Annual Accounts

2017

ENGINEERING

Annual Accounts 2017

Engineering Ingegneria Informatica S.p.A.
Registered Office
00185 Rome – Italy
Via San Martino della Battaglia, 56
Tax code 00967720285
VAT number 05724831002
Rome Chamber of Commerce 531128
Rome Companies' Register 00967720285
Share Capital:
Euro 31,875,000 fully paid-in
Euro 40,081,172 further increase resolved

ENGINEERING

ENGINEERING - Ingegneria Informatica S.p.A.
Registered Office, Via San Martino della Battaglia no. 56, 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 (Economic and Administrative Index) no. 531128
Tax Code 00967720285 - VAT no. 05724831002
www.eng.it

Rome, April 20, 2018

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 Rome (RM), Via San Martino della Battaglia no. 56, on the day April 30, 2018, at 11:30 a.m., first call, and, as the case may be, on **May 22, 2018**, same place and time, second call, to resolve on the following

Agenda:

1. Financial statements as of December 31, 2017, consolidated financial statements as of December 31, 2017, Directors' Report, Board of Statutory Auditors' Report and Independent Auditors' Report: related and consequent resolutions.
2. Presentation of the state of affairs of the merged company Fair Dynamics S.r.l. as of February 28, 2017 (accounting effective date of the merger: March 7, 2017) and of the merged company Infinity S.r.l. as of December 31, 2017 (accounting effective date of the merger: January 1, 2018).

The Chairman of the Board of Directors
Mr. Michele Cinaglia

Consolidated Financial Statements

ENGINEERING GROUP

Deloitte.

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

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

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Engineering Ingegneria Informatica S.p.A. and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, the 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, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Engineering Ingegneria Informatica S.p.A. are responsible for the preparation of the report on operations of Engineering Ingegneria Informatica Group as at December 31, 2017, 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, 2017 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, 2017 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 14, 2018

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, 2017

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
Giovanni Camisassi	Director

BOARD OF STATUTORY AUDITORS

Francesco Tabone	Chairman
Rocco Corigliano	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, 2017 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 Interpretations - 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 holdings illustrated in the tables in the following page. The companies included in the consolidation scope are consolidated under the line-by-line method, with the exception of those companies which are not operational and which are measured with the equity method. The accounting periods of the subsidiaries coincide with those of the Parent Company. The financial statements have been prepared in accordance with the going-concern principle. As per the Group structure shown in the following page, compared to the previous year, new entities adhered to the consolidation scope due to acquisitions (i) Fair Dynamics S.r.l. (merged into Engineering Ingegneria Informatica S.p.A. at year end), Pyxis S.r.l. (merged into MHT S.r.l. at year end), Sofiter Tech S.r.l., Sogeit Solutions S.r.l., Infinity Technology Solutions S.p.A., SedApta US Corp., IT Soft US Inc., Bekast IT Consulting GmbH, KeyVolution GmbH and Infogroup S.p.A.; (ii) following the establishment of new companies such as OverIT international Inc., Engineering Software Labs GmbH. All the above-mentioned companies were consolidated as from their acquisition date.

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, 2017, 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's 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** ("Earning Before Interest, Taxes, Depreciation and Amortisation reported"): 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 doubtful 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 Company and the Group might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Company might not be comparable with the one calculated by the latter.

- **Adjusted EBITDA**: the APM calculated by the Company 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 Company might not be consistent with criteria adopted by other groups. Therefore, the balance obtained by the Company might not be comparable with the one calculated by the latter.

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

- **EBIT** ("Earning before interest and taxes"): the APM, calculated by the Company 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 Company deems that this is a useful indicator on its capacity to generate profit before financial management and tax effects.

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

- **Net Working Capital** discloses the net total amount of non-financial, current assets and liabilities. It permits to evaluate the ability of the Company and 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 and the Company, it is noted that they are determined based on financial statements and data analyses made in compliance with general and managerial accounts. The determination of the APMs is not governed by the reference accounting standards related to the preparation of Company and 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 and the Company, might not be consistent with the methods adopted by other companies and therefore might not be comparable.

REVERSE MERGER BETWEEN MIC BIDCO S.P.A AND ENGINEERING INGEGNERIA INFORMATICA S.P.A. OCCURRED DURING THE YEAR

For better clarity of disclosure, it could be useful to briefly describe the reverse Merger that involved the companies Mic Bidco S.p.A. ("Bidco") and Engineering Ingegneria Informatica S.p.A. ("Engineering"). It should be noted that Mic Bidco S.p.A., a special purpose entity only for the Public Tender Offer, controlled the entire share capital of Engineering Ingegneria Informatica S.p.A..

The envisaged Merger followed the acquisition with equity and indebtedness carried out by Mic Bidco S.p.A., which wholly acquired the share capital of Engineering Ingegneria Informatica S.p.A.. This purchase operation was concluded in the first days of July 2016.

Mic Bidco S.p.A. financed the investment, partly with its own capital and partly benefiting from a loan granted by a pool of banks and amounting to Euro 290 million. The Merger was effective on May 24, 2017 and this payable was charged to Engineering Ingegneria Informatica S.p.A.. After the Merger effective date, on June 26, 2017, Engineering Ingegneria Informatica S.p.A. used a credit line of Euro 130 million, together with cash and cash equivalents owned by Engineering Ingegneria Informatica S.p.A., to redeem the loan of Euro 290 million.

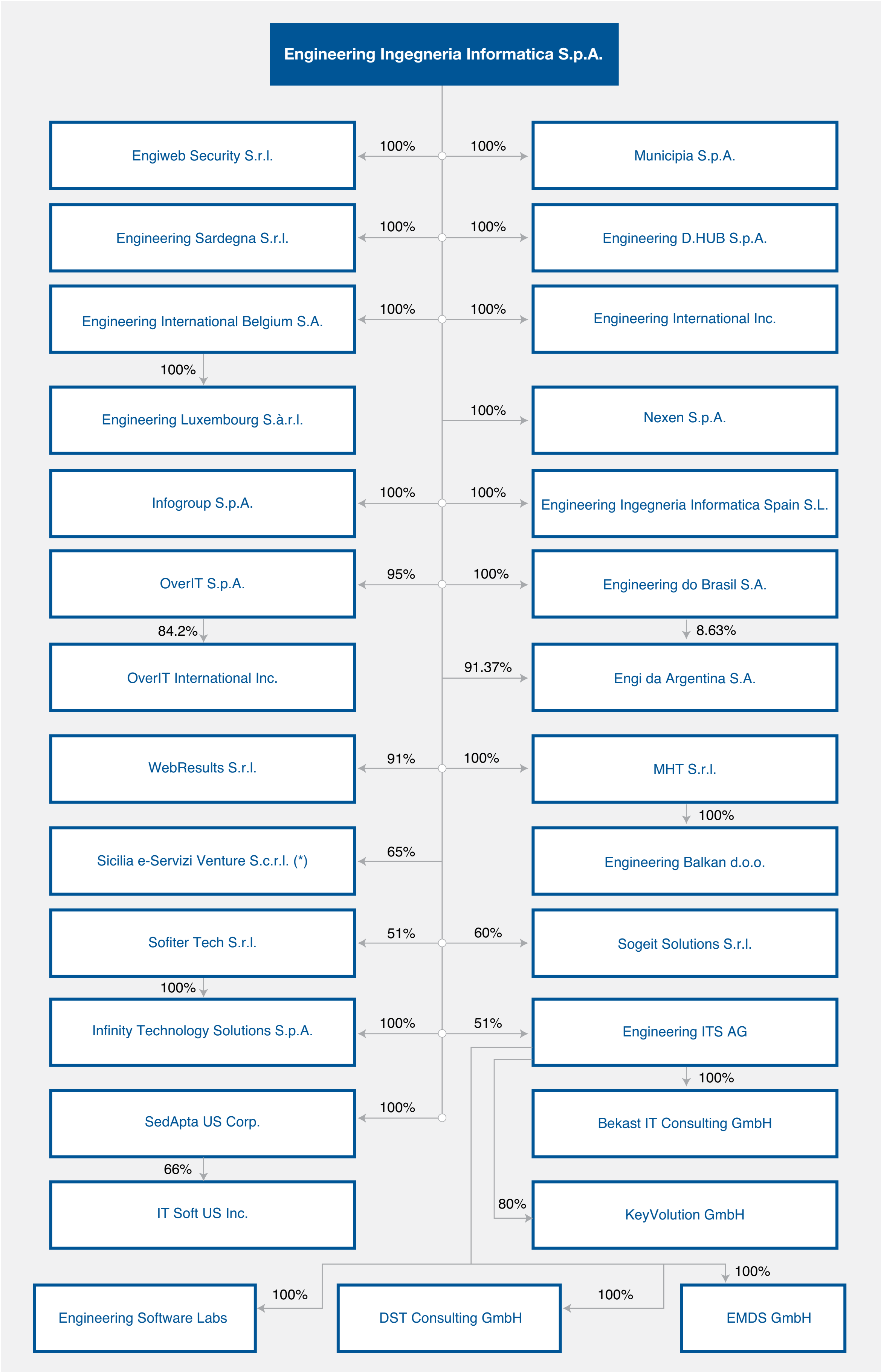
For a wider description of accounting profiles of the acquisition and following reverse Merger, refer to detailed information given in paragraphs "Reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A." and "Completion of accounting related to the acquisition of control of Ingegneria Informatica S.p.A. and its subsidiaries" in the Explanatory Notes to the consolidated financial statements.

Within the above-mentioned transaction, the reverse Merger did not change the consolidation scope, which remained unchanged compared to what was previously in place as of December 31, 2016. Comparative tables had to be in any case provided, in relation to the previous year, due to the fact that the company Mic Bidco S.p.A., albeit holding the direct control in Engineering Ingegneria Informatica S.p.A., had not prepared its consolidated financial statements as it availed itself of the right of exemption envisaged by Legislative Decree 127/1991, Article 27, paragraph 3, by reason of the fact that the consolidated financial statements was prepared by the Italian parent Mic Holdco S.r.l., and published within the terms set by law. Moreover, the comparative income statement tables reflect the accounting results for the company Mic Bidco S.p.A. for the entire year, while, for the Company Engineering Ingegneria Informatica S.p.A. and its subsidiaries they reflect accounts as from the acquisition date of control by Mic Bidco S.p.A., and therefore substantially as from end of June 2016. Within this context, in order to allow for a more immediate and exhaustive reading of performance results, the Directors' report included the comparative income statement tables that had been restated to reflect the values of the entire year for both Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A..

CONSOLIDATION SCOPE

The structure of the Group as of December 31, 2017 follows the implementation of a careful acquisition policy and subsequent integration processes which have resulted in the Group consisting of 29 companies, in addition to the Parent Company, 28 of which are in operation and one in liquidation (Sicilia e-Servizi Venture S.c.r.l.). 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 DECEMBER 2017



(*) The company Sicilia e-Servizi Venture S.c.r.l. was placed in liquidation during the course of 2014.

III. Group activities and operations

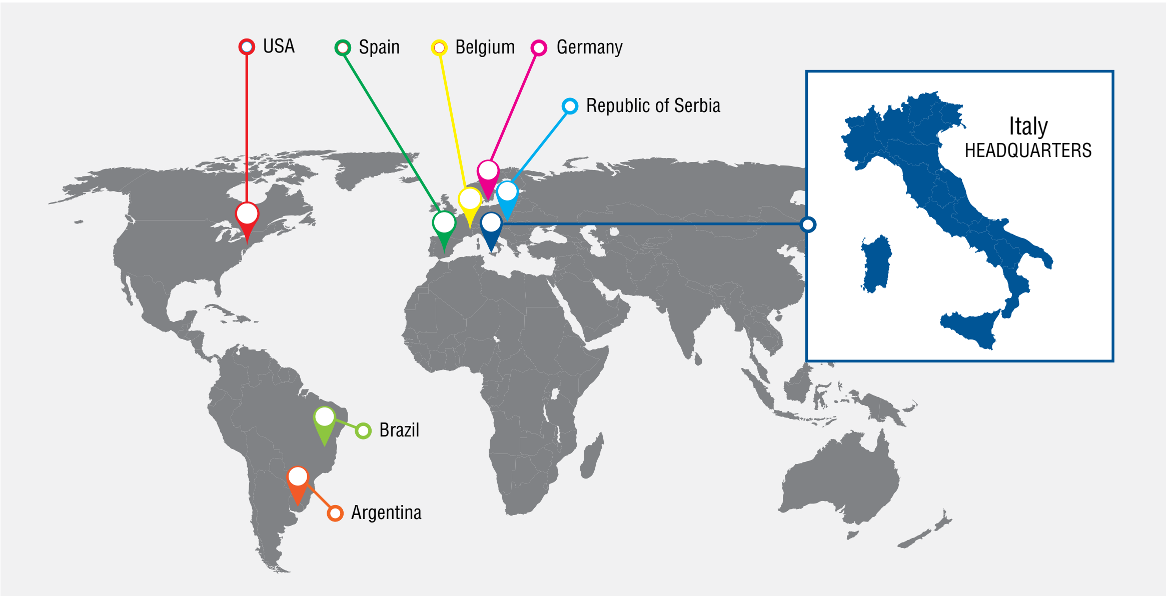
The Company Engineering Ingegneria Informatica S.p.A. was established in Padua on June 6, 1980 and it is a leading Group operating in Software and IT Services. Engineering Ingegneria Informatica S.p.A. is the leading Italian player of Digital Transformation.

Established on June 6, 1980

1st Italian IT operator

ICT services, products and consultancy

Present on all markets



With a network of 10,300 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. 15% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Utilities, Finance and Public Administration sectors.

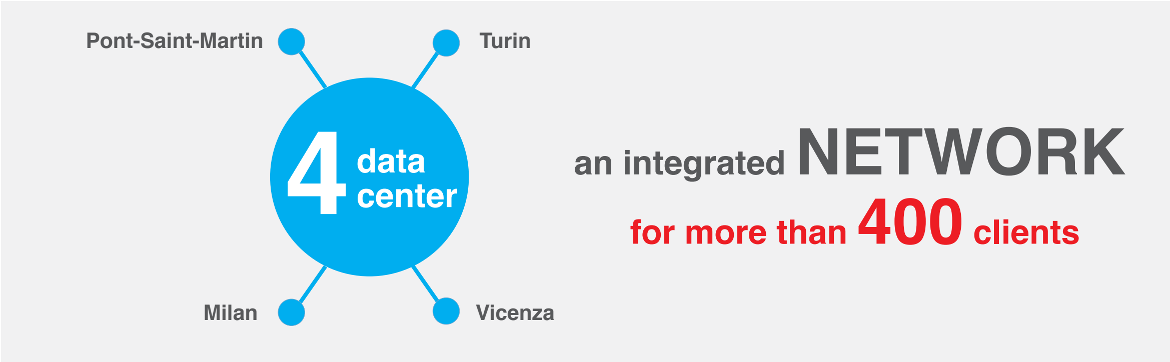
10,300 employees

50 offices

20 countries served

15% 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. Engineering Ingegneria Informatica S.p.A. 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 Ingegneria Informatica S.p.A. 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 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 Public Administration (SICER);
- Work Force Management systems (GEOCALL);
- Mobile Payments platforms (MPAY);
- systems for the management of municipal revenues (GERI, NETTUNO);
- business intelligence analytics systems (KNOWAGE);
- predictive maintenance systems for manufacturing (DIVE).

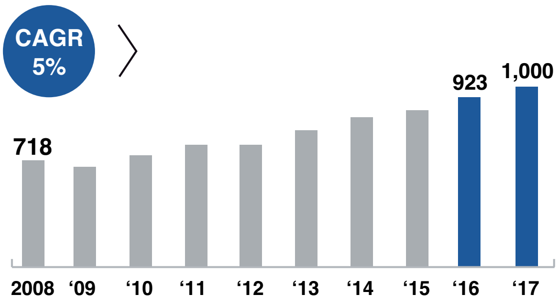
These are object of continuous investments aimed at the adoption of the latest technologies and the upgrading of business models in relation to the markets, to which they are intended.

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

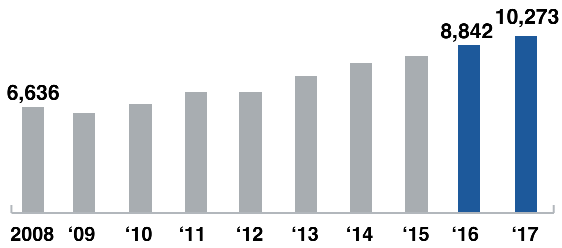
The Group's products are available under usage licences or service modalities based on Engineering's Cloud platform. This strong presence of proprietary solutions permits Engineering Ingegneria Informatica S.p.A. to stand out in the market and this is one of the main strong points with respect to competitors.

HIGHLIGHTS OVER THE LAST 10 YEARS

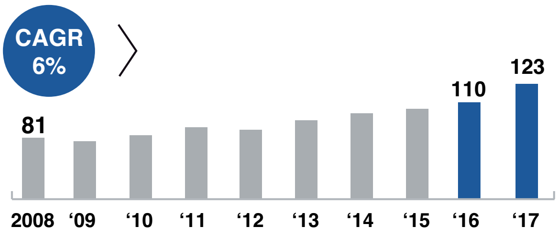
Net Sales (Data in Euro million)



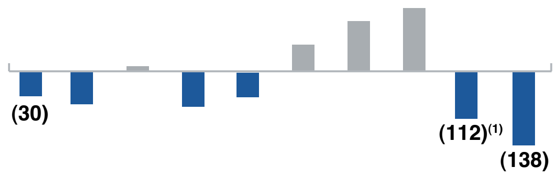
Tot. employees (Unit)



Adjusted EBITDA (Data in Euro million)



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



(1) Including Euro 290 million acquisition financing.

IV. Market overview

ECONOMIC OVERVIEW

The updated forecasts of IMF on world economy, performed in January 2018, envisage that the global economic activity will continue to consolidate based on the estimate that global production grew by 3.7% in 2017, i.e. 0.1 percentage points more than expected in Autumn and by half percentage point more than in 2016. The important figure is that growth recovery was generalised, with important increases in Europe and Asia.

Global growth expectations for 2018 and 2019 were reviewed upwards by 0.2 percentage points, to 3.9%. This review also included the effect of the estimated impact of recently approved changes on tax policies that recently occurred in the United States.

The IMF forecasts a GDP growth for the Eurozone of around +2.2% and +2%, in 2018 and 2019, respectively, with the three economies of the founding Country Members that will almost all report strong growth compared to the 2016-2017 period, namely the always driving Germany +2.3% (2018) and +2% (2019), France +1.9% (2018) and +1.9% (2019) and Italy +1.4% (2018) and +1.1% (2019).

The risks for the Eurozone might be related to the latest decisions of the USA Government with respect to the reintroduction of duties on specific products, despite the WTO agreements, which might have repercussions on German exports to the USA. German production, in its turn, supports the Italian exports, above all in the automotive segment.

THE ITALIAN ECONOMY

In March 2018, ISTAT confirmed the estimates made by the Government and certified that the Italian GDP grew by 1.5% in 2017.

As regards the economic activity sectors, which contributed the most to this increase, the metallurgy and metal products segments, excluding machines and plants, are to be highlighted, together with the textile industry, clothing products, leather and fittings and other manufacturing companies, and machines and equipment repairing and installation segments. This is an evidence that Italy, the second manufacturing country in Europe, is investing in the manufacturing sector, which is now a driving sector again.

Another figure that raised hopes is the deficit/GDP ratio, which stood at 1.9%, while the debt/GDP ratio for Italy amounted to 131.5%, down compared to 132.0% in 2016.

THE IT SECTOR

According to data of the IDC research in 2017, the ICT market grew by +1.9% compared to 2016 and for 2018 a further growth of +1.3% is expected.

The sectors that mostly contributed to this growth, albeit still small in absolute value, are those related to Big data and Analytics (+20.9%), with further increase, to +26.4%, estimated for 2018, the Cloud (+27.8%), with estimated +25.8% next year, and the IoT, with a +16.4% increase and +15.1% projections for 2018.

Moreover, the IDC research highlighted that, in 2017, augmented reality and virtual technologies boosted to +335.6%, with an estimated growth of +86.4% for 2018.

The Cyber Security segment reported a strong growth. This is another area where significant investments are being made by the Group, together with initiatives related to General Data Protection Regulation (GDPR), which is considered as an important chance for our Company given that, according to an EY report, only 33% of global companies (48% in Italy) are endowed with an adequate plan in view of the full application of the EU regulation in May 2018.

V. Operational overview

The investments destined to Research and Innovation were again confirmed in 2017, through the allocation of an adequate level of resources, in line with previous years.

The continuous investment in R&D activities is pivotal for the success of the Group, recognised to be a reliable partner, boasting a unique mix of process expertise, technological content and software products aligned to the best and most modern market trends.

The efficient organisation, which is focused on skill enhancement and the centralisation of the software development activities, allows important synergies to be achieved, thus guaranteeing the flexible and fast execution of the numerous projects the Group is involved in, with an operating model that allows us:

- to transfer the investments in technological innovation directly to the delivery, with immediate advantages for our clients;
- to guarantee the growth and constant update of the human and professional components;
- to consolidate our domain of the most complex and performing IT architectures;
- to develop in-depth knowledge of our clients' business, whether they are in the private sector or public institutions;
- to have cutting-edge technological infrastructure capable of providing very reliable services at a competitive price;
- to offer vertical solutions capable of competing on the international playing field;
- to rapidly integrate new units as a result of acquisition initiatives.

RESEARCH AND INNOVATION

The results of research activities had an immediate impact on the positioning of the Company as leader in digital innovation and on the development of our proprietary solutions:

- our technological platform, based on data centres in Pont-Saint-Martin, Turin, Vicenza and Milan, is able to offer an unique cross-platform Hybrid Cloud for the Italian market, thanks to its sound architecture and the variety of solutions available;
- the even more widespread application of Smart Intelligence algorithms had an impact on all sectors where the Company operates:
  - Healthcare, with the analysis of clinical data of our healthcare platform;
  - Utilities, for the recognition systems and optimisation of consumption;
  - Finance, with the Robotic Process Automation applied to optimisation projects of bank processes;
  - Industry, with the evolution of the DIVE platform, developed in partnership with COMAU and employing machine learning and big data technologies to support predictive and prescriptive maintenance processes;
- the investments on Augmented Reality devices and techniques rendered the Work Force Management GeoCall solution one of the world leaders in its sector;
- important developments were reported in Cyber Security, applied first to guarantee the security of our Data Centres and now representing a successful consultancy offer to support our services with one of the most advanced Security Operation Centres.

