilità S.r.l. into Municipia S.p.A.;
- with deed of February 19, 2019, Engineering D.HUB S.p.A. acquired 51% of the share capital of Cybertech S.r.l., with registered office in Rome, via Fiume Giallo 3, share capital of Euro 1,000,000.00, fully paid in. By effect of the above-mentioned acquisition, Engineering D.HUB S.p.A. also acquired the indirect ownership of controlling interests, owned by Cybertech, in a series of Italian and foreign companies located in Serbia, Norway, Sweden, Spain and Switzerland.

Information on members of the Board of Directors and Control Boards

The members of the Board of Directors and Control Boards are listed in paragraph I. "Corporate Governance and Corporate Bodies" in the Directors' Report.

Disclosures on share-based remuneration plans

On June 28, 2017, the Board of Directors approved a Stock Option Plan addressed to employees, consultants, collaborators and directors of the Company and the Group companies controlled by the same and aimed at being an incentive for Group growth commitments and obtaining loyalty from beneficiaries. This is a Stock Option Plan for the shares of the Company Engineering Ingegneria Informatica S.p.A..

Within this plan, 911,759 options are assigned, for free, to beneficiaries.
The options, when exercisable, give the right to subscribe one share each (of special B class), corresponding to 7.5% of the share capital, before a dedicated increase. Options are divided in three pools: the first pool, including 897,718 options, and the second and third pool, of equal number of options, for the residual amount.

The exercise price of each option, being part of the first pool, is equal to Euro 42.15 each, while the exercise price of each option included in the second and third pool will be instead determined by the Board of Directors, on an annual basis, according to the Company's "Market Fair Value" at the date of price determination.
The options become exercisable provided that determined time and performance objectives be achieved (so-called "vested options"). These options can be exercised only starting from the notification of the expiry term of the plan and not later than the business day prior to the expiry term of the plan. The exercise of the options is also subordinated to the occurrence of a disinvestment (i.e. the transfer of quotes and shares representing

more than 50% of the subscribed and paid capital of Engineering, Newco or Holdco; the transfer of all Group assets; the admission to trade on a regulated market) and will be effective upon completion of the same at the expiry date of the plan.

Shares are available to the beneficiary at the expiry date of the plan.
At the expiry date of the plan, the Board of Directors has the faculty to pay the beneficiary the difference between i) the Market Fair Value of shares assigned to the beneficiary and ii) the exercise price.
In that case, the beneficiary will not have the right to claim the issue of shares and options assigned to him will no longer be valid.

Despite the fact that the Board of Directors is vested with the power to choose between the payment in cash and the issue of equity instruments, the Directors deem that, at the balance-sheet date, the Company does not have any current obligations for cash payment. Therefore, the plan was accounted for as share-based payment transaction.

After the exercise of share options, shares subscribed by the beneficiary have dividend entitlement the day after the expiry term of the plan.

The Company has the right to ask the beneficiary to repay the minimum amount sufficient to cover tax charges set out by law.

Board of Statutory Auditors' report on the Consolidated Financial Statements drawn up by Engineering Ingegneria Informatica S.p.A. as of December 31, 2018

Pursuant to Article 2429 Italian Civil Code

Dear Shareholders,

the consolidated financial statements as of December 31, 2018, were drawn up by Directors in accordance with the law, and were approved at the meeting of the Board of Directors held on March 14, 2019.
Our audit was performed based on the Rules of Conduct of the Board of Statutory Auditors approved by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).
The Group has adopted the IFRS International Accounting Standards since the 2005 financial year.

Pursuant to Article 2409-septies of the Italian Civil Code, the Board also states that they exchanged information with the Group's Independent Auditors, Deloitte & Touche S.p.A..

The financial statements of each subsidiary are reported as regularly approved by the related Boards and audited within the limits and pursuant to modalities envisaged by the audit plan defined by the Independent Auditors. The plan is deemed adequate and sufficient to express the required professional opinion on the Company's consolidated financial statements.

We audited the Group consolidated financial statements as of December 31, 2018, and we assessed that the identification of the consolidation scope and the election of both consolidation principles for equity investments, and procedures adopted for this purpose, are compliant with law and the accounting standards applicable in these cases, including new standards IFRS 9 and 15, as from January 1, 2018. Their impacts on the consolidated financial statements were duly described in the Explanatory Notes.

The Board of Statutory Auditors acknowledged that, in its report dated April 1, 2019, the Independent Auditors Deloitte & Touche S.p.A. also expressed an opinion without remarks, comments or recalls to disclosures in relation to the consolidated financial statements ended December 31, 2018.

Taking also account of the opinion expressed by the Independent Auditors, we hereby certify that the consolidated financial statements as of December 31, 2018 have been prepared in compliance with provisions set forth by Legislative Decree no. 127/1991, as amended. The criteria adopted by the Board of Directors, duly described in the Explanatory Notes on the consolidated financial statements, as well as in the financial statements valuations and value adjustments, are based on the general and usual criteria adopted on a going concern basis.

The Directors' report, included in the consolidated financial statements, was audited by us to assess its compliance with the expected minimum content, as envisaged in the applicable standards.

Based on the audit performed, the Board deems that the Group Directors' report is fair, exhaustive and consistent with the consolidated financial statements.

The Board of Statutory Auditors also audited the Impairment Tests, drawn up by the board internal to the Group and the measurement of the Goodwill item entered under Assets in the consolidated financial statements, and it shared the outcome in numerical terms and considerations, thoroughly described in the Explanatory Notes.

While considering also the outcome of the audit performed by the auditing company, as shown in the Independent Auditors' report on the consolidated financial statements issued on April 1, 2019, in which no remarks or recalls to disclosures are reported, the Board of Statutory Auditors deems that no notifications on the consolidated financial statements are worth reporting herein.

For the Auditors
Rocco Corigliano
Patrizia Paleologo Oriundi
Massimo Porfiri

Chairman - Board of Statutory Auditors
Rocco Corigliano

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