The above examples are only a few of the wide range of R&D activities in which the Company is committed, among which we recall:

- the employment of the forthcoming 5G network for the development of innovative applications on media and energy;
- the study of technology evolution applied to Defence, which is the object matter of the project PYTHIA - Predictive methodologY for TecHnology Intelligence Analysis, aimed at the European Defence Agency (EDA) on behalf of the EU Member States (Strategic Technology Foresight);
- the participation to Industry 4.0 programmes through the project MIDIH (Manufacturing Industry Digital Innovation Hubs), aimed at establishing a European network of "innovation/digital know how centres" for the manufacturing sector and the continuation of the Oedipus project, aimed at developing a FIWARE-based platform for the development of Industria 4.0 solutions;

- the continuation of research activities on Smart Cities, led to the development of CEDUS, a FIWARE-based, open platform for the development of highly reusable applications for Smart Cities, with cities such as Antwerp, Copenhagen and Helsinki as customers.

Under the quantity viewpoint, the year 2017 was a year rich in successes. We further increased our participation in domestic and European tenders with the acquisition of new research projects which, over the next few years, will allow us to develop innovative solutions and technologies which will enrich and strengthen our offer of digital solutions for all our customers.

At national level, the attention focused on the participation in tenders issued by MISE and MIUR, based on PON funds, with 17 proposals for a total value of around Euro 40 million over three years and aimed at developing large projects, consistent with the main priorities for the Country, especially with the Digital Agenda.

At European level, we have submitted over 80 research proposals within the Horizon 2020 Programme, with an award rate higher than the average of the Programme: with 35 projects acquired, our Group is ranked at the sixth position in Europe.

MARKET PERFORMANCE

■ FINANCE

In the Finance market, the Group obtained important results in terms of business volumes and profitability (both in absolute and percentage terms), thanks to a policy focused on both market trends and the care for quality solutions and efficiency of operating models.

The area of proprietary solutions played a central role thanks to:

- the offer of application solutions that, thanks to the widespread utilisation of the Big Data and Analytics latest technologies, enables process innovation for new business processes, featuring scalability and flexibility and a further rationalization and monitoring of service, implementation and maintenance costs;
- the sale of new solutions related to regulatory evolutions, including IFRS 9 and Anacredit;
- the development of the new IF Big Data platform, which allowed to obtain important positioning at primary Customers committed in developing Smart Data Lake and enhancing Big Data platforms, also for regulatory purposes.

In 2017, a new investment programme, called Evoluzione Corporate Performance Management (CPM), was started to complete the Compliance & Governance offer.

At the end of 2017, the company Infogroup S.p.A. became a member of the Engineering Group. This company was already part of the Intesa Sanpaolo Group, with core business almost entirely concentrated in the Finance area. In particular, the acquired company is specialised in services referred to Corporate Banking and Payment Systems. The integration of Infogroup S.p.A., within the Group, enriched our offer of solutions in the area of digital payment systems and in the bank insurance sector.

In 2018, and for the following years, for the Finance market Engineering Ingegneria Informatica S.p.A. intends to continue the growth roadmap of its products, followed over the last few years, with special reference to:

- the development of our offer in specialistic consultancy services on issues where our competence is acknowledged by the market: Compliance, Governance, Risk, Customer, Credit, Payments, Insurance and Advisor;
- the firm transfer on this market of all innovation issues included in the Group strategy, such as: Analytics, Robotic Process Automation, Cybersecurity and Cloud;
- the increase in the offer of services, scalable for the various types of reality, enhancing the assets inferred from the latest M&A transactions;
- the maintenance and development of the driving role played by proprietary solutions.

PUBLIC ADMINISTRATION

The Group operates in the Public Administration market both at central and local level and in the Healthcare segment, with a rich offer of leading solutions in the market.

Due to a questionable formal quibbling upheld by a TAR sentence (No. 01687/2016 REG.PROV.COLL of February 4, 2016), Engineering Ingegneria Informatica S.p.A. was excluded from most of Public Administration tenders, managed within the Consip application framework contract, with the consequent exclusion from important market opportunities for the entire 2017. In order not to lose positioning and expertise on important sectors of the Public Administration, we accepted subcontracted work (with lower margin) from companies that entered the areas that were previously managed by Engineering Ingegneria Informatica S.p.A..

At expiry of the above-mentioned framework contract, this situation was completely reversed with the assignment of over Euro 300 million orders at end 2017 and beginning of 2018, thus reaffirming the Group's leadership in this market sector.

CENTRAL PUBLIC ADMINISTRATION

Over the last few months, the following important contracts in central Public Administration were assigned to Engineering Ingegneria Informatica S.p.A.:

1. Traffic Control Authority (total assigned value of around Euro 116 million, of which Engineering Ingegneria Informatica S.p.A. is the assignee for around Euro 43 million);
2. INPS (total value assigned to RTI partners of around Euro 78 million, of which Engineering Ingegneria Informatica S.p.A. is the assignee for around Euro 57 million);
3. Equitalia (total value assigned to RTI partners of around Euro 16 million, of which Engineering Ingegneria Informatica S.p.A. is the assignee for around Euro 12 million);
4. Agricoltura Lotto 2 (total value assigned to RTI partners of around Euro 72 million, of which Engineering Ingegneria Informatica S.p.A. is the assignee for around Euro 24 million);
5. Call Center Consip - Framework Contract (total value assigned to RTI partners of around Euro 47.5 million, of which Engineering D.HUB S.p.A. is the assignee for around Euro 9.5 million).

The start-up of these projects, some of which subordinated to the conclusion of the contract procedure, will allow Engineering Ingegneria Informatica S.p.A. to begin to grow again in this market as well.

LOCAL PUBLIC ADMINISTRATION

In 2017, the Group obtained the final assignment of two lots related to the Consip framework contract for the Integrated Management Systems (SGI) in the local Public Administration (total value pertaining to the Company is equal to around Euro 158 million). The economic benefits of these important contracts will accrue after the signing of specific contracts with local Public Administrations (PAL) and, therefore, reasonably as from the third quarter of 2018.
Both Engineering Ingegneria Informatica S.p.A. and Municipia S.p.A. will benefit from the above, with particularly relevant projects for administration/management systems of large Cities and Regions.

HEALTHCARE

The year 2017 witnessed a consolidation in the Company's positioning in this market, with customers who confirmed their partnership relation with Engineering Ingegneria Informatica S.p.A. by renewing multi-annual contracts and with new important achievements (the latest are the Piedmont and Friuli Venezia Giulia regions).
Important investments in our solutions were developed in 2017, especially in the healthcare segment, with the widespread use of machine learning techniques for the analysis of the patient data.
The electronic medical record project is one of the first assignments by the Friuli Venezia Giulia Region, which is going to start at the end of the administrative procedure.

INDUSTRY & SERVICES

The economic recovery triggered a strong recovery in the companies' investments, also thanks to the drive of the national plan for digitalisation of manufacturing companies, which, in addition to tax benefits, undoubtedly contributed to the general confidence in the Italian production system.

Through the renewed Engineering D.HUB S.p.A. offer, Engineering Ingegneria Informatica S.p.A. introduced on the market a proposal of innovative digital services ranging from RPA (Robotic Process Automation) to in-cloud processing projects related to services for our customers.

The new series of products (DIVE), based on e-machine learning technologies for the predictive maintenance and the optimization of production processes, is being launched on the market of manufacturing companies and has already obtained the first significant references.

Nowadays, thanks to the important acquisitions that the Group has achieved in Italy, Germany and the United States, Engineering Ingegneria Informatica S.p.A. is one of the very few companies being able to support companies in their production cycle, from design up to the automation of production and, lastly, in after-sale activities, where predictive maintenance logics ensure customers the possibility to offer, in their turn, value added services.
Our solutions, based on the application of Augmented Reality techniques (GeoCall), are becoming leading solutions at global level in the Work Force Management area. Together with the strong competitiveness on ERP and CRM issues, these solutions are completing a unique offer for process coverage and geographical dissemination.

Customers such as Monsanto, Northrop Grumman, Siemens, Leonardo, Volkswagen and Ansaldo Energia are amongst the most relevant results achieved over this last period.

TELCO

Improved results are being reported in a strongly competitive sector like the Telco one. These results have been achieved thanks to the offer diversification process and widening of the market basis. The most significant activities include the following:

- the service area in Revenue Sharing with telephone operators (Mobile Payments, Centro Stella, Servizi Premium), which continued the significant growth in revenues already reported in 2016;
- the participation to Vendor Reeingeneering processes, in a strong competitive context;
- IT outsourcing of Tiscali, started at the beginning of the year, which remarkably contributed to the increase in revenue and margin of the Division;
- the customer Sirti, following the award of the tender for the upgrading of the customer's ERP platforms;
- the start-up of important projects within the Open Fiber Billing and Assurance areas;
- consultancy for an important market operator.

UTILITIES

Engineering Ingegneria Informatica S.p.A. reported a 15% growth in volumes, thus confirming itself as one of the main players in this market thanks to the success of its Net@ and OverIT proprietary solutions, now available in the Cloud versions based on the Group Hybrid Cloud platform.

Some of the projects implemented are the flagship products of digital transformation, through the study of large Cloud-based systems with a widespread application of the Agile and DevOps design and development techniques. Other Group companies (OverIT S.p.A. and WebResults S.r.l.) contributed to the success obtained in this market, with high profile projects at international level.

The year 2017 saw the beginning of our presence on the Spanish market, with the first important customers and partnership relations for the dissemination of our solutions.

The experimentation of our NILM (Non Intrusive Load Monitoring) solutions for the consumption data analysis began in 2018 for some important customers. The Engineering solution, unique on the market, employs the Group's expertise on IoT and Machine Learning for the reading and interpretation of data on consumption to relate them to the device/household appliance that generated it.

This is a veritable revolutionary solution in the field of energy consumption control.

VI. Personnel

WORKFORCE AND TURNOVER

As of December 31, 2017 the Group workforce with indefinite-term contracts numbered 10,273, of which 944 abroad (they were 8,842 and 731, respectively, as of December 31, 2016).
The number of employees grew by 1,431 (+13.9%) individuals compared to December 2016, with an increase of 1,218 individuals in Italy and 213 individuals abroad.

The policy of hiring young, recent graduates continues, and the hiring of over 500 individuals is expected within the current year.

Some detailed figures are provided below, related to 2017, with reference to the Group workforce:

- graduated people total 59.29%;
- women totalling 31%;
- the average age is 42;
- the number of executives was equal to 3.4%;
- employees with Super Management / Management qualifications total 18.86%.

TRAINING

During 2017, 359 different editions of training courses - relative to 212 different courses - were held in the classrooms of the IT & Management Engineering Academy “Enrico Della Valle”, an increase of 7.6% with respect to 2016.

The educational activities involved about 3,265 participants, totalling 14,631 man-days of classroom training, a 3.9% increase with respect to 2016. Thanks to the corporate Learning Management System FORENG, the various initiatives of remote training through wbt and webinars, available to Group employees are to be mentioned.

Amongst the number of training initiatives performed during the year, the following are worth mentioning:

- the start-up of five different full immersion residential training courses, aimed at hiring 60 brilliant new University leavers as SAP consultants and Java Developers;
- the completion of the first Engineering Project Management Master (MPM), addressed to 35 Project Senior Managers of the Company, where, in addition to the preparation aimed at obtaining the prestigious PMP certification, a full training is offered on what is expected by Project Managers (PM) on specific issues of Project Management, with special reference to the project and customer management strategy, as well as to both the correct analysis and management of contracts and risks and the team management. The start-up of e-learning training courses, addressed to all Group employees, on statutory and general interest topics such as the adoption of the new communication, collaboration and sharing tools and the corporate Quality System. Usable at any time through the corporate FORENG Learning Management System, these training products will permit to support the organisational change of the Company, while ensuring the effective and large-scale wide spreading of key contents;
- the didactic activities, integrated by training in class and e-learning, were aimed at obtaining professional certificates for the Group staff on the main technologies and methods in the IT world. Through these training actions, in 2017, Group employees successfully passed over 850 exams and obtained prestigious certifications such as PMP, ITIL, SCRUM, CBAP, Prince2, Microsoft, Oracle, SAP, Cisco, VMware and others. This result was possible due to the accreditation of the School of Ferentino as official Testing Center and the continual refinement of the specific intensive exam preparation processes;
- the continuation of the series of seminars called “I Martedì dell’Innovazione” (Tuesdays of innovation), focused on issues of particular interest related to the IT world at the IT & Management School. Within these seminars, the main characteristics and possible impact of Digital transformation on the business were shown, from the new application challenges of smart intelligence, to the evolution of the Brand Identity in the time of social media, with a deeper analysis of the strategies of Innovation management within the Company. The series will continue throughout 2018 with a new series of seminars.

VII. Outlook

With all economic indicators reporting a strong growth, as described in the following paragraph on Financial highlights, the results for 2017 were achieved despite the Group's main market had been penalised by the exclusion of Consip conventions.

With the year 2018, upon expiry of the above-mentioned convention, Engineering Ingegneria Informatica S.p.A. returned to be the main player on the Public Administration market, with the recent award of the main orders issued by central and local Public Administration. The effects of the new contracts will be seen between 2018 and 2019, according to the start-up timing of the related projects.

The investments that companies in every market have scheduled in order to benefit from new technologies, will enhance growth in sectors such as Cloud Computing, IoT, Smart Intelligence, Cyber Security, areas in which the Company focused its investments by upgrading its infrastructures and products and developing state of the art expertise in all fields of digital transformation.

Acquisitions made in 2017 will develop all their potential during 2018, while supplying new products (especially in the banking and safety sector) and will guarantee still higher operating efficiency.

For the reasons explained above, we are facing 2018 with the utmost optimism and the new year will witness the positioning of the Group as leading entity in the sector in terms of revenue and profitability.

VIII. Financial highlights

MAIN FINANCIAL DATA

The main financial data related to the year 2017 are show hereunder compared with the restated previous year, as described hereunder.

2017 Run-rate pro forma main financial data
The main pro forma financial data for 2017 are disclosed herein in order to highlight the related results if the acquired companies had been consolidated on a line-by-line basis by the Engineering Ingegneria Informatica S.p.A. Group as from January 1, 2017 and not at the acquisition date of control.

2016 comparative main financial data
While considering that the comparative income statement tables reflect the accounting results for the company Mic Bidco S.p.A. for the entire year and, for the company Engineering Ingegneria Informatica S.p.A. and its subsidiaries they reflect accounts as from the acquisition date of control by Mic Bidco S.p.A., therefore substantially since end of June 2016, the Directors' report included the comparative income statement tables that had been restated to reflect the values of the entire year for both Engineering Ingegneria Informatica S.p.A. and its subsidiaries in order to allow for a more immediate and exhaustive reading of performance results. If the 2016 restated comparative income statement included also the results of Mic Bidco S.p.A. for the entire 2016, the net result would have been Euro 36.4 million.

(in millions of Euros)

Description	31.12.2017	31.12.2017 pro-forma run-rate	31.12.2016	% change	
				Yoy	Yoy PF
Total revenues	**1,028.8**	**1,119.8**	**934.6**	**+10.1**	**+19.8**
Net revenues	**1,000.2**	**1,090.4**	**907.6**	**+10.2**	**+20.1**
Adjusted EBITDA (*)	**122.9**	**135.8**	**108.4**	**+13.5**	**+25.3**
% of net revenues	+12.3	+12.5	+11.9		
Reported EBITDA	**113.5**	**126.4**	**108.4**	**+4.8**	**+16.6**
% of net revenues	+11.3	+11.6	+11.9		
Amortisation and depreciation	**29.7**	**31.2**	**17.7**	**+68.2**	**+77.0**
Allocations	**19.1**	**23.4**	**34.7**	**-45.1**	**-32.5**
EBIT	**64.8**	**71.7**	**56.0**	**+15.7**	**+28.1**
% of net revenues	+6.5	+6.6	+6.2		
Net profit	**52.3**	**57.6**	**45.3**	**+15.3**	**+27.1**
% of net revenues	+5.2	+5.3	+5.0		
Shareholders' equity	**587.0**	**591.5**	**486.7**	**+20.6**	**+21.5**
Net debt	**(138.1)**	**(138.1)**	**177.7**	**-177.7**	**-177.7**
% debt/equity					
ROE % (N.P/N.E.)	**+8.9**	**+9.7**	**+9.3**	**-4.4**	**+4.6**
ROI % (EBIT/N.C.E.)	**+8.9**	**+9.8**	**+18.1**	**-50.9**	**-45.6**
No. of employees	**10,273**	**10,273**	**8,842**	**+16.2**	**+16.2**

(*) Adjusted EBITDA refers to the EBITDA results gross of stock option costs.

The Engineering Ingegneria Informatica S.p.A. Group ended the year 2017 with a double-digit growth, both in revenue and profitability (Net revenues +10.2%; reported EBITDA +13.4%).

In detail:

- total revenues grew by Euro 94.2 million (+10.1%) and achieved Euro 1,028.8 million (of which Euro 19.7 million for new acquisitions);
- adjusted EBITDA amounted to Euro 122.9 million (of which Euro 4.4 million for new acquisitions), up by 13.5% million compared to the previous year, which becomes Euro 113.5 million (reported EBITDA) after accounting of non-recurring charges related to the figurative cost of stock options, equal to Euro 9.4 million, pursuant to the IFRS 2 standard;
- EBIT totalled Euro 64.4 million, with a profitability of around 6.5%. The analysis of item amortisation and depreciation will be described in further detail hereunder;
- net profit totalled Euro 52.3 million, an increase of 15.3% compared to the same period of the previous year;
- the Group reported a net financial position, amounting to -Euro 138.1 million compared to +Euro 177.7 as of December 31, 2016, mainly due to the loan of around Euro 290 million that was accounted by reason of the reverse Merger of Mic Bidco S.p.A. into the parent company.

It should be noted that, by consolidating the companies acquired during the year, with effect as from January 1, 2017 (so called "Pro-Forma Run-Rate"), the increases over 2016 would be still higher, in particular:

- total revenues stood at Euro 1,119.8 million (+19.8%);
- adjusted EBITDA stood to Euro 135.8 million (+25.3%);
- reported EBITDA stood to Euro 126.4 million (+16.6%);
- net profit amounted to Euro 57.6 million (+27.1%).

Alternative Performance measures

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

(in millions of Euros)

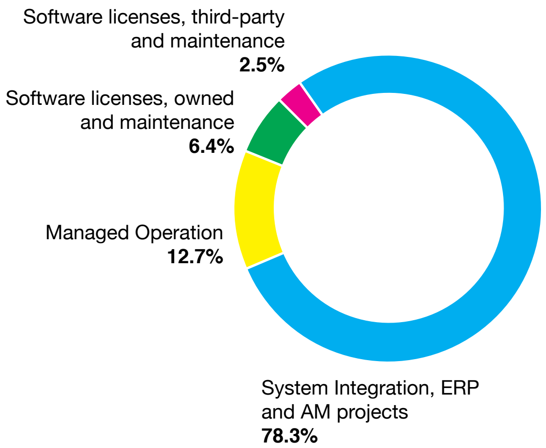
Description	2017	2016
Net profit/(loss)	52.3	45.3
Taxes	6.0	22.4
Financial income/(charges)	6.5	11.7
Amortisation/depreciation and write-downs	48.7	52.4
Reported EBITDA	**113.5**	**108.4**
Non-recurring charges related to figurative costs of stock options	9.4	-
Adjusted EBITDA	**122.9**	**108.4**

Net revenues are reported hereunder for the Service Line, highlighting results, in percentage terms, that are substantially unchanged compared to the previous year:

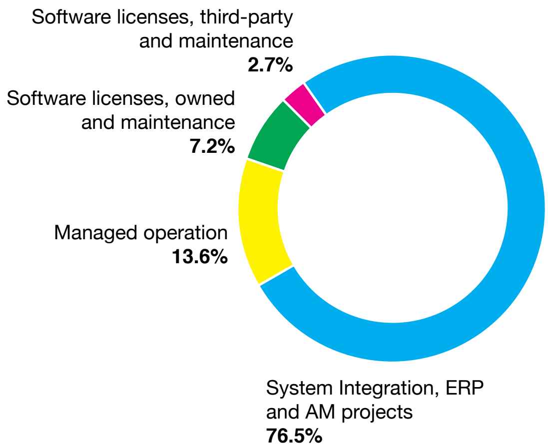
(in millions of Euros)

Service line	31.12.2017		31.12.2016		% change
		%		%	YOY
System Integration, ERP and AM projects	783.4	78.3	694.6	76.5	+12.8
Managed operation	127.5	12.7	123.2	13.6	+3.5
Software licenses, owned and maintenance	64.0	6.4	65.0	7.2	-1.6
Software licenses, third-party and maintenance	25.4	2.5	24.9	2.7	+1.8
Total net revenues	**1,000.2**	**100.0**	**907.6**	**100.0**	**+10.2**

2017



2016



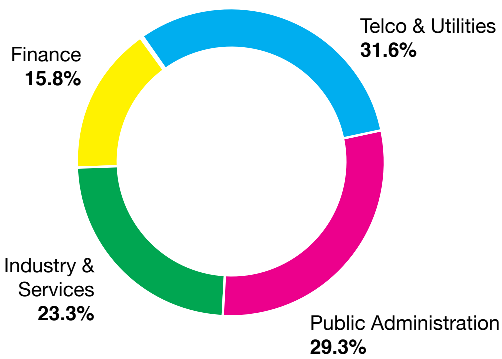
The detail of revenues and reported EBITDA, apportioned by market, are shown hereunder. Direct revenues and costs are allocated according to the relevant sector. Other revenues or income and central structural costs, not specifically identifiable to markets, are allocated in relation to the contribution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

(in millions of Euros)

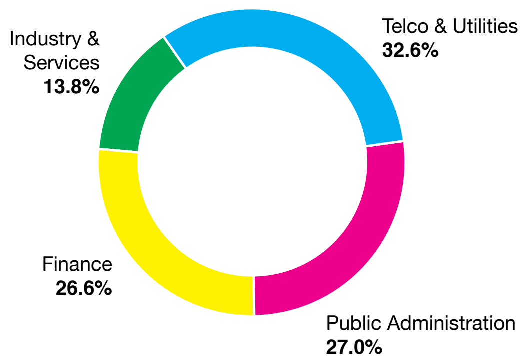
Description	31.12.2017		31.12.2016		% change
		%		%	YOY
Total revenues					
Finance	158,196,451	15.8	143,352,527	15.8	+10.4
Public Administration	292,787,719	29.3	276,215,244	30.4	+6.0
Industry & Services	232,749,165	23.3	214,717,568	23.7	+8.4
Telco & Utilities	316,442,313	31.6	273,316,338	30.1	+15.8
Net revenues	**1,000,175,648**	**100.0**	**907,601,678**	**100.0**	**+10.2**
Other revenues	28,621,810		27,005,356		+6.0
Total revenues	**1,028,797,459**		**934,607,034**		**+10.1**

Description	31.12.2017	%	31.12.2016	%	% change YOY
EBITDA (gross operating margin)					
Finance	32,663,654	26.6	26,753,545	24.7	+22.1
% of net revenues	20.6		18.7		
Public Administration	33,228,927	27.0	36,106,447	33.3	-8.0
% of net revenues	11.3		13.1		
Industry & Services	16,981,587	13.8	12,243,624	11.3	-38.7
% of net revenues	7.3		5.7		
Telco & Utilities	40,070,099	32.6	33,263,346	30.7	+20.5
% of net revenues	12.7		12.2		
Total adjusted EBITDA	**122,944,267**	**100.0**	**108,366,961**	**100.0**	**+13.5**
% of net revenues	12.3		11.9		

2017 Reported Revenue



2017 Reported EBITDA



OPERATING EXPENSES

Operating expenses increased overall by approx. Euro 85.4 million, compared to 2016.

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

- personnel costs increased by approx. Euro 51.8 million (+9.7%);
- service costs increased by approx. Euro 30.2 million (+6.9%).

The increase in personnel costs is mainly related to incoming resources from acquisitions made over the year, around 935 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 a decrease of around Euro 3.6 million. Compared to last year, amortisation/depreciation decreased due to leave incentives carried out in 2016 (-Euro 18.6 million for allocations) and +Euro 11.4 million for amortisation/depreciation that are attributable to the completion of accounting activities related to the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries by Mic Bidco S.p.A..

(in Euros)

Description	31.12.2017	31.12.2016	Change	
			Absolute	%
Personnel costs	518,886,310	467,050,379	51,835,931	+11.1
Service costs	367,419,368	337,221,448	30,197,920	+9.0
Raw materials and consumables	16,322,136	13,675,984	2,646,153	+19.3
Depreciation, amortisation and allocations	48,740,685	52,357,783	(3,617,098)	-6.9
Other costs	12,651,191	8,292,262	4,358,929	+52.6
Total operating expenses	**964,019,691**	**878,597,855**	**85,421,835**	**+9.7**

OPERATING PROFIT AND NET PROFIT

Operating profit

(in Euros)

Description	31.12.2017	31.12.2016	% change
Adjusted EBITDA	**122,944.267**	**108,366,961**	**+13.5**
% of net revenues	+12.3	+11.9	
Difference between total revenues and operating expenses before depreciation/amortisation and allocations (REPORTED EBITDA)	**113,518,453**	**108,366,961**	**+4.8**
% of net revenues	+11.3	+11.9	
Operating profit after depreciation/amortisation (EBIT)	**64,777,768**	**56,009,179**	**+15.7**
% of net revenues	**+6.5**	**+6.2**	

Net profit

Group net profit totalled Euro 52.3 million, an increase of 15.3% over the amount reported in 2016. The tax rate decreased from 33.1% in 2016 to 10.3% in 2017, following the decrease in IRES tax rate, which was reduced by 350 basis points compared to the previous year and the tax effects resulting from transactions that involved the Group, as described in the foreword.

(in Euros)

Description	31.12.2017	31.12.2016	% change
Operating profit after depreciation/amortisation (EBIT)	**64,777,768**	**56,009,179**	**+15.7**
Financial income/(charges)	(5,490,788)	11,740,866	-146.8
Income/(charges) from investments	(998,988)	(59,603)	+1,576.1
Profit before taxes	**58,287,992**	**67,690,442**	**-13.9**
% of net revenues	+5.8%	+7.5%	
Income taxes	6,023,727	22,375,974	-73.1
Tax rate	+10.3%	+33.1%	
Net profit	**52,264,265**	**45,314,467**	**+15.3**
% of net revenues	+5.2%	+5.0%	
of which Engineering Group	50,240,665	45,316,564	
Minority interest	2,023,600	(2,097)	

IX. Statement of financial position

The 2016 restated comparative income statement tables are shown hereunder to disclose the figures for the entire year of Engineering Ingegneria Informatica S.p.A. and its subsidiaries.

The statement of cash flows 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 105 million and stood at around Euro 207 million as of December 31, 2017. The decree is due mainly to the redemption of the loan, equal to Euro 290 million, resulting from the reverse Merger between Mic Bidco S.p.A. and Engineering Ingegneria Informatica S.p.A., occurred in May 2017, as described in the foreword. The repayment of Euro 290 million occurred by using both the already existing cash and the cash resulting from the entering of new loans to support the repayment of debt and M&A activities. Cash flows from operations increased in connection with the increase in sales.

(in Euros)

	Description	31.12.2017	31.12.2016
	Revenues from the sales of products/services - third parties	1,215,443,878	1,066,128,519
	Costs for goods and services - third parties	(492,155,885)	(431,831,478)
	Personnel costs	(537,568,020)	(467,695,098)
	Interest received from operating activities	252,443	1,327,691
	Interest paid for operating activities	(391,104)	(608,686)
	Exchange differences	(80,218)	(392,576)
	Income tax payments and reimbursements	(96,999,903)	(102,155,351)
A)	**Total cash flow from operating activities**	**88,566,920**	**64,776,021**
	Sale of tangible fixed assets	236,062	763,836
	Purchase of tangible fixed assets	(7,973,608)	(8,554,853)
	Purchase of intangible fixed assets	(3,136,538)	(2,272,954)
	Purchase of investments in subsidiaries	(98,320,977)	(19,410,206)
	Purchase of business unit	(2,394,406)	(121,323)
	Purchase of other investments and securities	(498,126)	(382,798)
	Sale of other investments and securities	20,431	0
B)	**Total cash flow from investing activities**	**(110,385,971)**	**(29,965,549)**
	New loans	299,125,745	92,008,205
	Repayment of loans	(392,901,810)	(25,095,378)
	Dividends distributed	(2,300,218)	(2,259,763)
	Change in consolidation scope	17,040,974	2,288,813
	Interest received for financing activities	38,781	0
	Interest paid for financing activities	(4,815,820)	(864,804)
C)	**Total cash flow from financing activities**	**(83,395,438)**	**66,077,336**
D)	**= (A+B+C) Change in cash and cash equivalents**	**(105,214,489)**	**100,887,807**
E)	**Cash and cash equivalents at beginning of year**	**312,232,343**	**211,344,536**
F)	**= (D+E) Cash and cash equivalents at end of year**	**207,017,853**	**312,232,343**

NET FINANCIAL POSITION

The net financial position stood at -Euro 138.1 million, down compared to the end of 2016 (+Euro 177.7 million).

The Group's changed availability of financial resources is connected with the reverse Merger of Mic Bidco S.p.A. in Engineering Ingegneria Informatica S.p.A., which involved the redemption of an already existing loan with Mic Bidco S.p.A. (around Euro 290 million) by using cash on hand and a new loan for the amount of Euro 130 million (for details reference is made to the following paragraphs and the Explanatory Notes).

(in Euros)

Description	31.12.2017	31.12.2016
Cash	49,131	42,565
Other liquid assets	206,968,722	312,111,458
A) Cash and cash equivalents	**207,017,853**	**312,154,023**
B) Current financial receivables	**2,700,000**	**0**
Current bank payables	(5,231,331)	(4,321,051)
Current borrowing	(94,720,362)	(31,849,453)
Other current financial payables	(15,403,365)	(10,183,341)
C) Current borrowing	**(115,355,058)**	**(46,353,845)**
D) Net current financial position (A+B+C)	**94,362,796**	**265,800,178**
Non-current borrowing	(224,003,101)	(85,597,774)
Other non-current payables	(8,421,950)	(2,458,570)
E) Non-current borrowing	**(232,425,051)**	**(88,056,345)**
F) Net financial position (D+E)	**(138,062,255)**	**177,743,833**

CENTRALISED TREASURY

The coverage of financial needs is permitted by subscribing to suitable credit lines and the long used cash-pooling, as well as with the optimal management of surplus cash.

In particular, with regard to credit lines, it should be noted that loans granted to the Parent Company by Banca Intesa Sanpaolo, Banca Nazionale del Lavoro, Banca Popolare di Milano and Unicredit were rescheduled and granted by a pool of the same banks, through Banca IMI, to cover requirements resulting from the acquisition and the related Public Tender Offer (OPA), to which the Company was subjected and that ended in July 2016.
The above led to the granting of two credit lines of Euro 130 million for a forward loan (5-year duration from closing date of April 11, 2016) and Euro 75 million as revolving loan, of the same duration, intended to cover the medium/short-term needs for both possible further acquisitions and general cash requirements and to support working capital.
Following the reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., the credit line of Euro 130 million was used last June 26, 2017. This credit line and cash on hand were used to redeem the loan of Euro 290 million that had been granted by the previously described pool of banks and used within the OPA transactions that last year permitted Mic Bidco S.p.A. to acquire the whole share capital of Engineering Ingegneria Informatica S.p.A..
Due to the aforesaid events, the Group's net financial position has remarkably changed. During the year, given the commitments and growth strategy, both structural and through acquisitions, the Group performed also short-term procurement transactions that had not been adopted for a long time.
Hot money transactions, for a total amount of Euro 45 million, were agreed at particularly favourable interest rates, ranging from 0.05% to 0.10%. Near year end, important non-recourse factoring transactions were signed with Mediocredito Italiano and Banca Farmafactoring, for a total amount of Euro 90 million. For the acquisition of Infogroup S.p.A. a new loan, amounting Euro 61.4 million and with a duration of 6 years, was granted by Banco BPM. The Group's excellent rating, ongoing dialogue and discussion with the various banks allowed us to take advantage of the best conditions offered based on real need and to keep financial charges as low as possible.
During the year, some subsidiaries had to cover financial commitments that exceeded their liquidity. The cash-pooling provided most of them with facilitated access to the liquidity of the Parent Company, while other companies obtained direct loans. The above loans were obtained at rates which could not have been achieved independently on the market and with the advantage of the best allocation of resources within the Group.

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

WORKING CAPITAL

The net working capital increased by Euro 15.1 million compared to 2016 (+5.7%), amounting to Euro 278.0 million.

The trend of the net working capital is the result of the increase in items "Trade receivables", "Construction contracts" and "Trade payables" due to the adherence to the consolidation scope of new companies.

It should be noted that the percentage impact of net working capital on net revenues decreased from 28% in 2016 to 27% in 2017, with an improvement of 100 basis points over an increase in net revenues of +10.2%. 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	31.12.2017	31.12.2016	Change	
			Absolute	%
Current assets				
Inventories and construction contracts	150,521,693	143,966,228	6,555,464	+4.6
Trade receivables	550,834,537	531,434,221	19,400,316	+3.7
Other current assets	72,606,806	58,981,352	13,625,454	+23.1
Total	**773,963,035**	**734,381,802**	**39,581,234**	**+5.4**
Current liabilities				
Trade payables	(318,140,848)	(284,545,467)	(33,595,381)	+11.8
Other current liabilities	(177,819,565)	(186,916,732)	9,097,166	-4.9
Total	**(495,960,413)**	**(471,462,199)**	**(24,498,214)**	**+5.2**
Net working capital	**278,002,622**	**262,919,603**	**15,083,019**	**+5.7**

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 27.0% at year end, compared to 28.1% in 2016.

(in Euros)

Description	31.12.2017	31.12.2016	Change	
			Absolute	%
Property, plant and equipment	38,304,315	26,267,690	12,036,625	+45.8
Intangible assets	477,865,612	484,202,558	(6,336,946)	-1.3
Goodwill	129,985,817	57,662,300	72,323,517	+125.4
Equity investments	150,975	131,573	19,402	+14.7
Fixed assets	**646,306,720**	**568,264,121**	**78,042,598**	**+13.7**
Short-term assets	773,963,035	734,381,802	39,581,234	+5.4
Short-term liabilities	(495,960,413)	(471,462,199)	(24,498,214)	+5.2
Net working capital	**278,002,622**	**262,919,603**	**15,083,019**	**+5.7**
Other non-current assets	38,046,242	28,210,757	9,835,485	+34.9
Post-employment benefits	(67,709,887)	(64,649,744)	(3,060,143)	+4.7
Other non-current liabilities	(166,177,514)	(154,269,591)	(11,907,922)	+7.7
Net capital employed	**728,468,184**	**640,475,146**	**87,993,038**	**+13.7**
Shareholders' equity	583,293,365	530,554,555	52,738,810	+9.9
Minority interest shareholders' equity	4,412,564	1,170,574	3,241,990	+277.0
Total shareholders' equity	**587,705,929**	**531,725,128**	**55,980,801**	**+10.5**
(Availability)/Financial indebted. M/LT	232,425,051	88,056,345	144,368,706	+164.0
(Availability)/Financial indebted. ST	(91,662,796)	20,693,673	(112,356,468)	-543.0
(Availability)/Financial indebted.	**140,762,255**	**108,750,017**	**32,012,238**	**+29.4**
Total sources	**728,468,184**	**640,475,146**	**87,993,038**	**+13.7**

RECONCILIATION

The reconciliation between the financial statements as of December 31, 2017 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.	34,333,357	572,484,719
Net profit and shareholders' equity of consolidated companies	26,233,507	155,612,372
Total	**60,566,864**	**728,097,091**
Elimination of the net book value of investments in consolidated subsidiaries and any intercompany dividend	(49,048)	(220,938,640)
Valuation of associated companies under the equity method	0	0
Other adjustments	(8,253,552)	78,523,878
Total consolidated profit and shareholders' equity	**52,264,265**	**585,682,329**
of which Minority Interest net profit/(loss) and shareholders' equity	2,023,600	2,388,964
Group consolidated net profit and shareholders' equity	**50,240,665**	**583,293,365**

X. Significant events during the year

The significant events are detailed below:

- on January 24, 2017, Engineering Ingegneria Informatica S.p.A. acquired the Business Unit of the company Dekra Italia S.r.l., which operates in the field of managerial consultancy services through applications and technological platforms;

- on February 2, 2017, Tiscali Italia S.p.A. rented a Business Unit to Engineering Sardegna S.r.l. for seven years. This Business Unit is intended for the performance of IT services in favour of Tiscali Italia S.p.A.. The same Tiscali Italia S.p.A. outsourced to Engineering Sardegna S.r.l. the performance of corporate business and the implementation of some information projects;

- on March 1, 2017 the Extraordinary Shareholders' Meetings of Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A. resolved on the authorization of the Merger by reverse absorption of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.. The related deeds were filed at the pertaining Chambers of Commerce on March 10, 2017. The execution of the related Merger deed was scheduled on May 15, 2017;

- on March 7, 2017 Engineering Ingegneria Informatica S.p.A. acquired a minority interest, equal to 19% of the Share Capital of the company Consel S.r.l. – Pubblico & Privato, with registered office in Casciago (VA), Via Pozzi no. 33, share capital of Euro 10,200. Consel S.r.l. – Pubblico & Privato operates in the sector of general consultancy services, especially in the fields of marketing and communication;

- on March 7, 2017, Engineering Ingegneria Informatica S.p.A. acquired 100% of the share capital of the company Fair Dynamics Consulting S.r.l., with registered office in Milan, via Carlo Farini, no. 5. Fair Dynamics Consulting S.r.l. was established as a professional and university centre specialised in the management of complexities through simulation techniques and methods;

- on March 23, 2017, Engineering Ingegneria Informatica S.p.A. acquired 5.1809% of the share capital of Consorzio Cefriel S.c.a.r.l. from Eutelia S.p.A. in special administration. Through this acquisition, Engineering Ingegneria Informatica S.p.A. now owns 15.5427% of the share capital of Consorzio Cefriel S.c.a.r.l.;

- on April 20, 2017, Engineering Ingegneria Informatica S.p.A. subscribed a reserved capital increase of the company Sofiter Tech S.r.l.. With this transaction, Engineering Ingegneria Informatica S.p.A. now owns 51% of the company's share capital;

- on May 19, 2017, the company OverIT International Inc. was established with registered office in Miami, to offer OverIT solutions in WFM, a Geocall product, to the US market. The equity investment is equal to 84.20%;

- after the last recording step that was made to file the transaction at the competent Chamber of Commerce, the reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A. was completed on May 24, 2017;

- on June 22, 2017, Engineering acquired the IT Business Unit of the company SP Sapiens S.r.l.;

- on June 28, 2017, the closing related to the acquisition of Pyxis S.r.l. was carried out. The Engineering Ingegneria Informatica S.p.A. Group acquired 100% of the share capital through its subsidiary MHT S.r.l.;

- on June 28, 2017, the Board of Directors of Engineering Ingegneria Informatica S.p.A. approved a stock option plan;

- on July 10, 2017, Engineering Ingegneria Informatica S.p.A. acquired 60% of the company Sogeit Solutions S.r.l., with registered office in Rome, Piazza Irnerio, 67. The remaining portion of share capital is owned by the company Sogeit Solutions S.r.l.;

- on July 18, 2017, the Extraordinary Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A. resolved on a capital increase for further Euro 40,081,172.00 to support the management incentive plan. The management of the plan is consistent with the regulation that will govern terms and assignment of shares upon achievement of the events defined within the plan. The current share capital of Euro 31,875,000.00, fully subscribed and paid in, remained unchanged;

- on July 26, 2017, Engineering Ingegneria Informatica S.p.A. completed the purchase of a further 20% of the share capital of WebResults S.r.l., thus achieving, by effect of this acquisition, 91% of the company's share capital;

- the Extraordinary Shareholders' Meeting of Engineering.mo S.p.A. was held on July 26, 2017. On that occasion, the resolution was taken to change the name of the company in Engineering D.HUB S.p.A..
  D.HUB is the crasis of 'DIGITAL' and 'HUB', and represents the new vision and the natural evolution of the business towards a service platform supporting digital transformation;

- on September 8, 2017, Engineering Ingegneria Informatica S.p.A. wholly acquired the company Infinity Technology Solutions S.p.A., with operating office in Genoa, and 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;

- the Merger Deed of Pyxis S.r.l. into the parent company MHT S.r.l. was signed on November 29, 2017;

- on November 29, 2017, the Company subscribed a share capital increase of the company Istella S.r.l, with registered office in Cagliari, Frazione Località Sa Illetta, operating in the Smart Intelligence sector. Following the subscription and payment of the capital increase, Engineering Ingegneria Informatica S.p.A. now owns Euro 4,047.5 of nominal shares, equal to 4.5% of the share capital;

- on December 28, 2017, the purchase by Engineering Ingegneria Informatica S.p.A. was completed of the entire share capital of Infogroup - Informatica e Servizi Telematici S.p.A., with registered office in Florence, Via Torre degli Agli 48;

- on December 29, 2017, the Merger Deed of the company Infinity Technology Solutions S.p.A. into the parent company Engineering Ingegneria Informatica S.p.A. was signed.

XI. Shareholders and treasury shares

SHAREHOLDERS

As described in the events occurred during the year, on March 1, 2017, the Extraordinary Shareholders' Meetings of Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A. resolved on the approval of the reverse Merger project of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.. Following the Merger, 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 11, 2018, the foreign company SedApta US Inc. was merged into IT Soft US Inc.. Both companies were acquired on September 8, 2017;

- 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;

- 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..

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

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.

Engineering Ingegneria Informatica S.p.A. and its subsidiaries are exposed to the following risks and uncertainties.

EXTERNAL RISKS

A. Risks connected with the economy general conditions
A prolonged poor economic phase, particularly at a domestic level, could cause demand for IT services and products to drop and there may be a risk of reduced orders with consequent negative economic and equity impacts on the Group.

Recent acquisitions mean the Group is present in every market and has succeeded in equally distributing the burden of its business volume, minimizing the risks associated with a crisis in an individual market.
In addition, the exposure to foreign markets has increased given the strong growth compared to the European 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.

Investing in this way, the Company minimizes the risks connected with the development of demand, which is managed as a business opportunity.

C. Risks related to competition
The information technology market is very competitive; this is encouraged by a fragmented context that is affected by deeply rooted local operators that can present offers at more competitive prices. Therefore, some competitors could take away small market shares and expand their presence in the reference markets.

In this respect, the Group adopts strategies:
- to control costs by predicting the possible technological changes that may cancel out the competitive advantages already present in the Group;
- to differentiate its offer.

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 other managers with many years experience in the sector and who have been with the Group for more than 20 years.
In any case 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 over 1,500 medium and large companies operating on all applicable markets (Public Administration, Healthcare, Finance, Insurance, Telco & Media, Industry and Utilities). This distribution means 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 7.5 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 security and financial coverage.

D1. Risks related to international expansion
For a number of years, the Group strategy has looked towards developing the process of internationalisation and economic and financial benefits are expected. The group companies operate in areas where there are no armed conflicts or border tensions. At present, the exposure towards foreign activities, in the order of 15% 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.

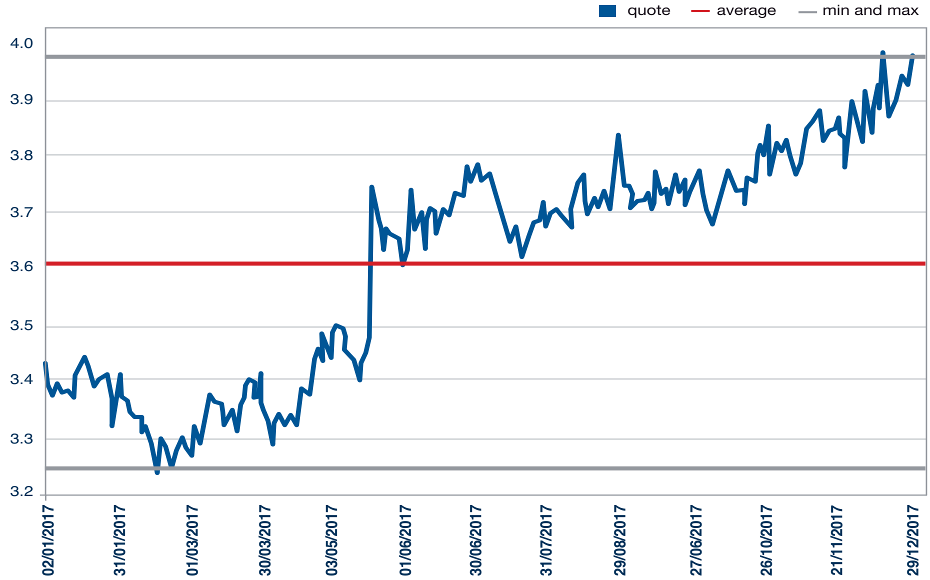
IFRS 7 requires the Group to introduce simulation and sensitivity analysis processes to value potential losses deriving from unfavourable changes in the sector environment concerning:

- 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., in relation to services provided mainly within the Telco Division and the Energy & Utilities Division.

Key euro/real exchange rate data

Average value:	3.6054
Minimum value:	3.2402 on February 16, 2017
Maximum value:	3.9729 on December 29, 2017

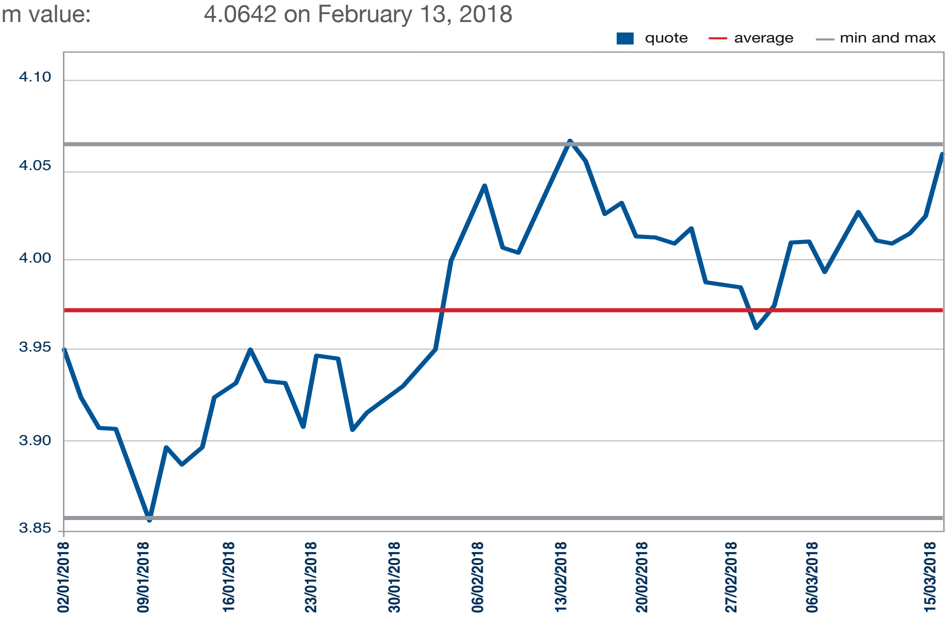


The EUR/BRL exchange rate in 2017, recorded daily (Source: Bank of Italy Eurosystem).

Based on the trend of the first half of the year, it was deemed that the Brazilian currency would have continued to appreciate against the Euro, which was not the case in the second half of the same year.
This, in terms of economic impact on the Group performance, was slightly negative in that at like-for-like business produced, it corresponds to a lower volume of revenues and margins in the currency in which the present financial statements are prepared.

The current EUR/BRL exchange rate – with reference to the date when this document was drawn up – is higher compared with the value recorded on December 31, 2016, with a consequent further depreciation of the Brazilian currency against the Euro.

Average value:	3.9722
Minimum value:	3.8571 on January 9, 2018
Maximum value:	4.0642 on February 13, 2018



The EUR/BRL exchange rate in 2018, from January 1 to March 15, recorded daily (Source: Bank of Italy Eurosystem).

Over the last few years, Brazil was hit by one of the worst ever crisis, with a continuous worsening of domestic economic indicators and inflation that continued to rise and weaken the purchasing power of the Country. The IMF forecasts an economy for 2018 that will report again a growth of +1.9%, driven by the general market recovery, at global level, in addition to private investments made in the country.

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 and after highlighting the non-existence of any indication that would support a significant depreciation of the Brazilian currency, 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 2017 data. The Income Statement values are calculated utilising the average annual exchange rate between the two currencies.

Engineering do Brasil S.A. total revenues 2017	Real 168,688,047
BRL/EUR financial statement conversion rate	3.60
Financial statements total revenues in Euro	Euro 46,787,609

(in Euros)

Depreciation BRL	Corresponding revenues 2017	Net effect	% Effect on Group consolidated total revenues
5%	44,448,229	(2,339,380)	-0.23
10%	42,108,848	(4,678,761)	-0.46
15%	39,769,468	(7,018,141)	-0.70
20%	37,430,087	(9,357,522)	-0.93
25%	35,090,707	(11,696,902)	-1.16

B2. Interest rate risk

The portion of long-term financial payables at variable interest rate in place as of December 31, 2017, is as follows:

- BEI/SERAPIS no. 84744, maturity term in 2022, with interest rate at 1.06%, equal to 363m Euribor, 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 e-Servizi S.p.A., reference is made to the contents of paragraph “14. Trade receivables” of the notes to the financial statements.

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 financial liabilities. 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

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. The Company will file a voluntary demand of assessment in order to fix a cross-examination with Tax Authorities and supply further documentation in order to ask for the cancellation of the tax assessment notices.

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 2012 was served in December 2017 and settled in the same month of December. 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.

In December 2016, the company Enginering.IT (merged in 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 S.p.A. 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. In February 2018, the Inland Revenue Office filed an appeal and to date a hearing for discussion has not been fixed yet.

In June 2016, the subsidiary Engineering.mo S.p.A. 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. The audit is still underway and no information on its conclusion is available.

During the 2016 tax period, the subsidiary MHT S.r.l. was subject to a tax audit by the Italian Tax Police - Treviso tax enforcement unit, for the purposes of checking the fulfilment of provisions on direct taxes envisaged by tax regulations, pursuant to Article 33 of the Presidential Decree 600/1973, for the 2012-2015 financial years, regarding payments made to a supplier. This audit resulted from the tax audit being carried out by the Italian Tax Police - Comacchio tax enforcement unit for the purposes of VAT and direct income taxes related to this supplier. At the end of the audit, a report on findings was issued regarding a material infringement related to the non-payment of withholding taxes. In March 2017, the company filed a voluntary demand of assessment, which ended with the dismissal of remarks on years 2014 and 2015 and the payment of the amounts due for the years 2012 and 2013.

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. The Company will file a voluntary demand of assessment in order to fix a cross-examination with Tax Authorities and supply further documentation in order to ask for the cancellation of the tax assessment notices.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in Euros)

Statement of Financial Position - Assets	Notes	31.12.2017	31.12.2016
A) Non-current assets			
Property, plant and equipment	5	38,304,315	26,267,690
Intangible assets	6	477,865,612	484,202,558
Goodwill	7	129,985,817	57,662,300
Equity investments	8	150,975	131,573
Deferred tax assets	9	32,251,670	25,601,152
Other non-current assets	10	5,794,572	2,609,605
Total non-current assets		**684,352,962**	**596,474,878**
B) Non-current assets held for sale		**0**	**0**
C) Current assets			
Inventories	11	197,738	64,840
Construction contracts	12	150,323,955	143,901,388
Trade receivables	13	550,834,537	531,434,221
Other current assets	14	72,606,806	58,981,352
Cash and cash equivalents	15	207,017,853	312,232,343
Total current assets		**980,980,889**	**1,046,614,144**
Total assets (A + B + C)		**1,665,333,851**	**1,643,089,022**

Statement of Financial Position - Liabilities	Notes	31.12.2017	31.12.2016
D) Shareholders' equity			
Share capital	17	31,875,000	989,947
Reserves	18	511,174,082	527,909,574
Retained earnings/(losses carried forward)	19	(9,996,382)	0
Profit/(Loss) for the year		50,240,665	904,725
Group shareholders' equity		**583,293,365**	**529,804,246**
Capital and reserves of minority interests		2,388,964	1,040,733
Profit/(Loss) for the year of minority interest		2,023,600	148,135
Total shareholders' Equity	16	**587,705,929**	**530,993,114**
E) Non-current liabilities			
Non-current financial liabilities	20	232,425,051	88,056,345
Deferred tax liabilities	21	149,213,821	150,060,715
Non-current provisions for risks and charges	22	3,894,900	408,104
Other non-current liabilities	23	13,068,793	3,800,773
Post-employment benefits	24	67,709,887	64,649,744
Total non-current liabilities		**466,312,451**	**306,975,680**
F) Current liabilities			
Current financial liabilities	25	115,355,058	332,926,016
Current tax payables	26	4,250,916	3,853,977
Current provisions for risks and charges	27	20,270,005	35,096,799
Other current liabilities	28	153,298,644	148,697,970
Trade payables	29	318,140,848	284,545,467
Total current liabilities		**611,315,471**	**805,120,229**
G) Total liabilities (E + F)		**1,077,627,922**	**1,112,095,908**
Total liabilities and shareholders' equity (D + G)		**1,665,333,851**	**1,643,089,022**

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

(in Euros)

Income Statement	Notes	31.12.2017	31.12.2016
A) Total revenues			
Revenues		1,000,175,648	483,643,320
Other revenues	31	28,621,810	11,927,061
Total revenues	30	**1,028,797,459**	**495,570,381**
B) Operating expenses			
Raw materials and consumables	33	16,322,136	7,959,280
Services	34	367,419,368	184,133,043
Personnel costs	35	518,886,310	237,315,946
Amortisation and depreciation	36	29,690,148	19,206,704
Provisions	37	19,050,537	28,051,291
Other costs	38	12,651,191	5,744,152
Total operating expenses	32	**964,019,691**	**482,410,415**
C) Operating profit (A - B)		**64,777,768**	**13,159,966**
Financial income		10,331,983	7,326,922
Financial charges		15,822,772	10,659,459
D) Net financial income/(charges)	39	**(5,490,788)**	**(3,332,536)**
E) Total income/(charges) from investments	40	**(998,988)**	**(285,674)**
F) Profit before taxes (C + D + E)		**58,287,992**	**9,541,756**
G) Income taxes	41	**6,023,727**	**8,488,896**
H) Net profit from continuing operations (F - G)		**52,264,265**	**1,052,860**
I) Profit/(Loss) from discontinued operations		**0**	**0**
L) Consolidated profit/(loss) for the year (H + I)		**52,264,265**	**1,052,860**
Minority share		2,023,600	148,135
Group share		50,240,665	904,725

(Importi in euro)

Statement of Comprehensive Income	Notes	31.12.2017	31.12.2016
L) Group consolidated profit		**52,264,265**	**1,052,860**
M) Other statement of comprehensive income items			
Actuarial gains/(losses) of employee defined plans		(1,467,014)	731,370
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		352,084	(175,529)
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		**(1,114,930)**	**555,842**
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			
Translation gains/losses on non Euro accounts		(1,425,339)	485,662
Taxation on translation gains/losses on non Euro accounts			
Total other profit/(loss) which will be reclassified in profit/(loss) for the year, net of tax effect		**(1,425,339)**	**485,662**
Total other profit/(loss), net of tax effect		**(2,540,268)**	**1,041,503**
O) Total comprehensive income for the year (L + M + N)		**49,723,996**	**2,094,363**
Minority share		2,028,434	147,005
Group share		47,695,562	1,947,358

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in Euros)

Description	Share capital	Reserves	Retained earnings	Profit/(Loss) for the year	Group shareholders' equity	Minority interest	Total
Opening balance	**989,947**	**527,165,749**	**0**	**0**	**528,155,696**	**195,505,148**	**723,660,844**
Net profit/(loss)				904,725	904,725	148,135	1,052,860
Other net comprehensive items		1,041,503	0	0	1,041,503	0	1,041,503
Comprehensive profit	**0**	**1,041,503**	**0**	**904,725**	**1,946,228**	**148,135**	**2,094,363**
Transactions with Shareholders	**0**	**(297,678)**	**0**	**0**	**(297,678)**	**(196,169,482)**	**(196,467,160)**
Other changes	**0**	**0**	**0**	**0**	**0**	**1,705,067**	**1,705,067**
Balance as of 31.12.2016	**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)		(2,545,103)	4,835	(2,540,268)
Comprehensive profit	**0**	**(1,425,339)**	**(1,119,765)**	**50,240,665**	**47,695,562**	**2,028,434**	**49,723,996**
Transactions with Shareholders	**0**	**0**	**904,725**	**(904,725)**	**(0)**	**0**	**(0)**
Other changes	**30,885,053**	**(15,310,153)**	**(9,781,343)**	**0**	**5,793,557**	**1,195,262**	**6,988,819**
Balance as of 31.12.2017	**31,875,000**	**511,174,082**	**(9,996,382)**	**50,240,665**	**583,293,365**	**4,412,564**	**587,705,929**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in Euros)

Description	31.12.2017	31.12.2016
Revenues from the sales of products/services - third parties	1,215,443,878	579,664,301
Costs for goods and services - third parties	(492,090,156)	(204,808,645)
Personnel costs	(537,568,020)	(229,621,497)
Interest received from operating activities	252,443	535,051
Interest paid for operating activities	(391,104)	(236,373)
Exchange differences	(80,218)	3,772
Income tax payments and reimbursements	(96,999,903)	(63,233,676)
A) Total cash flow from operating activities	**88,566,920**	**82,302,933**
Sale of tangible fixed assets	236,062	151,330
Purchase of tangible fixed assets	(7,973,608)	(3,827,281)
Sale of intangible fixed assets	945	12,750
Purchase of intangible fixed assets	(3,136,538)	(1,649,347)
Purchase of investments in subsidiaries	(98,320,977)	(2,377,252)
Purchase of business unit	(2,394,406)	0
Purchase of other investments and securities	(498,126)	(196,527,280)
Sale of other investments and securities	20,431	0
Dividends received	1,590,246	0
B) Total cash flow from investing activities	**(110,385,971)**	**(204,217,080)**
New loans	299,125,745	(22,348,045)
Repayment of loans	(392,901,810)	17,251,093
Sale of treasury shares	416,910	264
Dividends distributed	(2,300,218)	(3,285,408)
Change in consolidation scope	17,040,974	1,632,576
Interest received for financing activities	38,781	0
Interest paid for financing activities	(4,815,820)	(2,726,076)
C) Total cash flow from financing activities	**(83,395,438)**	**(9,475,596)**
D) = (A+B+C) change in cash and cash equivalents	**(105,214,489)**	**(131,389,743)**
E) Cash and cash equivalents at beginning of year	**312,232,343**	**443,622,086**
F) = (D+E) cash and cash equivalents at end of year	**207,017,853**	**312,232,343**

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 10,300 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-Saint-Martin (Aosta), Turin, Vicenza and Milan, which manages approximately 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 TLC.

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.

1.1 SIGNIFICANT OPERATIONS

Below we report the main operations occurred over the year:

Reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.

The reverse Merger project of the parent-subsidiary (“Merger”) of Mic Bidco S.p.A. (“Mic Bidco”) in the entire subsidiary Engineering Ingegneria Informatica S.p.A. was completed on May 24, 2017.

The reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A. produced its legal effects to third parties, pursuant to article 2504-*bis*, paragraph 2, of the Italian Civil Code, which will be effective at the date of the last record, as envisaged by Article 2504 of the Italian Civil Code. The accounting effects of the Merger will be instead effective since the first day of the financial year related to the effective date of the Merger (January 1, 2017).

Therefore, as from the effective date of the Merger:

- the nominal value of Mic Bidco S.p.A.’s shares was cancelled;
- 343,213 treasury shares were cancelled;
- the post-merger share capital of Engineering Ingegneria Informatica S.p.A. amounted to Euro 31,875,000, equal to the original amount, divided in 12,156,787 shares with no nominal value;
- the share capital was entirely assigned to the sole Shareholder Mic Newco S.p.A..

The reverse Merger did not change the consolidation scope, which remained unchanged compared to what was previously in place as at December 31, 2016. Comparative tables had to be in any case provided, in relation to the previous year, due to the fact that the company Mic Bidco S.p.A., albeit holding the direct control in Engineering Ingegneria Informatica S.p.A., had not prepared its consolidated financial statements as it availed itself of the right of exemption envisaged by Legislative Decree 127/1991, Article 27, paragraph 3, by reason of the fact that the consolidated financial statements was prepared by the Italian parent Mic Holdco S.r.l., and published within the terms set by law.

Moreover, albeit the fact that the parent-subsidiary Merger transactions cannot be defined as a business combination according to the international accounting standards applied by the Company and the Group for the drawing up of the separate and consolidated financial statements, the reverse Merger under evaluation, which followed the acquisition of control, carried out in 2016, of Engineering Ingegneria Informatica S.p.A. and its subsidiaries by the same Mic Bidco S.p.A., is to be recognised in compliance with IFRS 3. As regards this last transaction and as better described in the following paragraph, the accounting treatment, pursuant to IFRS 3, has been completed in the current year.

The above being said, after the completion of the reverse Merger project of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., these post-merger consolidated financial statements of the Engineering Group are substantially the continuation of the Mic Bidco S.p.A. financial statements (except for the capital structure), therefore reflecting:

- assets and liabilities of Mic Bidco S.p.A., at the pre-combination book value;
- assets and liabilities of Engineering Ingegneria Informatica S.p.A. and its subsidiaries (“Engineering Group”), measured at their fair value at the acquisition date, pursuant to provisions set out by IFRS 3;
- retained earnings and the equity reserves of the company Mic Bidco S.p.A. before the business combination and the following cancellation of the shareholders’ equity items of Engineering Ingegneria Informatica S.p.A., except for some reserves (for which reference is made to next paragraph 18), as a contra-entry of the “Merger reserve”.

1.2 ACQUISITIONS AND SALES FOR THE YEAR

Completion of accounting related to the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries

As already thoroughly described in the annual financial report as of December 31, 2016, after a Public Tender Offer (OPA) launched by the Apax and NB Renaissance investment funds on all shares, Engineering Ingegneria Informatica S.p.A. unlisted from the electronic market managed by Borsa Italiana. A brief report on the events related to this operation is given hereunder.

- on April 22, 2016, pursuant to Article 114 of the Legislative Decree dated February 24, 1998, Mic Bidco S.p.A. signed a purchase agreement of shares, equal to 44.30% of the share capital of Engineering Ingegneria Informatica S.p.A., with the following modalities: the Investment Agreement was finalised to govern a transaction envisaging the purchase by Renaissance and Apax VIII investors, through Mic Holdco S.r.l., Mic Newco S.p.A. and Mic Bidco S.p.A., of the initial investments and the following promotion by Mic Bidco S.p.A. of a mandatory Public Tender Offer on the remaining share capital of Engineering Ingegneria Informatica S.p.A., excluding the shares owned by Mic Bidco S.p.A..

- on May 3, 2016, Mic Bidco S.p.A. filed in Consob the offer destined to publication, related to the entire Public Tender Offer, pursuant to Articles 106 and 109 of the CLF (Consolidated Law on Finance), having as object matter 6,962,072 ordinary shares of Engineering Ingegneria Informatica S.p.A., for a consideration granted to those adhering to the offer of Euro 66.00 each share of the Issuer included in the Offer and purchased, for a maximum amount of the Offer, in the event of total adhesion, of Euro 459,496,752.

- on May 19, 2016, Consob approved the mandatory Public Tender Offer on the ordinary shares of Engineering Ingegneria Informatica S.p.A., and the OPA was made public on May 20, 2016;

- on July 8, 2016, following the purchase of 100% of the share capital of the Issuer, Borsa Italiana S.p.A., with measure no. 8227 of July 1, 2016, ordered a trading suspension of the Issuer's shares on the Electronic Equity Market for the sessions of July 6 and 7, 2016 and their delisting since July 8, 2016.

Within the above context, at end June 2016 (acquisition date), the company Mic Bidco S.p.A. acquired the control, pursuant to IFRS 10, of Engineering Ingegneria Informatica S.p.A., through the acquisition of interests, calculating all treasury shares already owned by Engineering Ingegneria Informatica S.p.A. in the equity investment of Mic Bidco S.p.A., equal to 97.457%, and then fulfilling the purchase obligation to purchase the remaining 2.543% on July 8, 2016.

The above being said, for the purpose of preparing the consolidated financial statements, the recognition and measurement of fair value of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Engineering and its subsidiaries. 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 accounting values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair value.

(in Euros)

Net assets acquired	Book value	Fair value adjustments	Final fair value
Property, plant and equipment	25,936,449		25,936,449
Intangible assets	22,515,748	480,440,259	502,956,007
Other non-current assets	20,711,218		20,711,218
Trade assets	663,243,364	(9,386,775)	653,856,589
Cash and cash equivalents	241,537,249		241,537,249
Other current assets	66,823,766		66,823,766
Non-current financial liabilities	103,485,204		103,485,204
Other non-current liabilities	92,584,887	130,594,827	223,179,715
Current financial liabilities	35,224,535		35,224,535
Other current liabilities	394,157,520	3,448,005	397,605,525
Total net assets acquired	**415,315,648**	**337,010,652**	**752,326,300**
Minority interest shareholders' equity			692,647
Total net assets acquired by the Group			752,326,300
Total amount			**802,229,596**
Goodwill			**49,903,296**
Cash and cash equivalents			(241,537,249)
Net financial outlays resulting from the acquisition			**560,692,347**

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 of adjustments at fair value, equal to Euro 337 million, at the acquisition date, against the recognition:

- under item Intangible assets of the "Trademark", for an amount of around Euro 453 million (including deferred taxes for around Euro (126) million) and of the Customer Relationships, amounting to around Euro 27 million (including deferred taxes for around Euro (8) million);

- of the adjustment at fair value of a special commercial business, with the recognition of a lower value of the same by around Euro 9.3 million (including deferred taxes for around Euro (3) million). Therefore, the fair value of receivables amounted to Euro 688.1 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 34.3 million);

- the related deferred tax assets, equal to Euro 130.6 million.

The aforesaid recognised amounts feature, *inter alia*, a change compared to the temporary initial accounting of the business combination, performed in the previous year, which led to the allocation of a value of Euro 387 million as goodwill (the goodwill at year end related to the business combination under evaluation amounted to Euro 49.9 million, which is not deductible for tax purposes).

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate, performed with the support of an independent expert, 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, 2016.

The residual goodwill (equal to Euro 49.9 million), recorded in the consolidated financial statement at the acquisition date, and not allocated to any other specific assets, was tested for impairment with reference to the control acquisition date and to December 31, 2016, and as provided for by IAS 36. The test confirmed the full recoverability of the residual goodwill.

In particular, consistently with provisions set out by IAS 36, for the purpose of impairment testing, at the acquisition date, such goodwill was allocated to the following Cash Generating Units ("CGU"), based on the impact of the reported EBITDA of each single CGU on the total EBITDA generated by CGUs related to 2016 Goodwill.

- Finance CGU: Euro 16,344,694;
- Energy & Utilities CGU: Euro 9,662,147;
- Telco & Media CGU: Euro 6,819,242;
- PAL, Health and Taxes CGU: Euro 13,589,040;
- Excellence CGU: Euro 345,175;
- OverIT CGU: Euro 1,854,482;
- Nexen CGU: Euro 410,814;
- Dynpro Systemas CGU: Euro 877,702.

The CGUs under evaluation 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. For a detailed description of Group CGUs, reference is made to note 8 of these Explanatory Notes.

For the purposes of impairment testing, the estimate of the value in use was carried out over a four-year timing for each CGU, based on the 2018 budget and assumptions for the following years made by the related Management, by using a similar method as the one applied as of December 31, 2016, to which reference is made. In particular, as regards CGUs to which goodwill was allocated, the growth rate used for cash flows after the reference period and the discount rates adopted are reported hereunder. For further details on the methods and parameters adopted while performing impairment tests, reference is made to paragraph 8.

Description	Terminal value growth percentage	Post Tax WACC* 2017	Post Tax WACC* 2016
Finance	0.50%	7.76%	7.17%
Energy & Utilities	0.50%	7.76%	7.17%
Telco & Media	0.50%	7.76%	7.17%
Public Local Administration, Health and Municipia S.p.A.	0.50%	7.76%	7.17%
OverIT S.p.A.	0.50%	7.63%	6.71%
Nexen S.p.A.	0.50%	8.30%	7.17%
Engineering Excellence Center S.r.l.	0.50%	7.76%	7.17%
Dynpro Systemas S.A.	0.50%	8.30%	n.a.

* *Weighted Average Cost of Capital*.

It is noted that, for CGUs that underwent an impairment test, no indication emerged that these assets might have been impaired.

Sensitivity analysis

Moreover, for all CGUs a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a "g rate" growth rate equal to 0%.

Completion of accounting related to the acquisition of control of Engineering ITS AG and its subsidiaries
For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair value of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Engineering ITS AG and its subsidiaries. Therefore, the following was recognised: 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 accounting values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair value.

(in Euros)

Net assets acquired	Book value	Fair value adjustments	Final fair value
Property, plant and equipment	117,646		117,646
Intangible assets	4,552	2,758,079	2,762,631
Other non-current assets	90,702		90,702
Trade assets	6,554,290		6,554,290
Cash and cash equivalents	985,042		985,042
Other current assets	523,253		523,253
Non-current financial liabilities	0		0
Other non-current liabilities	0	856,291	856,291
Current financial liabilities	0		0
Other current liabilities	4,795,755		4,795,755
Total net assets acquired	**3,479,730**	**1,901,788**	**5,381,518**
Minority interest shareholders' equity			1,705,068
Total net assets acquired by the Group			1,774,662
Total amount			**9,533,666**
Goodwill			**5,857,216**
Cash and cash equivalents			(985,042)
Net financial outlays resulting from the acquisition			**8,548,624**

As thoroughly described in the comments for 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 1.9 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 2.8 million (including deferred taxes for around Euro 0.9 million).

The aforesaid recognised amounts feature, inter alia, a change compared to the temporary initial accounting of the business combination, performed in the previous year, which led to the allocation of a value of Euro 7.8 million as goodwill (the goodwill at year end related to the business combination under evaluation amounted to Euro 5.9 million, which is not deductible for tax purposes).

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, 2016. The residual goodwill (equal to Euro 5.9 million), recorded in the consolidated financial statement at the acquisition date, and not allocated to any other specific assets, was tested for impairment with reference to the control acquisition date and to December 31, 2016, and as provided for by IAS 36. The test confirmed the full recoverability of the residual goodwill.

Acquisitions for the year

Acquisition of control of Fair Dynamics Consulting S.r.l.

On March 7, 2017, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 100% of the company Fair Dynamics Consulting S.r.l.. 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 companies, remained substantially unchanged.

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	Temporary fair value
Intangible assets	817
Other non-current assets	3,544
Trade assets	123,573
Cash and cash equivalents	85,659
Other current assets	41,302
Other non-current liabilities	14,431
Current financial liabilities	58,946
Other current liabilities	118,712
Temporary fair value of assets acquired	**62,806**
Acquired portion	100%
Acquisition cost	600,000
Goodwill	**537,194**
Cash and cash equivalents	(85,659)
Net financial outlays resulting from the acquisition	**514,341**

Fair Value of receivables acquired amounted to Euro 0.1 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. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 1.0 million and Euro 0.1 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 0.1 million and lower by Euro 0.01 million, respectively.

Acquisition of control of Dekra Italia S.r.l.

On January 24, 2017, Engineering Ingegneria Informatica S.p.A. purchased a Business Unit from the company Dekra Italia S.r.l.. Dekra operates in the field of managerial consultancy services through applications and technological platforms. 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 companies, remained substantially unchanged.

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	Temporary fair value
Property, plant and equipment	23,303
Non-current liabilities	168,591
Current liabilities	308,421
Temporary fair value of assets acquired	**(453,709)**
Acquired portion	100%
Acquisition cost	1,006,291
Goodwill	**1,460,000**

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.

Acquisition of control of Sofiter Tech S.r.l.

On April 20, 2017 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. now owns 51% of the company's share capital.

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	Temporary fair value
Property, plant and equipment	1,869
Intangible assets	1,879
Trade assets	3,104,930
Cash and cash equivalents	978,288
Other current assets	13,768
Other non-current liabilities	7,764
Other current liabilities	2,981,382
Temporary fair value of assets acquired	**1,111,588**
Acquired portion	51%
Acquisition cost	1,297,959
Shares held by minority holders	49%
Minority interest	544,678
Goodwill	**731,049**
Cash and cash equivalents	(978,288)
Net financial outlays resulting from the acquisition	**319,671**

The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018. The agreement between the parties sets out that the earn out shall not exceed Euro 0.75 million. Based on the best estimate of the potential consideration, in these consolidated financial statements the Company recognised a liability of Euro 0.75 million, which is the estimated amounts to be paid upon maturity based on the agreements signed with minorities. Fair Value of receivables acquired amounted to Euro 3.1 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. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation of the business combination under evaluation, as from the acquisition date, involved the recognition of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 6.3 million and Euro 0.3 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 2.7 million and Euro 0.4 million, respectively.

Acquisition of control of SP Sapiens S.r.l.

On June 22, 2017, Engineering Ingegneria Informatica S.p.A. purchased a Business Unit from the company SP Sapiens S.r.l..

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 of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

(in Euros)

Description	Temporary fair value
Non-current liabilities	179,102
Current liabilities	171,097
Temporary fair value of assets acquired	**(350,199)**
Acquired portion	100%
Acquisition cost	49,801
Goodwill	**400,000**

Acquisition of control of Pyxis S.r.l.

On June 28, 2017, the closing related to the acquisition of Pyxis was carried out. The Engineering Group acquired 100% of the share capital through its subsidiary MHT S.r.l..

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 companies, remained substantially unchanged.

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	Temporary fair value
Property, plant and equipment	13,840
Intangible assets	12,348
Other non-current assets	18,021
Trade assets	927,953
Cash and cash equivalents	684,922
Other current assets	36,465
Other non-current liabilities	70,975
Other current liabilities	800,241
Temporary fair value of assets acquired	**822,334**
Acquired portion	100%
Acquisition cost	1,877,711
Goodwill	**1,055,377**
Cash and cash equivalents	(684,922)
Net financial outlays resulting from the acquisition	**1,192,789**

The fair value of receivables amounted to Euro 0.9 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount 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. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation of the business combination under evaluation, as from the acquisition date, involved the recognition of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica Group, equal to Euro 1.2 million and Euro 0.1 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica Group would have been higher by Euro 1.2 million and Euro 0.2 million, respectively.

Acquisition of control of Infinity Technology Solutions S.p.A.

On September 8, 2017, Engineering Ingegneria Informatica S.p.A. wholly acquired the company Infinity Technology Solutions S.p.A. with operating office in Genoa.

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 companies, remained substantially unchanged.

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	Temporary fair value
Property, plant and equipment	32,306
Intangible assets	38,958
Other non-current assets	56,112
Trade assets	4,381,544
Cash and cash equivalents	316,904
Other current assets	467,208
Non-current financial liabilities	117,639
Other non-current liabilities	211,406
Current financial liabilities	708,355
Other current liabilities	2,284,033
Temporary fair value of assets acquired	**1,971,600**
Acquired portion	100%
Acquisition cost	3,488,209
Goodwill	**1,516,609**
Cash and cash equivalents	(316,904)
Net financial outlays resulting from the acquisition	**3,171,305**

The fair value of receivables amounted to Euro 4.4 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 0.2 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. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation of the business combination under evaluation, as from the acquisition date, involved the recognition of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 2.7 million and Euro 0.2 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 4.8 million and lower by Euro 0.1 million, respectively.

Acquisition of control of SedApta US Inc. and IT Soft US Inc.

On September 8, 2017, 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 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 companies, 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	Temporary fair value
Other non-current assets	441,970
Trade assets	2,723,064
Cash and cash equivalents	2,780,487
Other current assets	292,380
Current financial liabilities	92,985
Other current liabilities	809,928
Temporary fair value of assets acquired	**5,334,987**
Acquired portion	66%
Acquisition cost	20,424,146
Shares held by minority holders	34%
Minority interest	1,512,941
Goodwill	**16,602,100**
Cash and cash equivalents	(2,780,487)
Net financial outlays resulting from the acquisition	**17,643,659**

Fair Value of receivables acquired amounted to Euro 2.7 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. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 3.7 million and Euro 0.5 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 4.7 million and Euro 1.5 million, respectively.

Acquisition of control of Sogeit Solutions S.r.l.

On July 1, 2017, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 60% of the company Sogeit Solutions S.r.l..

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	Temporary fair value
Property, plant and equipment	261,370
Intangible assets	62,975
Other non-current assets	64,190
Trade assets	3,972,761
Cash and cash equivalents	970,585
Other current assets	2,215
Non-current financial liabilities	50,000
Other non-current liabilities	112,983
Current financial liabilities	327,753
Other current liabilities	3,547,533
Temporary fair value of assets acquired	**1,295,827**
Acquired portion	60%
Acquisition cost	6,077,502
Shares held by minority holders	40%
Minority interest	518,331
Goodwill	**5,300,006**
Cash and cash equivalents	(970,585)
Net financial outlays resulting from the acquisition	**5,106,917**

The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018. The agreement between the parties sets out that the earn out shall not exceed Euro 3.0 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 2.58 million, which is the estimated amounts to be paid upon maturity based on the agreements signed with minorities.

Moreover, by reason of the fact that the Company Engineering Ingegneria Informatica S.p.A. signed a put option contract, the payables were measured based on provisions set out by IAS 32, for sales options granted to minorities. For further details, reference is made to the following paragraph 23.

The fair value of receivables amounted to Euro 3.97 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to zero).

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. The line-by-line consolidation of the business combination under evaluation, as from the acquisition date, involved the recognition of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 5.2 million and Euro 1.6 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 4.4 million and Euro 0.7 million, respectively.

Acquisition of control of Infogroup S.p.A.

On December 28, 2017, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 100% of the company Infogroup S.p.A..

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 companies, remained substantially unchanged.

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	Temporary fair value
Property, plant and equipment	2,747,292
Intangible assets	595,336
Other non-current assets	2,063,978
Trade assets	29,770,667
Cash and cash equivalents	7,799,729
Other current assets	760,034
Other non-current liabilities	5,314,155
Other current liabilities	24,492,541
Temporary fair value of assets acquired	**13,930,341**
Acquired portion	100%
Acquisition cost	61,400,000
Goodwill	**47,469,659**
Cash and cash equivalents	(7,799,729)
Net financial outlays resulting from the acquisition	**53,600,271**

The fair value of receivables amounted to Euro 29.77 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 1.06 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. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 70.0 million and lower by Euro 0.9 million, respectively.

Acquisition of control of Bekast IT Consulting GmbH

On September 8, 2017, Engineering ITS AG acquired the entire shareholding of the company Bekast IT Consulting GmbH, with registered office in Wolfsburg, Germany.

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 companies, 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	Temporary fair value
Property, plant and equipment	142,133
Intangible assets	4,150
Other non-current assets	48,099
Trade assets	952,041
Cash and cash equivalents	(201,949)
Other current assets	1,499
Other current liabilities	1,083,506
Temporary fair value of assets acquired	**(137,532)**
Acquired portion	51%
Acquisition cost	663,000
Shares held by minority holders	49%
Minority interest	(67,391)
Goodwill	**733,142**
Cash and cash equivalents	201,949
Actual financial outlays resulting from the acquisition	**864,949**

Fair Value of receivables acquired amounted to Euro 1.0 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.

In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 1.7 million and Euro 0.1 million, respectively.

2 Form, contents and accounting standards

These consolidated financial statements as of December 31, 2017 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 Euros and, in compliance with IAS 1 "Presentation of Financial Statements" include the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related Explanatory Notes.

As thoroughly described in section "Reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.", the reverse Merger did not change the consolidation scope, which remained unchanged compared to what was previously in place as at December 31, 2016. Comparative tables had to be in any case provided, in relation to the previous year, due to the fact that the company Mic Bidco S.p.A., albeit holding the direct control in Engineering Ingegneria Informatica S.p.A., had not prepared its consolidated financial statements as it availed itself of the right of exemption envisaged by Legislative Decree 127/1991, Article 27, paragraph 3, by reason of the fact that the consolidated financial statements was prepared by the parent company Mic Holdco S.r.l., and published within the terms set by law. It should be also noted that the comparative income statement tables reflect the accounting results for the company Mic Bidco S.p.A. for the entire year, while, for the company Engineering Ingegneria Informatica S.p.A. and its subsidiaries they reflect accounts as from the acquisition date of control by Mic Bidco S.p.A., and therefore substantially as from end of June 2016. Within this context, in order to allow for a more immediate and exhaustive reading of performance results, the Directors' report included the comparative income statement tables that had been restated to reflect the values of the entire 2016 for the Engineering Ingegneria Informatica S.p.A. Group.

The principles utilised are the same as those used for the preparation of the last annual financial statements and were applied evenly, except for the IFRS and IFRIC accounting standards, amendments and interpretations applicable for accounting periods beginning on January 1, 2018, as indicated in paragraph 4.28.

The consolidation was carried out under the line-by-line method, including the minority 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 statement of cash flows uses the direct method.

Transactions with related parties are disclosed in the statement of financial position, the income statement and the statement of cash flows.
The transactions with related parties concern subsidiaries, associated companies and Directors and Executives with strategic responsibilities.

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

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 financial assets and liabilities, deferred tax assets and construction contracts, as well as the calculation of fair value of derivatives. 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
Assets are tested for impairment in order to assess whether any impairment loss has occurred that would involve the reduction in value, in the presence of indicators that foresee a possible difficult recovery of their net book value through their use. The assessment on the presence of the above-mentioned indicators involves subjective evaluations by the Board of Directors, based on information available within the Company and on the

market, as well as historical experience. Moreover, if any doubt that a possible impairment loss has arisen, the Company will perform impairment tests by using the measurement techniques that are deemed appropriate. The correct determination of impairment indicators, as well as the estimates to determine impairment losses, depend on factors that may change over time, affecting the evaluations and estimates made by Directors.

Purchase Price Allocation (IFRS 3)
The value of trademarks was determined through a process of fair value measurement within the Purchase Price Allocation, performed upon the reverse Merger with the company Mic Bidco S.p.A., with the support of an independent expert. The measurement method adopted by the Expert in assessing the Engineering trademark is the so-called "Profit Split". The Expert defined a royalty rate interval so as to obtain an analysis scenario and therefore a value range for the trademark under evaluation. For the purpose of determining the value of royalties, the royalty rates determined by the Expert, equal to 2.32% and 2.67%, were multiplied by the revenue expected in the plan, as from 2017.

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.

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 IFRS10, 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 minority interest result are included in a separate shareholders' equity account and in a separate line of the consolidated income statement.

3.2 ASSOCIATED COMPANIES

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

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

When the Group share of losses in an associated company is equal to or greater than the value of the investment held, the Group does not recognise additional losses unless an obligation to recapitalise exists or if payments have been made on behalf of the associated company.

3.3 JOINT ARRANGEMENTS

Pursuant to provisions set forth by IFRS11, 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 companies as of December 31, 2017 (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%
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%
MHT S.r.l.	Lancenigo	52,000 Euro	100.00%		100.00%
MHT Balkan d.o.o.	Belgrade	452,000 Rsd		100.00%	100.00%
Engi da Argentina S.A.	Buenos Aires	7,106,425 AR$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	Sao Paulo (Brazil)	51,630,020 Reais	100.00%		100.00%
Engineering Ingegneria Informatica Spain S.L.	Madrid	100,000 Euro	100.00%		100.00%
Infogroup S.p.A.	Florence	4,352,000 Euro	100.00%		100.00%
Infinity Technology Solutions S.p.A.	Genoa	2,363,820 Euro	100.00%		100.00%
SedApta US Corp.	Delaware (USA)	500,000 Usd	100.00%		100.00%
IT Soft US Inc.	Chicago (USA)	260,800 Usd		66.00%	66.00%
OverIT S.p.A.	Pordenone	300,000 Euro	95.00%		95.00%
Overit International Inc.	Miami	50,000 Usd		80.00%	80.00%
WebResults S.r.l.	Treviolo	10,000 Euro	91.00%		91.00%
Sicilia e-Servizi Venture S.c.r.l.	Palermo	300,000 Euro	65.00%		65.00%
Sogeit Solutions S.r.l.	Rome	100,000 Euro	60.00%		60.00%
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%
KeyVolution GmbH	Wolfsburg (Germany)	13,750 Euro		41.00%	41.00%

Changes in the consolidation scope compared to December 31, 2016 relate to transactions carried out during the period as summarised below:

- on March 7, 2017, acquisition of 100% of Fair Dynamics Consulting S.r.l.'s share capital, merged into Engineering Ingegneria Informatica S.p.A. on December 31, 2017, with retroactive effect at the acquisition date;
- on April 20, 2017, acquisition of 51% of Sofiter Tech S.r.l.'s share capital;
- on May 19, 2017, establishment of Overit International Inc. by OverIT S.r.l., with 80% equity investment;
- acquisition, on June 23, 2017, of a further 20% of the share capital of WebResults s.r.l.; Engineering Ingegneria Informatica S.p.A. therefore holds 91% of the company's share capital;
- on June 28, 2017, acquisition of 100% of Pyxis S.r.l.'s share capital, merged into Engineering Ingegneria Informatica S.p.A. on December 31, 2017, with retroactive effect at the acquisition date;
- on July 10, 2017, acquisition of 60% of Sogeit Solutions S.r.l.'s share capital;
- on September 8, 2017, acquisition of 100% of the share capital of the company Infinity Technology Solutions S.p.A. and the company SedApta US Corp., which in turn holds 66.0% of the company IT Soft US Inc.;
- acquisition, in October, of 100% of Bekast IT Consulting GmbH and 80% of Keyvolution Gmbh by the German subsidiary Engineering ITS;
- on December 28, 2017, acquisition of 100% of Infogroup S.p.A.'s share capital.

Disclosures required by IFRS12 on the significant interests that minority holders have in the Group's assets, liabilities and cash flows are shown hereunder:

(in Euros)

Company	Shares held by minority holders		Profit/(loss) held by minority holders		Equity held by minority holders	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Sicilia e-Servizi Venture S.c.r.l.	35.0%	35.0%	(272,377)	(430,041)	(3,388,189)	(3,115,812)
Engineering ITS AG	49.0%	49.0%	165,819	224,775	9,547,941	9,382,122
DST Consulting GmbH	49.0%	49.0%	0	0	1,377,839	1,377,839
EMDS GmbH	49.0%	49.0%	0	0	299,366	299,366
DST Software Labs GmbH	49.0%	49.0%	0	(361)	11,889	11,889
Sofiter Tech S.r.l.	49.0%		354,467		1,112,386	
Sogeit Solutions S.r.l.	40.0%		953,367		1,172,968	
IT Soft US Inc.	34.0%		93,093		778,562	
Bekast IT Consulting GmbH	49.0%		95,115		150,224	
KeyVolution GmbH	59.0%		(1,082)		4,312	
Total			**1,388,402**	**(205,628)**	**11,067,298**	**7,955,404**

Disclosures reflect the balances before intercompany netting.

(in Euros)

Description	Sicilia e-Servizi Venture S.c.r.l.		Engineering ITS AG		DST Consulting GmbH		EMDS GmbH		DST Software Labs	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Non-current assets	0	566	19,592,040	18,734,281	227,501	206,555	53,848	59,654	3,851	0
Current assets	**98,613,665**	**98,382,714**	**5,126,649**	**1,823,133**	**5,401,426**	**6,948,982**	**1,559,307**	**1,302,169**	**477,893**	**24,263**
Non-current liabilities	217,328	328	1,500,000	0	0	0	0	0	0	0
Current liabilities	108,076,877	107,285,271	3,733,094	1,410,226	2,817,012	4,343,621	1,002,203	750,871	457,482	0
Group shareholders' equity	(6,292,351)	(5,786,508)	9,937,653	9,765,066	1,434,077	1,434,077	311,585	311,585	12,374	12,374
Minority interest shareholders' equity	**(3,388,189)**	**(3,115,812)**	**9,547,941**	**9,382,122**	**1,377,839**	**1,377,839**	**299,366**	**299,366**	**11,889**	**11,889**
Revenues	600,551	1,051,103	3,118,596	35,128	21,179,012	12,174,949	4,425,580	2,235,900	316,721	0
Costs	(1,378,771)	(2,279,792)	(2,780,189)	423,596	(21,179,012)	(12,174,949)	(4,425,580)	(2,235,900)	(316,721)	(737)
Profit/(Loss) for the year	(778,220)	(1,228,690)	338,407	458,724	0	0	0	0	0	(737)
Group profit/(loss) for the year	(505,843)	(798,648)	172,587	233,949	0	0	0	0	0	(376)
Profit/(Loss) for the year of minority interest	**(272,377)**	**(430,041)**	**165,819**	**224,775**	**0**	**0**	**0**	**0**	**0**	**(361)**
Cash flow from operating activities	**(456,038)**	**(511,893)**	**(125,900)**	**(635,307)**	**(21,678)**	**1,993,242**	**593,811**	**259,616**	**(32,895)**	**(737)**
Cash flow from investing activities	0	0	365,469	(18,736,031)	(116,090)	(14,747)	(1,540)	(3,383)	(4,323)	0
Cash flow from financing activities	620,000	0	226,955	19,590,092	(875,883)	(511,266)	(340,154)	(130,159)	250,000	25,000
Total Cash flows	**163.962**	**(511.893)**	**466.524**	**218.754**	**(1.013.651)**	**1.467.229**	**252.117**	**126.075**	**212.782**	**24.263**

Description	Sofiter Tech S.r.l.		Sogeit Solutions S.r.l.		IT Soft US Inc.		Bekast IT Consulting GmbH		KeyVolution GmbH	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Non-current assets	253,286		430,439		112,782		189,443		0	
Current assets	**6,211,503**		**6,636,135**		**5,118,599**		**1,295,598**		**9,123**	
Non-current liabilities	7,056		180,832		203,124		0		0	
Current liabilities	4,187,558		3,953,323		2,738,370		1,178,461		1,813	
Group shareholders' equity	1,157,789		1,759,452		1,511,326		156,356		2,997	
Minority interest shareholders' equity	**1,112,386**		**1,172,968**		**778,562**		**150,224**		**4,312**	
Revenues	8,953,660		9,597,781		7,489,982		1,708,904		0	
Costs	(8,230,258)		(7,214,364)		(7,216,178)		(1,514,791)		(1,835)	
Profit/(Loss) for the year	723,402		2,383,418		273,804		194,113		(1,835)	
Group profit/(loss) for the year	368,935		1,430,051		180,711		98,997		(752)	
Profit/(Loss) for the year of minority interest	**354,467**		**953,367**		**93,093**		**95,115**		**(1,082)**	
Cash flow from operating activities	**(113,430)**		**838,041**		**952,554**		**(269,646)**		**(733)**	
Cash flow from investing activities	(60,000)		(425,338)		90,000		(4,142)		0	
Cash flow from financing activities	882,959		(589,251)		(558,406)		610,838		0	
Total Cash flows	**709.529**		**(176.548)**		**484.148**		**337.050**		**(733)**	

4 Accounting principles

The accounts in the financial statements are recognised on a going concern basis.

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

Where not specified, the significant changes reported in these 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 used under lease or for administrative purposes. This definition does not include property held principally or exclusively for rental purposes or for capital appreciation or for both of these reasons ("Investment property").

Property, plant and equipment are recognised at acquisition cost including any directly attributable costs. The acquisition cost is the fair value of the price paid and any other cost directly related and necessary for the correct functioning of the asset with regard to the use for which it was acquired.

The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased is solely made within the limits established to be separately classified as assets or part of an asset. Financial charges incurred for the acquisition of tangible fixed assets are never capitalised.

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

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

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

Property, plant and equipment are depreciated on a straight-line basis over the useful estimated life of the asset which is reassessed at least at the end of each year to apply any changes.
The 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 carrying amount and the current amount of the receivable is recognised to the income statement as financial income. Assets leased under operating lease contracts are however included in tangible or intangible fixed assets and depreciated in a similar manner to assets owned, with rental instalments recognised on a straight-line basis over the duration of the contract.

4.3 INTANGIBLE ASSETS

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

Intangible assets are initially recognised at acquisition or production cost. The acquisition cost is the fair value

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

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

Category	Useful life
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 usage. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

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

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

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

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

4.4 GOODWILL

Goodwill is the excess of an acquisition cost in comparison to the company share of the fair value of the identifiable assets and liabilities at the acquisition date.

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

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

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

For this purpose and in line with acquisitions of previous years, the different Cash Generating Units have been identified, which respect the independence criteria in the organisational structure and the independent capacity to generate cash flow, and are then measured using impairment 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 an entity which combine or between an entity and shareholders of another entity. It may entail the incorporation of a new entity that controls the entities taking part in the combination or net assets transferred or the restructuring of one or more of the participating entities.

The business combinations are recorded under the purchase method. This method considers that the acquisition price must be reflected in the value of the assets of the entity acquired and this allocation must be at fair value (of the assets and of the liabilities) and not of their book value. The difference (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 subsidiaries. Any difference between the adjusted value of the minority holdings and the fair value of the amount paid or received is directly recorded to shareholders' equity and allocated to shareholders of the Parent Company.

4.7 EQUITY INVESTMENTS

Acquisitions are recorded at the fair value of the investment plus any directly attributable costs. 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.

Subsidiaries
Subsidiaries are considered to be companies in which Engineering Ingegneria Informatica S.p.A. has:
(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.

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

4.8 OTHER NON-CURRENT ASSETS

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

Investments in other companies refer to equity investments other than subsidiaries, associated companies and joint ventures and are entered at cost adjusted for any impairment whose effect is recognised 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 CONSTRUCTION CONTRACTS

Construction contracts concerns 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 “Construction contracts”. 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 TRADE RECEIVABLES

Trade receivables are initially recognised at the fair value of future cash flows and subsequently valued at amortised cost and reduced by any potential write-downs or impairment. A financial asset is subject to impairment if there is an objective indication that one or more events occurring after the initial booking of the asset had a negative impact on the estimated future financial flows for that asset.
The objective indication that a financial asset has suffered impairment can include insolvency or failure to pay on the part of a debtor, restructuring of the debt with the company on terms that the company would not otherwise have accepted, indications of the bankruptcy of a debtor or an issuer and the non-existence of an active market for the security.
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.

4.12 CASH AND CASH EQUIVALENTS

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

4.13 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 statement of comprehensive income are re-determined as if the operation were discontinued at the beginning of the comparative period.

4.14 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.

4.15 RESERVES

The reserves consist of specific capital reserves.

4.16 RETAINED EARNINGS/(LOSSES CARRIED FORWARD)

The item “Retained earnings/(losses carried forward)” includes the net profit of the current and previous periods which was neither distributed nor allocated to reserves (in the case of profits) or recapitalised (in the case of losses). This item also includes the transfers from other equity reserves when those reserves are no longer required as well as the effects of the recording of changes to accounting policies and material errors.

4.17 FINANCIAL LIABILITIES

Unlike derivative instruments, financial liabilities are initially booked at the fair value of collected sums, plus 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 IAS 39. 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 considered effective when the differential between the changes of the fair value of the derivative and the changes of the value of the hypothetical derivative is between 80% and 125%.

The effective hedging component is recorded under other statement of comprehensive income 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.

4.18 EMPLOYEE BENEFITS

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

Post-employment benefits
Post-employment benefits are recorded as costs when the Company has committed, in a demonstrable way and without a realistic possibility of withdrawal, to a formal detailed plan that provides for the termination of employment before the normal retirement date or following an offer prepared to encourage voluntary redundancy. In the case of an offer prepared by the Company to encourage voluntary redundancy, the

benefits owed to employees for termination of employment are recorded in the 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 profits and losses are recognised in the statement of comprehensive income and recorded under shareholders’ equity on an accrual basis.

Defined contribution plans

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

Share-based payments

Pursuant to provisions set out by IFRS 2 (Share-based payments) with reference to 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.

4.19 PROVISIONS FOR RISKS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

4.20 REVENUES AND COSTS

Revenue generated from the sale of goods is recognised when the typical risks and benefits of ownership are transferred to the purchaser.

Revenues and costs are recognised on the accruals basis, in so far as it is possible to reliably establish their value.

Revenues from construction contracts are recorded as described in the relevant paragraph.

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.

4.21 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.

4.22 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.

4.23 TRANSLATION OF ACCOUNTS IN FOREIGN CURRENCIES

Functional and presentation currency
The financial statement items are valued utilising the currency of the principle of economic environment in which the entity operates ("functional currency").

Operations and balance
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, associated company or joint venture of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. The statement of financial position and income statement 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 statement of comprehensive income. 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 statement of comprehensive income. The total amount of the exchange differences is presented as a separate shareholders' equity item until the divestment of the foreign operation.

4.24 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.

4.25 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 XVII 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 activities. For information on Risk Management, see paragraph XVI of the Group Directors' report. Maximum credit risk exposure is examined in more detail in paragraph 15 of this document. With reference to liquidity risk, defined as difficulty in fulfilling obligations related to financial liabilities settled in cash or through another financial asset, the Company provides, where possible, for sufficient funds (via centralised management of the Group treasury) to fulfil its obligations upon maturity both under normal conditions and in the event of financial difficulty, without having to incur excessive charges or risk damaging its reputation. A detailed analysis of the due dates for financial liabilities is contained in paragraphs 21 and 26 hereof. 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.

4.26 RELATED PARTIES

Following the introduction of Consob Regulation of March 12, 2010, adopted with Resolution no. 17221 and subsequently amended with Resolution no. 17389 of June 23, 2010 enacting provisions concerning

Transactions with Related Parties, Engineering Ingegneria Informatica S.p.A., approved through Board of Directors' resolution of November 12, 2010, with effect on January 1, 2011, the procedure for the identification and carrying out of Transactions with Related Parties. 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.

4.27 NEW IFRS AND IFRIC INTERPRETATIONS

Accounting standards, amendments and IFRS and IFRIC interpretations applied from January 1, 2017
The accounting standards adopted by the Company for the drawing up of these annual financial statements are the same as those used for the annual financial statements as of December 31, 2016, with the exception of the standards and interpretations listed below:

- **Amendments to IAS 7 - Disclosure Initiative**

  On January 29, 2016, the IASB published the document ***"Disclosure Initiative (Amendments to IAS 7)"***, which contains amendments to the international accounting standard IAS 7. The document aims at supplying some clarification to improve information on financial liabilities. In particular, amendments require to supply disclosures that allow users of the financial statements to understand changes in liabilities resulting from lending transactions, including changes resulting from monetary movements and changes resulting from non-monetary movements. The amendments do not envisage a specific format to be used for disclosures. However, the amendments introduced require that an entity should provide for a reconciliation between opening balance and closing balance for liabilities resulting from lending transactions. Comparative information related to previous years is not required. The adoption of these amendments had no impact on the Group's financial statements for the year.

- **Amendments to IAS 12 "Recognition to Deferred Tax Assets for Unrealised Losses"**

  On January 19, 2016, the IASB published the document ***"Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)"***, which contains amendments to the international accounting standard IAS 12.

  The document aims at supplying some clarification on the recording of deferred tax assets on unrealised losses in the measurement of "Available for sale" financial assets upon occurrence of determined circumstances and the estimate of taxable income for future financial years. The adoption of these amendments had no impact on the Group's financial statements for the year.

Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance by the Group as of December 31, 2017

- **IFRS 15 Revenue from Contracts with Customers**

  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 realm of application of other IAS/IFRS standards such as leasing, insurance and financial instrument contracts. 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 of the contract;
  - criteria for registration of the revenue when the entity satisfies each performance obligation.

The standard can be applied as from January 1, 2018.

Conversely, amendments to IFRS 15 Clarifications to IFRS 15 - Revenue from Contracts with Customers, issued by IASB in April 2016, have been endorsed by the European Union on November 6, 2017.

In 2017, the Group performed a preliminary evaluation on the possible effects of IFRS 15. The analyses will be completed in 2018. Based on the aforesaid analyses related to the application of IFRS 15, the Directors deem that effect resulting from its application will be irrelevant.

- **IFRS 9 – Financial Instruments**

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 financial liabilities, 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.

Based on the analyses performed, the Directors expect that the application of IFRS 9 will not have a significant impact on the amounts as well as on the related information reported within the Group's financial statements for the year.

- **IFRS 16 "Leases"**

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 leasing 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 leasing 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, 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 from January 1, 2019 but early application is allowed solely for companies which applied IFRS 15 - Revenue from Contracts with Customers in advance.

The Directors intend to apply IFRS 16 as from January 1, 2019 using the modified retrospective approach. The Directors expect that the application of IFRS 16 will have a significant impact on the amounts as well as on the related information reported within the Group’s financial statements for the year. In particular, it will involve an improvement of EBITDA due to the fact that lease instalments will no longer be accounted for under item “Service costs” and, above all, over the first years of duration of the lease contracts:
- an increase in financial assets and liabilities in the statement of financial position;
- a worsening in the net financial position (NFP) due to the increase in financial liabilities;
- a worsening in pre-tax profit deriving from amortisation/depreciation and financial charges (higher in the first years of lease contracts).

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

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

- **Amendments to IFRS 2 “Classification and measurement of share-based payment transactions”**

  On June 20, 2016, IASB published the document ***“Classification and measurement of share-based payment transactions (Amendments to IFRS 2)”***, which contains amendments to the international accounting standard IFRS 2. 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. Amendments are applicable as from January 1, 2018 but early application is allowed. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group’s financial statements for the year.

- **“Annual Improvements to IFRSs: 2014-2016 Cycle”**

  On December 8, 2016 the IASB published the document ***“Annual Improvements to IFRS’s document: 2014-2016 Cycle”***, which includes the amendments to certain 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 to this standard is applicable at the latest to accounting periods beginning on 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 can be 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. This amendment is applicable as from January 1, 2017. However, as the standard has not yet been endorsed by the European Union, the Group did not adopt it as of December 31, 2017. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group's financial statements for the year.

- **"Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)"**

On December 8, 2016, IASB published the document ***"Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)"***. 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;
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 transaction date must be identified for each of these transactions. IFRIC 22 is applicable as from January 1, 2018. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group's financial statements for the year.

- **"Transfers of Investment Property (Amendments to IAS 40)"**

On December 8, 2016, IASB published the document ***"Transfers of Investment Property (Amendments to IAS 40)"***, which contains some amendments to the international accounting standard IAS 40. 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 occurred and shall not be limited to a change in the management's intentions of an entity for the use of a property.
The amendment are applicable as from January 1, 2018.
Directors deem that the adoption of these amendments will have no material impact on the Group's financial statements for the year.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"**

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.
Directors deem that the adoption of these interpretations will have no material impact on the Group's financial statements for the year.

- **Amendments to IFRS 9 "Prepayment Features with Negative Compensation"**

On October 12, 2017 the IASB published the document ***"Prepayment Features with Negative Compensation (Amendments to IFRS 9)"***. This document specifies that a debt instrument, which contains prepayment options, might fulfil the features of contractual cash flows (SPPI test) and might accordingly be measured based on the amortised cost method or on the fair value method, through other comprehensive income, also in the event that the reasonable additional compensation be envisaged when the prepayment is a negative compensation for the

lender. The amendment is applicable as from January 1, 2019 but earlier application is permitted.
Directors deem that the adoption of these amendments will have no material impact on the Group's financial statements for the year.

- **Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures**

On October 12, 2017, the IASB published the document ***"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 associated companies 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's financial statements for the year.

- **"Annual Improvements to IFRSs: 2015-2017 Cycle"**

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's financial statements for the year.

- **Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"**

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 associated company 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 associated company. The amendments introduced envisage that in the sale or conferment of an asset or a subsidiary to a joint venture or associated company, 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 conferred represent a business, as envisaged by IFRS 3. If the assets or subsidiary sold or conferred 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 interest which is still held by the entity, should be derecognised.
At the moment, the IASB has suspended the application of this amendment.
Directors deem that the adoption of these amendments will have no material impact on the Group's financial statements for the year.

4.28 SEASONALITY OF GROUP TRANSACTIONS

The activities of the Group are not subject to seasonality.

Consolidated statement of financial position

A) Non-current assets

5 Property, plant and equipment

(in Euros)

Description	31.12.2017	31.12.2016	Change
Property, plant and equipment	38,304,315	26,267,690	12,036,625

(in Euros)

Description	31.12.2017			31.12.2016		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
Land and buildings	19,166,681	790,343	18,376,338	9,779,248	165,082	9,614,167
Plant and machinery	6,527,603	2,153,622	4,373,981	5,652,260	1,154,449	4,497,810
Industrial and commercial equipment	68,666,754	56,529,307	12,137,447	53,955,504	45,217,223	8,738,280
Other assets	4,854,874	2,006,515	2,848,359	3,189,041	574,735	2,614,307
Leasehold improv.	1,703,841	1,135,697	568,144	1,331,318	528,238	803,080
Total	**100,919,754**	**62,615,484**	**38,304,315**	**73,907,372**	**47,639,727**	**26,267,690**

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 31.12.2016	**9,614,167**	**4,497,810**	**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)
Increase	9,770,379	674,737	5,215,821	745,798	129,380	16,536,115
Decrease	0	(730)	(704,009)	(153,733)	(84,882)	(943,355)
Decr. in accumulated 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**

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

The increase in item “Land and buildings”, equal to Euro 9.7 million, results essentially from the subscription of two property rental contracts 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, 2017:

(in Euros)

Description	2017
Historical cost of leased assets	9,746,571
Accumulated depreciation of leased assets	(295,351)
Total	**9,451,221**

This transaction referred to the lease of a real estate property in Turin, in the area of former Officine Savigliano, of which reference is made to the following paragraph 20. 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 envisaged 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 envisaged 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.

The increase in "Industrial and commercial equipment", equal to Euro 5.2 million, mainly relates to the purchase of new hardware for in-house use.

Decreases, equal to Euro 0.2 million, less the related accumulated depreciation, are due to the sale, scrapping and/or donation of obsolete and/or fully depreciated computers, the depreciation portion for the year and the negative balance of exchange differences that are substantially attributable to the depreciation of the Brazilian Real compared to the Euro.

6 Intangible assets

(in Euros)

Description	31.12.2017	31.12.2016	Change
Intangible assets	477,865,612	484,202,558	(6,336,946)

(in Euros)

Description	31.12.2017			31.12.2016		
	Historical cost	Accumulated amortisation	Net value	Historical cost	Accumulated amortisation	Net value
Development costs	2,295,466	958,830	1,336,636	2,275,305	327,173	1,948,133
Industrial patents and intellectual property	35,376,980	27,366,706	8,010,274	26,113,802	20,694,432	5,419,370
Concessions, licences and trademarks	453,060,691	9,916	453,050,775	453,056,567	3,311	453,053,256
Assets in progress	6,288,879	0	6,288,879	1,112,873	0	1,112,873
Other assets	44,619,531	35,440,484	9,179,048	35,553,107	12,884,180	22,668,927
Total	**541,641,549**	**63,775,936**	**477,865,613**	**518,111,654**	**33,909,095**	**484,202,558**

The changes in intangible assets, occurred during the year, are detailed as follows:

(in Euros)

Description	Development costs	Industrial patents and intellectual property	Conc., licences and trademarks	Assets in progress	Other assets	Total
Balance as of 31.12.2016	**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)
Increase	6,835	6,061,443	4,124	5,176,007	4,271,032	15,519,442
Decrease	(6,152)	0	(1,656)	0	(329,086)	(336,894)
Decr. in accumulated amortisation	0	(0)	0	0	(72)	(73)
Amortisation	(613,598)	(3,842,576)	(6,447)	0	(18,224,832)	(22,687,453)
Change in consolidation scope	2,051	694,786	1,499	0	793,079	1,491,414
Balance as of 31.12.2017	**1,336,636**	**8,010,274**	**453,050,775**	**6,288,879**	**9,179,048**	**477,865,613**

Intangible assets reported a total increase of Euro 15.4 million, mainly due to:

- the increase of Euro 5.9 million in item "Industrial patents and intellectual property" is mainly due to the purchase of software programmes;

- the increase in item "Assets in progress", equal to Euro 5.1 million, is due to in-house investments made by the Parent Company for the development of new solutions within the various segments in which the Group operates. Specifically:
  - in the finance area, a solution named "CPM Corporate Performance Management" is being implemented. The project envisages a cost of around Euro 1.5 million and its completion is expected within the 2nd half of 2018;
  - in the Health area, a System to support processes in intensive care units, named "ICU Intensive Care Unit", is being implemented. The project envisages a cost of around Euro 1.3 million and its completion is expected within the 1st half of 2018;
  - in the Energy Utilities area, the Cloud platform is being implemented for the Energy & Utilities "Net@ SUITE Cloud Edition". The investment, totalling around Euro 2.1 million, was completed at the beginning of 2018 and will start to be amortised over a period of five years. The product "Net@2A" is also being implemented. This is a new product for the management of the integrated water service and the environmental hygiene service in view of a Cloud Service. The total investment was estimated in around Euro 2 million.

- the increase of Euro 4.3 million of item "Other intangible assets" is mainly attributable to the allocation, at the acquisition date of control (January 2017), of the price paid for the Dekra Italia S.r.l. Business Unit, as detailed in paragraph 1.2 herein. In particular, the Performance Management Business Unit, was purchased from the company Dekra Italia S.r.l., operating in the field of managerial consultancy services through applications and technological platforms. The measurement at fair value of the assets acquired led to the determination of the customer relationship. The amount calculated at the acquisition date was equal to Euro 2.0 million (in addition to Euro 0.4 million of deferred tax liabilities). The residual period of amortisation is 2 years.

The item "Concessions, licences and trademarks" includes the trademark, with retroactive effect in 2016 and amounting to Euro 453 million, including deferred tax assets (equal to around Euro 126 million). The trademark refers to the fair value of the Engineering brand. This value emerged 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., as thoroughly described in the section on relevant transactions in the Explanatory Notes.

(in Euros)

Description	As of December 31, 2016	Change in consolidation scope	Write-downs	As of December 31, 2017
Gross value of 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 income-based method was applied to the version known as the RFR method (Relief from Royalties Method). Royalties were calculated as a percentage of revenues associated to the Plan prepared by the Company's management in relation to the 2016-2031 period. For the royalty rate valuation, the EBIT margin related to each year of the Plan (royalty rate equal to 2.32%) was considered. Moreover, a scenario was assessed by applying the 25 per cent rule to a measure of central tendency of analysts' best estimates with

respect to the estimated values of applicable EBIT margins related to the sector Engineering Ingegneria Informatica S.p.A. operates. The discount rate used to assess the value of the trademark is equal to 6.85%. The growth rate over the long period is equal to 2.0%.

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.

Based on the tests carried out according to the methods described above and according to special modalities described hereunder, the value of the trademark tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows. Therefore, there is no evidence at the present date for the Company to proceed with any write-down.

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

The recoverable value – the "value in use" of the trademark – was obtained through discounting of cash flows (DCF Model) over a five-year timing, based on the 2018 budget and assumptions for the following years made by the related Management. The Terminal Value was estimated by using the perpetual annuity, applying the growth rate ("g rate"), which does not exceed the long-term growth estimates of the sector and the Country where Engineering Ingegneria Informatica S.p.A. operates.

The determination of the discount rate referred to the Capital Assets Pricing Model, one of the most accredited methods in literature and professional best practice, based on indicators and parameters that can be observed on the market.
In determining the "value in use" the following elements have therefore been taken into account:
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 Company;
e) other risk factors concerning the operations of a specific market and changes over time.

The parameters utilised for discounting the cash flows and the Terminal Value under the DCF model illustrated above, which led to determine a WACC equal to 7.76%, were as follows:
- Risk free rate: equal to 2%, rate used by Banca IMI (former Corporate Broking of Engineering until delisting) at end of 2017 (Annexes Equity Risk Premium 2017);
- Equity Risk Premium: equal to 6.30%, the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The benchmark rate for measurements is the one used by the Banca IMI at end 2017;
- Debt cost: equal to 1%, the average indebtedness cost (long and short term) of the Group;
- Beta unlevered: equal to 1;
- Long Term Growth ("g rate"): equal to 0.5%;

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.

Moreover, a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses.

To this purpose, it is worth noting that, to determine the WACC, the following was used:
- Risk free rate: equal to 2% when the gross yield of 5-year BTPs is equal to 0.90%
- Equity Risk Premium: equal to the Euro Stoxx one (6.30%), compared to the one for Italy (5.50%).

The recoverability of trademark value is also confirmed, with respect to other hypotheses, also taking account of a "g rate" growth rate equal to 0%.

As already specified, within the context of the Purchase Price Allocation, the Customer relationship was also determined as per income assessment discounted by the prospective residual margins resulting from specific contracts of the Engineering Ingegneria Informatica S.p.A. Group. The value was determined through an income assessment discounted by the prospective residual margins resulting from specific contracts of the Parent Company Engineering Ingegneria Informatica S.p.A. and some of its subsidiaries. In particular, in determining the fair value of the customer relationship, cash flows were discounted. The amount calculated at the acquisition date was equal to around Euro 27 million (including around Euro 7 million of deferred tax liabilities). The residual period of amortisation is 1 year.

The average residual amortisation period is as follows:

(in Euros)

Description	Amortisation, remaining years	Remaining amount
Development costs	1	1,241
Development costs	2	1,331,673
Development costs	3	1,241
Development costs	4	1,241
Development costs	5	1,241
Total development costs		**1,336,636**
Industrial patents and intellectual property	1	895,702
Industrial patents and intellectual property	2	377,789
Industrial patents and intellectual property	3	1,969,478
Industrial patents and intellectual property	4	373,821
Industrial patents and intellectual property	5	4,354,933
Industrial patents and intellectual property	6	32,922
Industrial patents and intellectual property	8	5,627
Total industrial patents and intellectual property		**8,010,273**
Concessions, licences and trademarks	3	19,184
Concessions, licences and trademarks	4	2,229
Trademark	indefinite useful life	453,029,362
Total concessions, licences and trademarks		**453,050,775**
Other assets	1	5,322,157
Other assets	3	2,777,751
Other assets	4	407,704
Other assets	6	671,436
Total other assets		**9,179,048**
Total intangible assets		**471,576,732**

7 Goodwill

(in Euros)

Description	31.12.2017	31.12.2016	Change
Goodwill	129,985,817	57,662,300	72,323,517

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

(in Euros)

Description	31.12.2016	Change in consolidation scope	Exch. rate difference	31.12.2017
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			13,589,040
Goodwill - Other	11,247,177	8,371,586	(119,828)	19,498,935
Goodwill - Infogroup S.p.A.	0	47,469,659		47,469,659
Goodwill - IT Soft US Inc.	0	16,602,100		16,602,100
Total	**57,662,300**	**72,443,345**	**(119,828)**	**129,985,817**

Goodwill as of December 31, 2017 is equal to Euro 129,985,817 and is mainly composed of the following:

Good will existing at the beginning of the year -Euro 57,662 thousand

- in the amount of Euro 49,947 thousand, related to the transaction, occurred in 2016, for the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries by Mic Bidco S.p.A. and allocated to Finance, Energy & Utilities, Telco & Media, PAL Health e Taxes, Engineering Excellence Centre S.r.l., OverIT S.p.A., Nexen S.p.A., Dynpro Systemas Cash Generating Units, as described in note 1.2 herein;
- in the amount of Euro 7,759 thousand, related to the transaction, occurred in 2016, for the acquisition of control of ITS Engineering AG by Engineering Ingegneria Informatica S.p.A. and allocated to the Industry and Services CGU, as described in note 1.2 herein.

Goodwill recognised during the year -Euro 72,443 thousand

- in the amount of Euro 47,469 thousand, in relation to the purchase transaction of the company Infogroup S.p.A. at end 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 16,602 thousand, in relation to the purchase transaction of the company IT Soft US Inc. and the company SedApta US Corp, occurred on September 1, 2017, as described in note 1.2 herein, and allocated to the IT Soft US Inc. CGU;
- in the amount of Euro 5,300 thousand, in relation to the purchase transaction of the company Sogeit Solutions S.r.l., occurred on July 1, 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 1,516 thousand, in relation to the purchase transaction of the company Infinity Technology Solutions S.p.A., occurred on September 1, 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 1,055 thousand, in relation to the purchase transaction of the company Pyxis S.r.l., merged on July 1, 2017 in the company MHT S.r.l., as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 731 thousand, in relation to the purchase transaction of the company Sofiter Tech S.r.l., occurred on May 1, 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 537 thousand, in relation to the purchase transaction of the company Fair Dynamics Consulting S.r.l., merged on December 31, 2017 in the parent company Engineering Ingegneria Informatica S.p.A., as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 400 thousand, in relation to the purchase transaction of the "SP Sapiens" Business Unit, occurred on June 22, 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;

- in the amount of Euro 733 thousand, in relation to the purchase transaction of the company Bekast Consulting GmbH, by the subsidiary Engineering ITS AG, as described in note 1.2 herein, and allocated to the corresponding CGU;

The 2017 exchange rate differences related to goodwill amounted to around Euro 120 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 referred.

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, 2017, tested for impairment, was Euro 129,985,817, as described hereunder.

(in Euros)

Description	31.12.2017
Goodwill - Finance	16,344,694
Goodwill - Energy & Utilities	9,662,147
Goodwill - Telco & Media	6,819,242
Goodwill - PAL, Health and Taxes	13,589,040
Goodwill - Dynpro Systemas S.A.	757,874
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 - Infogroup S.p.A.	47,469,659
Goodwill - Fair Dynamics Consulting S.r.l.	537,193
Goodwill - Sofiter Tech S.r.l.	731,049
Goodwill - SP Sapiens	400,000
Goodwill - Pyxis S.r.l.	1,055,376
Goodwill - IT Soft US Inc.	16,602,100
Goodwill - Infinity Tecnology Solutions S.p.A.	1,516,608
Goodwill - Sogeit Solutions S.r.l.	5,300,006
Goodwill - Bekast IT Consulting GmbH	733,142
Total	**129,985,817**

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. Therefore, there is no evidence at the present date for the Company to proceed with any write-down.

It should be noted 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.

The recoverable value – the "value in use" of the CGUs – was obtained through discounting of cash flows (DCF Model) over the four-year timing for each single CGU, based on the 2018 budget and assumptions for the following years made by the related Management. The Terminal Value was estimated by using the perpetual annuity, applying the growth rate ("g rate"), which does not exceed the long-term growth estimates of the sector and the Country where the CGU operates.

The determination of the discount rate referred to the Capital Assets Pricing Model, one of the most accredited methods in literature and professional best practice, based on indicators and parameters that can be observed on the market.
In determining the "value in use" the following elements have therefore been taken into account:
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	Terminal value growth percentage	Post Tax WACC* 2017	Post Tax WACC* 2016
Finance	0.50%	7.76%	7.17%
Energy & Utilities	0.50%	7.76%	7.17%
Telco & Media	0.50%	7.76%	7.17%
Public Local Administration, Health and Municipia S.p.A.	0.50%	7.76%	7.17%
OverIT S.p.A.	0.50%	7.63%	6.71%
Nexen S.p.A.	0.50%	8.30%	7.17%
Engineering Excellence Center S.r.l.	0.50%	7.76%	7.17%
ITS Engineering AG	0.50%	8.30%	n.a.
Infogroup S.p.A.	0.50%	8.30%	n.a.
Fair Dynamics Consulting S.r.l.	0.50%	8.30%	n.a.
Sofiter Tech S.r.l.	0.50%	8.30%	n.a.
SP Sapiens S.r.l.	0.50%	7.76%	n.a.
Pyxis S.r.l.	0.50%	7.85%	n.a.
IT Soft US Inc.	0.50%	8.30%	n.a.
Infinity Technology Solutions S.r.l.	0.50%	8.01%	n.a.
Sogeit Solutions S.r.l.	0.50%	8.30%	n.a.
Dynpro Systemas S.A.	0.50%	8.30%	n.a.

* *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 2%, rate used by Banca IMI (former Corporate Broking of Engineering until delisting) at end of 2017 (Annexes Equity Risk Premium 2017);
- Equity Risk Premium: equal to 6.30%, the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The benchmark rate for measurements is the one used by the Banca IMI at end 2017;
- Debt cost: equal to 1%, the average indebtedness cost (long and short term) of the Group;
- Beta unlevered: equal to 1;
- Long Term Growth ("g rate"): equal to 0.5%.

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.

Moreover, for all CGUs a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses.

To this purpose, it is worth noting that, to determine the WACC, the following was used:
• Risk free rate: equal to 2% when the gross yield of 5-year BTPs is equal to 0.90%;
• Equity Risk Premium: equal to the Euro Stoxx one (6.30%), compared to the one for Italy (5.50%).

As a consequence, the approach used included parameters of absolute prudence by using a high WACC, compared to Group characteristics. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a "g rate" growth rate equal to 0%.

8 Equity investments

Investment in associated companies measured at equity

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

(in Euros)

Description	31.12.2017	31.12.2016	Change
Equity investments	150,975	131,573	19,402

Changes in investments:

(in Euros)

Investments	Value as of 31.12.2016	Change in consolidation scope	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2017
In associated companies	131,573	125,000	0	(22,000)	(83,598)		150,975
Total	**131,573**	**77,534**	**-**	**(549,140)**	**(83,598)**		**150,975**

b) Associated companies

Investments in associated companies is as follows:

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2016	%
SI Lab – Calabria S.c.a.r.l.	Rende	97,162	85,193	30,000	11,969	38,515	(8,350)	7,200	+24
SI Lab – Sicilia S.c.a.r.l.	Palermo	33,997	2,687	30,000	31,310	13,521	1,131	3,525	+24
Consorzio Sirio	Palermo	134,187	122,513	5,000	11,674	16,281	(48,936)	78,598	+49
Consorzio Engbas in liquidation	Florence	46,810	5,687	50,000	41,123	6	(2,915)	22,000	+50
Cento-6 Società consortile S.c.a.r.l.	Milan	14,424	1,040	20,000	13,384		(518)	5,000	+25
Consorzio Sanimed Group	Terni							3,000	+25
DST IT Services GmbH	Stuttgart	24,263	60	25,000	24,203	0	(797)	12,250	+49
Total								**131,573**	

(in Euros)

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2017	%
SI Lab – Calabria S.c.a.r.l.	Rende	460,712	440,755	30,000	19,957	46,962	7,987	7,200	+24
SI Lab – Sicilia S.c.a.r.l.	Palermo	33,286	1,000	30,000	32,286	13,480	975	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			500,000				125,000	+25
Total								**150,975**	

Data from associated companies reported a net increase of Euro 19,402 due to:

- write-down totalling Euro 78,598 of the equity investment of Consorzio Sirio performed by the Parent Company;
- write-down totalling Euro 5,000 of the equity investment of the company Cento-6 Società consortile S.c.a.r.l. performed by the Parent Company;
- winding-up totalling Euro 22,000 of the company Consorzio Engbas performed by the Parent Company;
- write-up of Euro 125,000 for the company Unimatica S.p.A., performed by the company Infogroup S.p.A..

9 Deferred tax assets

Prepaid 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 prepaid 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	31.12.2017	31.12.2016	Change
Deferred tax assets	32,251,670	21,968,822	10,282,848

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	31.12.2017		31.12.2016	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
All. to other prov. and charges	9,406,076	2,380,253	3,391,111	908,700
IAS amortisation	2,762,972	478,588	3,063,395	519,890
Goodwill	540,825	150,078	647,934	179,907
Directors' fees	1,353,345	324,803	1,206,570	289,577
Doubtful debt provision	38,238,031	9,131,062	24,927,464	6,040,095
Provisions for risks	22,580,193	6,315,474	12,243,729	3,286,069
Leaving incentives	5,023,969	1,205,752	24,053,945	5,772,947
Financial leases	44,419	12,393	44,419	12,393
Tax losses	556,110	587,202	486,010	170,103
Adjustments for IFRS	3,220,185	898,432	3,213,024	896,434
Adjustments for IFRS IAS 19	13,344,048	3,206,891	11,776,148	2,826,276
Tax credit - Mic Bidco S.p.A. Merger	26,157,965	6,277,912		
Other	4,174,073	1,282,829	3,144,908	1,066,431
Total	**127,402,210**	**32,251,669**	**88,198,657**	**21,968,822**

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.

The item “Tax credit - Mic Bidco S.p.A. Merger” refers to tax positions, recognised in the current 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 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 a Mic Bidco S.p.A. over a period from January 1 to May 23, 2017.

Changes in deferred tax assets are detailed below:

(in Euros)

Description	Deferred tax assets
Balance as of 31.12.2016	**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**

The decrease in deferred tax assets is mainly due to the utilisation of the leaving incentives fund.

The increase for the year is mainly attributable to the aforesaid item “Tax Credit” (Euro 6.3 million) and allocations for provisions for risks and charges (Euro 3.9 million).

10 Other non-current assets

(in Euros)

Description	31.12.2017	31.12.2016	Change
Other non-current assets	5,794,572	2,609,605	3,184,968

As better described later on, the item, reporting a positive change for the period of Euro 2,697,864, includes investments in other non consolidated companies, non-current financial assets and residual assets, as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Investments in other companies	2,384,117	1,541,831	842,286
Non-current financial assets	3,402,095	1,067,774	2,334,321
Total	**5,794,572**	**2,609,605**	**3,184,968**

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 31.12.2016	Change in consolidation scope	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2017
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						36,314
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	115,595		76,000				191,595
Consorzio Abi Lab	1,000						1,000
Investment in 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
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
Consorzio Foodnet	700				(700)		
Total	**1,541,831**	**9,500**	**833,486**		**(700)**		**2,384,117**

b) Non-current financial assets

(in Euros)

Description	31.12.2017	31.12.2016	Change
Tax receivables and taxes paid abroad	2,140,641	-	2,140,641
Security deposits	764,350	582,199	182,151
Others	497,104	485,575	11,529
Total	**3,402,095**	**1,067,774**	**2,334,321**

Other non-current financial assets relate to:

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

C) Current assets

11 Inventories

(in Euros)

Description	31.12.2017	31.12.2016	Change
Inventories	197,738	64,840	132,898

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

12 Construction contracts

(in Euros)

Description	31.12.2017	31.12.2016	Change
Construction contracts	150,323,955	143,901,388	6,422,567

The item “Construction contracts”, recorded net of advances, is broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Construction contracts	143,901,388	128,766,249	15,135,139
Exchange difference	(2,962,549)	4,882,294	(7,844,843)
Change in consolidation scope	5,690,351	152,994	5,537,357
Adjustments and changes in work in progress	(2,065,121)	1,220,867	(3,285,987)
Costs incurred plus profits booked according to percentage completion net of losses	410,931,342	376,032,014	34,899,328
Invoicing progress of work	(405,171,456)	(367,153,029)	(38,018,427)
Total	**150,323,955**	**143,901,388**	**6,422,567**

Construction contracts 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 Trade receivables

The book value of trade receivables 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, amongst which we underline those related to 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	31.12.2017	31.12.2016	Change
Trade receivables	550,834,537	531,434,221	19,400,316

The breakdown is as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Customers	532,353,951	521,669,260	10,684,692
Associated companies	73,376		73,376
Others	18,407,210	9,764,962	8,642,248
Total	**550,834,537**	**531,434,221**	**19,400,316**

a) Customers

(in Euros)

Description	31.12.2017	31.12.2016	Change
Receivables on invoices issued	430,113,557	418,628,017	11,485,539
of which overdue	*225,347,976*	*214,255,775*	*11,092,201*
Invoices to be issued	183,724,738	174,278,060	9,446,679
Credit notes to be issued	(247,427)	(237,401)	(10,026)
Doubtful debt provision	(46,443,440)	(43,900,933)	(2,542,507)
Provision for interest in arrears	(34,793,477)	(27,098,483)	(7,694,993)
Total	**532,353,951**	**521,669,260**	**10,684,692**

The “Receivables from customers” item is equal to Euro 532,353,951, net of a doubtful debt provision amounting to Euro 46,443,440, sufficient to cover any future losses, in addition to allocations made as provision for interest in arrears (Euro 34,793,477) to cover any possible future losses related to the aforesaid entry.

Increases of the provision, over the year, take account of non-payment risks related to overdue receivables and receivables in relation to which legal proceedings are in course to redeem full recognition for the Group.

It is noted that, as of December 31, 2017, the Group factored trade receivables for the total amount of Euro 191.4 million (Euro 64.2 million as of December 31, 2016). 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, 2017, with respect to Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A. or “SISE”), equal to Euro 127,840,671 (net of the doubtful debt provision amounting to Euro 11,198,406 and provision for interest in arrears amounting to Euro 33,910,922), 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 before the Court of Palermo against Sicilia Digitale S.p.A., and obtained the payment order for Euro 30,051,530.90 (in addition to interests, expenses and remunerations, VAT and CPA), for which, however, no execution order was given. Moreover, Sicilia Digitale asked, and on October 2, 2013 obtained the provisional execution of the payment order for Euro 93,163,203 with respect to the Sicilian Region. Following the sale by SISEV of the entire shareholding to the Sicilian Region, Sicilia Digitale S.p.A. unjustifiably left the lawsuit started by the previous Director to obtain the payment of the aforesaid amount from the Sicilian Region.

Therefore, to safeguard its rights, on July 18, 2014 SISEV applied for a distraint order over all receivables from the Sicilian Region to Sicilia e-Servizi 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 Digitale S.p.A., also the Sicilian Region (via its accountant general), an undoubtedly solvent entity, is directly committed with respect to Sicilia Digitale 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.

To this purpose, it should be noted that, as regards SISE'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 28,067,526.11 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 28,346,051.66).

On that date, the experts committee was established. At the time of the final assessment, the experts acknowledged that the amount of the services rendered and described in the deeds was almost the entire amount object of the payment order (less payments received in the meantime). 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 SISE and/or the Region). The Court suspended the decision.

Moreover, 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 e Servizi S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia e Servizi 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.

With respect to the request expressed by the Sicilian Region, SISEV continued and still continues to render the services on a reduced basis and with the exclusive intent to avert the total interruption of the services to citizens, despite the Framework Convention has expired. Within the aforesaid context, 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, despite the favourable opinion of the legal advisers on the entire collectability of the receivables in question, within the above-mentioned context, 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 SISE and the Sicilian Region, in its financial statements SISEV recognised the interest set out by law pertaining to the year (around Euro 3.8 million) in the income statement and under item Financial income, in addition to the amount already recognised until December 31, 2016 (for a total amount of around Euro 30 million) and allocated an amount of around Euro 4.1 million to the doubtful debt provision, in addition to the total amount of around Euro 40.9 million already allocated to the doubtful 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, resulting 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 31.12.2016
	30	60	90	120	over 120	
Public Administration	6,113,065	4,486,647	1,481,152	2,828,139	90,655,266	105,564,270
Finance	8,227,210	1,990,486	1,318,567	191,508	3,935,255	15,663,026
Industry & Services	23,383,819	6,603,872	9,439,171	2,354,066	15,676,040	57,456,968
Telco & Utilities	20,991,021	3,893,975	1,357,998	865,197	8,463,319	35,571,511
Total	**58,715,115**	**16,974,980**	**13,596,889**	**6,238,911**	**118,729,880**	**214,255,775**

(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**

Receivables due for overdue invoices show an aggregate increase of around Euro 11 million, compared to the previous year.

If receivables are analysed by segment, it can be noted that Public Administration showed a clear worsening, and overdue amounts increased by around Euro 19 million.

As regards Telco & Utilities, a slight improvement was reported, and overdue amounts decreased by around Euro 7 million.

On the basis of the information provided to Directors, there is no evidence at present of any risks of non-payment apart from that included in the bad debt provision, which is allocated following an analytical assessment of each customer.

a) Due from associates

(in Euros)

Description	31.12.2017	31.12.2016	Change
Receivables on invoices issued	73,376		73,376
Total	**73,376**	**-**	**73,376**

b) Others

(in Euros)

Description	31.12.2017	31.12.2016	Change
Prepayments	2,739,638	2,727,060	12,578
Others	15,667,572	7,037,902	8,629,671
Total	**18,407,210**	**9,764,962**	**8,642,248**

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

14 Other current assets

(in Euros)

Description	31.12.2017	31.12.2016	Change
Other current assets	72,606,806	58,981,352	13,625,454

The other current assets are broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Current financial assets	25,957,180	20,054,623	5,902,558
Others	46,649,625	38,926,729	7,722,896
Total	**72,606,806**	**58,981,352**	**13,625,454**

a) Current financial assets

Current financial assets are broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Tax receivables	22,573,499	17,073,390	5,500,109
Social security institutions	3,202,089	2,593,647	608,442
Other	181,593	387,585	(205,992)
Total	**25,957,180**	**20,054,623**	**5,902,558**

The tax receivables substantially relate to:

- for around Euro 13.3 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, 2017;
- for around Euro 1.6 million relating to receivables for taxes paid abroad;
- for around Euro 6.1 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 2017 and INPS receivables to be recovered over subsequent years.

In December 2017, receivables from the Inland Revenue Office were factored and collected in relation to the reimbursement claim, filed in 2012, for the higher IRES tax paid on personnel costs, not deducted for the years 2007-2011 for the IRAP tax purposes. Risks and benefits related to receivables were transferred to the transferee. Receivables were therefore eliminated from the assets in the statement of financial position against the consideration received from the factoring company. The amount of the receivables collected amounted to Euro 8.2 million.

b) Others

The “Others” item includes:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Applied research grants	40,331,997	37,174,874	3,157,123
Prepaid expenses	718,261	270,268	447,993
Others	5,599,368	1,481,587	4,117,780
Total	**46,649,625**	**38,926,729**	**7,722,896**

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.

15 Cash and cash equivalents

(in Euros)

Description	31.12.2017	31.12.2016	Change
Cash and cash equivalents	207,017,853	312,232,343	(105,214,489)

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	31.12.2017	31.12.2016	Change
Bank and postal deposits	206,968,722	312,189,778	(105,221,055)
Cash and cash equivalents	49,131	42,565	6,566
Total	**207,017,853**	**312,232,343**	**(105,214,489)**

Bank and postal deposits include

- Euro 10.2 million of current accounts related to payments made in advance by the European Community and exclusively intended for research activities;
- Euro 1.1 million of postal current accounts related to collections to be repaid to Municipalities, following the collections of taxes on their behalf;
- Euro 0.7 million, related to an escrow account created after the acquisition of the company Dynpro Systemas S.A. and the company Logann Ltda by Engineering do Brasil S.A..

Changes in item “Cash and cash equivalents” must be read together with changes in other financial assets and liabilities.

For further information reference should be made to paragraph VII of the present document.

D) Shareholders' equity

16 Information on shareholders' equity

(in Euros)

Description	31.12.2017	31.12.2016	Change
Shareholders' equity	587,705,929	530,993,114	56,712,815

The changes are shown in the table below:

(in Euros)

Shareholders' equity	Value as of 31.12.2016	Increase	Decrease	Value as of 31.12.2017
Total share capital	**989,947**	**30,885,053**	**0**	**31,875,000**
Legal reserve	0	6,375,000	0	6,375,000
Share premium reserve	527,909,574	0	(527,909,574)	0
Merger reserve	0	503,705,347	(0)	503,705,347
Translation reserve	0	0	(2,370,708)	(2,370,708)
Other reserves	0	9,457,534	(5,993,091)	3,464,443
Total reserves	**527,909,574**	**607,516,709**	**(624,252,201)**	**511,174,082**
Prior years' undistributed profits	0	904,725	(0)	904,725
First-time application of IAS/IFRS	0	0	(571,860)	(571,860)
IAS 19 actuarial gains/(losses)	0	31,491	(10,360,738)	(10,329,247)
Retained earnings /(losses carried forward)	**0**	**936,216**	**(10,932,598)**	**(9,996,382)**
Profit/(Loss) for the year	**904,725**	**50,240,665**	**(904,725)**	**50,240,665**
Total Group shareholders' equity	**529,804,246**	**689,578,643**	**(636,089,524)**	**583,293,365**
Capital and reserves of minority interests	**1,040,733**	**1,348,231**	**0**	**2,388,964**
Profit/(Loss) for the year of minority interests	**148,135**	**1,875,464**	**0**	**2,023,600**
Total shareholders' equity	**530,993,114**	**692,802,338**	**(636,089,524)**	**587,705,929**

ENGINEERING GROUP

17 Share capital

The subscribed and fully paid-in share capital is Euro 31,875,000, divided into 12,500,000 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:
  of Euro 6,375,000 is available for the covering of losses but is not distributable.

- Share premium reserve:
  was reduced to zero due to the re-establishment of other reserves after the aforesaid reverse Merger, of which reference is made to par. 1.1.

- Merger reserve:
  this reserve, amounting to Euro 503,705,347, was established after the above-mentioned reverse Merger and it is fully available and distributable.

- Translation reserve:
  at the reporting date, it amounted to Euro (2,370,708) and is neither available nor distributable.

- Other reserves:
  - Special applied research reserve, of Euro 81,721, is available and distributable.
  - 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 9,425,814, 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. For further details, reference is made to the following paragraph 35.
  - Forward contract reserve, amounting to Euro (4,320,000) on Non-Controlling Interests, with a contra entry described in the previous paragraph 20.

19 Retained earnings

Retained earnings are equal to Euro (9,996,382).

- Prior years' undistributed profits:
  at the reporting date, they amounted to Euro 904,725 and are neither available nor distributable.

- First-time application of IAS/IFRS reserve:
  at the reporting date, it amounted to Euro (571,860) and is neither available nor distributable.

- Actuarial gains/(losses) reserve - IAS 19
  at the reporting date, it amounted to Euro (10,329,247) and is neither available nor distributable.

E) Non-current liabilities

20 Non-current financial liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Non-current financial liabilities	232,425,051	88,056,345	144,368,706

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

(in Euros)

Description	31.12.2017	31.12.2016	Change
Payables to lenders	224,003,101	85,597,774	138,405,327
Other non-current financial liabilities	8,421,950	2,458,570	5,963,380
Total	**232,425,051**	**88,056,345**	**144,368,706**

The long-term debt as of December 31, 2017 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
Svil. Econ. Pia E-Gov	2018		194,971		
Svil. Econ. Pia Odcdn	2018		175,156		
Svil. Econ. Pia Sinim	2018		201,975		
Svil. Econ. Pia A16/1643/P	2018		56,288		
Bei/Serapis N. 82199	2018	Euribeur 363m+1,99100	1,875,000		
Credito Emiliano S.p.A.	2018	0.35%	833,576		
Miur Prog. 28953 Foodsys	2019		144,905	145,631	
Miur Prog. 28953 Foodsys	2019		39,063	41,041	
Credit Agricole Friuladria	2019	1.15%	169,619	84,534	
Banca di Udine Credito Coperativo	2019	0.50%	667,222	55,752	
Intesa San Paolo S.p.A.	2018	2.27	50,000		
Volksbank	2020	0.30		1,500,000	
Volkswagen bank GmbH	2021	2.57	6,363	20,461	
Intesa Sanpaolo Fin.83817	2020	Euribeur 363m+0,85000	16,625,000	24,937,500	
Bei/Serapis N. 84744	2018		4,545,455		
Bei/Serapis N. 84744	2022		4,545,455	31,818,182	
Banca IMI - Pool banche	2021		18,850,000	104,000,000	
Banca Popolare Milano	2023			61,400,000	13,644,444
Total			**48,980,048**	**224,003,101**	**13,644,444**

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 222,342,353.

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

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 will be redeemed on January 30, 2018;

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- 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;
- 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 to Mic Bidco S.p.A. by the same pool of banks, always through Banca IMI S.p.A.;
- 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..

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/reported EBITDA not higher than 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);
  - Standardised 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 may give the banks the right of withdrawal, as per article 1845 of the Italian Civil Code, and to exercise the right to recover all amounts covered by the agreement, unless they are recovered:
- within 30 (thirty) subsequent 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 the value is fulfilled again in the following half year; and
- within 60 (sixty) subsequent business days for the loan granted by Banca Intesa Sanpaolo and both values are not fulfilled.

All covenants stipulated in the agreements were fulfilled as of December 31, 2017.

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. This Interest Rate Cap (IRC) contract, the fair value of which is substantially equal to zero, as of December 31, 2017, was designated under hedge accounting, subscribed for a notional principal of Euro 61.4 million with the aim, as aforesaid, of hedging the above-mentioned medium-long term loan from interest rate oscillation.

All the other loans indicated above are at a subsidised fixed rate and are always linked to the development of research projects.

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

(in Euros)

Description	31.12.2017	31.12.2016	Change
Derivative	175,695	296,507	(120,812)
Security deposits	797,498	1,995,349	(1,197,850)
Payables for finance leases/Payables to Shareholders	9,519,611	274,401	9,245,210
Value of financial debt at amortised cost	(2,070,855)	(107,686)	(1,963,169)
Total	**8,421,950**	**2,458,570**	**5,963,380**

The item “Other current liabilities” mainly includes:

- fair value of the derivative entered 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. In particular, the fair value of IRS under evaluation was equal to Euro 0.2 million as of December 31, 2017 (Euro 0.3 million as of December 31, 2016) and fair value changes, compared to the previous year, were recognised in the income statement by reason of the redemption of the loan related to IRS and to the related hedging.

Description of IRS	Opening of contract	Expiry date of contract	Principal (in thousands of Euro)	Fixed rate	Fair value 31.12.2017 (in thousands of Euro)	Fair value 31.12.2016 (in thousands of Euro)
Hedging of Unicredit loan - redeemed	30.06.2014	31.03.2020	35,000	0.56	(176)	(297)

Moreover, as described in the paragraph Non-current financial liabilities, 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. This Interest Rate Cap (IRC) contract, the fair value of which is substantially equal to zero, as of December 31, 2017, was designated under hedge accounting, subscribed for a notional principal of Euro 61.4 million with the aim, as aforesaid, of hedging the above-mentioned medium-long term loan from interest rate oscillation. The calculation of the effectiveness test on current derivatives designated as hedge accounting, was carried out based on the sector best practice, in compliance with requirements of IFRS 13.

Description of IRC	Opening of contract	Expiry date of contract	Principal (in thousands of Euro)	Fixed rate	Fair value 31.12.2017 (in thousands of Euro)	Fair value 31.12.2016 (in thousands of Euro)
Hedging of Banca IMI S.p.A./Pool of Banks loan	23.10.2017	23.10.2019	61,425	0.15	0	n.a.

- The security deposits relate to an escrow account of the subsidiary Engineering do Brasil S.A.;

- the portion of finance leases related to real estates in Turin by the Parent Company (Euro 6.9 million) and the subsidiary MHT S.r.l. (Euro 0.3 million);

- payables for earn out, with respect to minority shareholders of the companies Sogeit Solutions S.r.l. and Sofiter Tech S.r.l., are equal to Euro 2.2 million. In particular, as thoroughly described in paragraph 1.2, both business combinations, acquired during the year, envisage an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018.
  The total amount, recognised over the year for these earn outs, equal to Euro 3.3 million (of which Euro 2.2 million non-current), reflects the best estimate of amounts to be paid upon maturity based on contracts entered with the counterparties;
- the difference between the par value of financial payables recorded and the value of payables measured at amortised cost.

The following table shows the details of payables for finance leases:

(in Euros)

Payables for finance leasing	Fees	Capital amount
Within 1 year	1,493,309	1,204,984
Over 1 year	7,638,254	6,920,996
Over 5 years	0	0
Total leasing fees	**9,131,564**	
Interests	(1,005,584)	
Total current value of leasing fees	**8,125,980**	**8,125,980**

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

(in Euros)

Description	31.12.2017	31.12.2016
Cash	49,131	42,565
Other liquid assets	206,968,722	312,189,778
A) Cash and cash equivalents	**207,017,853**	**312,232,343**
B) Current financial receivables	**2,700,000**	**0**
Current bank payables	(5,231,331)	(4,321,051)
Current borrowing	(94,720,362)	(318,421,623)
Other current financial payable	(15,403,365)	(10,183,341)
C) Current borrowing	**(115,355,058)**	**(332,926,016)**
D) Net current financial position (A + B + C)	**94,362,796**	**(20,693,673)**
Non-current borrowing	(224,003,101)	(85,597,774)
Other non-current payables	(8,421,950)	(2,458,570)
E) Non-current borrowing	**(232,425,051)**	**(88,056,345)**
F) Net financial position (D+E)	**(138,062,255)**	**(108,750,017)**

21 Deferred tax liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Deferred tax liabilities	149,213,821	150,060,715	(846,894)

Deferred tax liabilities, calculated at the current rates (27.5% or 24% for taxes that will be reversed as from 2017 for IRES, and based on regional rates for IRAP), have been calculated on the following items.

(in Euros)

Description	31.12.2017		31.12.2016	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Goodwill	15,000,862	4,277,860	14,393,018	4,124,183
Trademark	453,029,362	126,395,192	453,029,362	126,395,192
Research grants	1,621,769	409,202	2,850,221	705,593
Research grants taxed in 5 years	66,832,326	16,039,757	62,571,700	15,017,208
Doubtful debt provision	18,036	4,960	20,666	4,960
IFRS adjustments	2,264,050	631,856	2,378,230	663,526
IFRS - IAS 8 adjustments	1,031	328	1,031	328
Allocation of goodwill	5,103,138	1,423,776		
Other	128,712	30,891	11,289,342	3,149,726
Total	**543,999,286**	**149,213,821**	**546,533,570**	**150,060,715**

Movements in deferred tax liabilities are illustrated below:

(in Euros)

Description	
31.12.2016	**150,060,715**
Change in consolidation scope	241,791
Increase	8,058,340
Decrease	(9,147,025)
31.12.2017	**149,213,821**

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22 Non-current provisions for risks and charges

(in Euros)

Description	31.12.2017	31.12.2016	Change
Non-current provisions for risks and charges	3,894,900	408,104	3,486,796

Changes are detailed below:

(in Euros)

Description	
31.12.2016	**408,104**
Exchange difference effect	(416,806)
Increase	3,903,602
31.12.2017	**3,894,900**

The increase of Euro 3.9 million is due to the allocation of the provision for risks on projects of the Brazilian subsidiary.

23 Other non-current liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Other non-current liabilities	13,068,793	3,800,773	9,268,020

Other non-current liabilities include:

- payables for a non-competition agreement signed with the top management (around Euro 8.0 million);
- the residual portion refers to the measurement of payables – based on provisions set out by IAS 32 – for sales options granted to minority 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 liabilities related to the aforesaid payables, measured at fair value are classified as Level 3 (i.e. financial liabilities the fair value of which is determined not according to observable market data).

24 Post-employment benefits

(in Euros)

Description	31.12.2017	31.12.2016	Change
Post-employment benefits	67,709,887	64,649,744	3,060,143

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;
- annual revaluation 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 0.3122% to 1.7179 % 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 probability).

The following tables 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%	**62,548,393**	603,293	**61,945,100**	-591,168	**61,353,932**
		-470,189	140,726	**-462,536**	-1,053,735	**-455,136**
Infl.	100%	**63,018,582**	610,946	**62,407,636**	-598,568	**61,809,068**
		475,097	1,086,012	**467,393**	-138,774	**459,825**
	+10%	**63,493,679**	618,650	**62,875,029**	-606,136	**62,268,893**

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 31.12.2016	**64,649,746**
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)
Indemnities on acquisition of Group business units/subsidiaries	2,127,085
Transfer payables of Group business units/subsidiaries	(1,779,392)
Post-employment benefits, consolidated companies	5,353,564
Balance as of 31.12.2017	**67,709,887**

The "Provisions" item comprises the interest cost for an amount equal to Euro 175,646.

F) Current liabilities

25 Current financial liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Current financial liabilities	115,355,058	332,926,016	(217,570,958)

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

(in Euros)

Description	31.12.2017	31.12.2016	Change
Payables to lenders	94,720,362	318,421,623	(223,701,261)
Bank payables	5,231,331	4,321,051	910,280
Other current financial liabilities	15,403,365	10,183,341	5,220,024
Total	**115,355,058**	**332,926,016**	**(217,570,958)**

Payables to lenders

As of December 31, 2017, short-term loans totalled Euro 94,720,362 and relate to the short-term portion of payables to lenders for which reference is made to paragraph 21 "Non-current financial liabilities".

Bank payables

(in Euros)

Description	31.12.2017	31.12.2016	Change
Bank overdrafts	5,231,331	4,321,051	910,280
Total	**5,231,331**	**4,321,051**	**910,280**

Other current financial liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Other grants	12,509,210	9,762,405	2,746,805
Payables for leasing	1,232,508	25,920	1,206,588
Equity investments to be paid	1,661,648	395,017	1,266,631
Total	**15,403,365**	**10,183,341**	**5,220,024**

“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 financial liabilities”. “Equity investments to be paid” related primarily to the Earn Out of Sogeit Solutions S.r.l. (Euro 1.2 million).

26 Current tax payables

(in Euros)

Description	31.12.2017	31.12.2016	Change
Current tax payables	4,250,916	3,853,977	396,939

The balance as of December 31, 2017 primarily includes current tax payables.

The breakdown is as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
IRES	3,401,278	3,759,832	(358,555)
IRAP	839,192	94,145	745,047
Substitute tax	10,447		10,447
Total	**4,250,916**	**3,853,977**	**396,939**

27 Current provisions for risks and charges

(in Euros)

Description	31.12.2017	31.12.2016	Change
Current provisions for risks and charges	20,270,005	35,096,799	(14,826,794)

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

(in Euros)

Description	31.12.2017	31.12.2016	Change
Provision for risks and charges	10,581,400	29,949,366	(19,367,966)
Provision for losses on projects	9,688,605	5,147,433	4,541,172
Total	**20,270,005**	**35,096,799**	**(14,826,794)**

The decrease of the provisions for risks and charges was due mainly to the following:

- decrease of around Euro 10.0 million, related to the disbursement, as of June 30, 2017, for the leave of managers and employees who adhered to the reorganisation and restructuring plan (early leave as per 2017 Stability Law);
- decrease of around Euro 2.8 million, following the utilisation of the special provision for restructuring, established in the previous years;
- decrease of around Euro 2.7 million, related to the closure of the provision due to ceased risk;
- decrease of around Euro 0.4 million for the utilisation of the special provision for disputes, established in previous years.

The provision for risks and losses on projects was adjusted to account for probable future charges that will be incurred on projects in which difficulties have arisen and was used for the portion of risks settled in the first part of the half-year and for which no future risks are expected. The 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	
31.12.2016	**35,096,799**
Increase	5,737,183
Decrease	(25,575,455)
Change in consolidation scope	5,011,479
31.12.2017	**20,270,005**

The increase is due to the adjustment of the provision to cover probable future charges, which will have to be borne, and especially refers to projects where some critical issues emerged. The allocated amount is the best estimate made based on the current information available to the Company.

28 Other current liabilities

(in Euros)

Description	31.12.2017	31.12.2016	Change
Other current liabilities	153,298,644	148,697,970	4,600,674

This item is broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Directors and Statutory Auditors	1,614,518	1,681,747	(67,229)
Consultants	100,403	87,646	12,758
Acquisition of business unit	748,512	149,115	599,397
Withholding taxes	1,339,719	1,262,658	77,061
Tax payables	26,396,043	32,640,100	(6,244,057)
Due to RTI partners	3,285,973	2,633,659	652,315
Social security institutions	21,021,279	18,024,204	2,997,075
Others	7,652,005	7,155,854	496,150
Employees	81,466,254	77,474,496	3,991,758
Partners for research projects	8,895,539	6,796,679	2,098,861
Accrued m/l loan interest	592,573	87,509	505,064
Other accruals	36,911	33,066	3,845
Deferred income	148,913	671,238	(522,325)
Total	**153,298,644**	**148,697,970**	**4,600,674**

Tax payables are broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
VAT	9,967,726	18,050,237	(8,082,511)
Suspended VAT	1,586,584	1,737,168	(150,584)
IRPEF	14,167,070	12,168,483	1,998,587
Other	674,663	684,212	(9,549)
Total	**26,396,043**	**32,640,100**	**(6,244,057)**

29 Trade payables

(in Euros)

Description	31.12.2017	31.12.2016	Change
Trade payables	318,140,848	284,545,467	33,595,381

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

The balance as of December 31, 2017 is broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016	Change
Suppliers	271,651,212	241,203,471	30,447,740
Others	46,489,636	43,341,996	3,147,640
Total	**318,140,848**	**284,545,467**	**33,595,381**

a) Suppliers

(in Euros)

Description	31.12.2017	31.12.2016	Change
Due to suppliers	187,785,773	171,126,669	16,659,104
Due to foreign suppliers	17,139,486	13,286,873	3,852,613
Invoices to be received	67,705,246	57,282,926	10,422,319
Credit notes to be received	(979,293)	(492,997)	(486,296)
Total	**271,651,212**	**241,203,471**	**30,447,740**

b) Others

(in Euros)

Description	31.12.2017	31.12.2016	Change
Advances for future work	46,489,636	43,341,996	3,147,640
Total	**46,489,636**	**43,341,996**	**3,147,640**

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

Income statement

As already thoroughly described in paragraph “Form, contents and accounting standards” herein, the comparative income statement tables reflect the accounting results as from the acquisition date of Mic Bidco S.p.A.’s control of Engineering Ingegneria Informatica S.p.A. and therefore they substantially related to amounts as from end June 2016. In order to allow for a more immediate and exhaustive reading of performance results, the Directors’ report included the comparative income statement tables that had been restated to reflect the values of the entire 2016 for the Engineering Ingegneria Informatica S.p.A. Group.

A) Total revenues

(in Euros)

Description	31.12.2017	31.12.2016
Total revenues	1,028,797,459	495,570,381

30 Total revenues

Group revenues show a change of Euro 94,190,425. 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	31.12.2017	31.12.2016
Revenues from sales and service	994,136,621	493,151,915
Cgs. finished products and construction contracts	6,039,028	(9,508,596)
Other revenues	28,621,810	11,927,061
Total	**1,028,797,459**	**495,570,381**

For further analysis and comments reference should be made to item VI herein.

31 Other revenues

(in Euros)

Description	31.12.2017	31.12.2016
Other revenues	28,621,810	11,927,061

The breakdown of other revenues is as follows:

(in Euros)

Description	31.12.2017	31.12.2016
Grants	18,083,317	7,769,741
Other income	10,538,493	4,157,320
Total	**28,621,810**	**11,927,061**

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community. The “Other income” item mainly comprises re-invoicing of fringe benefits to employees for company cars and the cancellation of losses borne in the year in which the related risk was allocated.

B) Operating expenses

(in Euros)

Description	31.12.2017	31.12.2016
Operating expenses	964,019,691	482,410,415

32 Operating expenses

The breakdown of operating expenses is as follows:

(in Euros)

Description	31.12.2017	31.12.2016
Raw materials and consumables	16,322,136	7,959,280
Services	367,419,368	184,133,043
Personnel costs	518,886,310	237,315,946
Amortisation and depreciation	29,690,148	19,206,704
Provisions	19,050,537	28,051,291
Other costs	12,651,191	5,744,152
Total	**964,019,691**	**482,410,415**

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

33 Raw materials and consumables

(in Euros)

Description	31.12.2017	31.12.2016
Raw materials and consumables	16,322,136	7,959,280

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

(in Euros)

Description	31.12.2017	31.12.2016
Hardware	5,398,858	2,954,984
Software	10,222,047	4,606,212
Consumables	700,415	344,507
Other	817	53,576
Total	**16,322,136**	**7,959,280**

34 Service costs

(in Euros)

Description	31.12.2017	31.12.2016
Services	367,419,368	184,133,043

Service costs comprise the following accounts:

(in Euros)

Description	31.12.2017	31.12.2016
EDP purchases, services and data lines	3,853,229	1,953,663
Insurance	4,104,798	2,115,068
Bank charges and commissions	2,115,462	1,132,044
Technical support and consultancy	249,383,644	121,652,292
Legal and administrative consultancy	4,016,852	2,695,512
Training and refresher courses	3,127,824	1,873,745
Consultants	399,101	214,599
Cost of corporate boards	3,250,664	1,364,459
Building rental	13,929,766	7,323,800
Maintenance of tangible and intangible assets	17,640,718	9,676,205
Canteen and other personnel expenses	8,382,802	3,799,915
Automotive expenses	12,244,366	6,012,909
Hardware and software rental	3,763,748	2,219,931
Maintenance and security services	4,510,264	2,664,997
Advertising and sales rep. expenses	1,904,537	646,372
Travel costs	20,563,385	8,679,484
Postage and shipping expenses	3,641,181	1,682,236
Utilities	7,481,263	4,325,125
Other	3,105,764	4,100,687
Total	**367,419,368**	**184,133,043**

The following table shows the remuneration paid in 2017 to the Audit Firm of the consolidated financial statements, in accordance with Article 149-*duodecies* of the consolidated law on finance.

Remuneration is net of expenses and also includes certification services related to the submission of the Single Form, IRAP tax and 770 models.

(in Euros)

Service	Provider	Beneficiary	Fees
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	267,000
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.	MHT S.r.l.	10,000

35 Personnel costs

(in Euros)

Description	31.12.2017	31.12.2016
Personnel costs	518,886,310	237,315,946

Personnel costs consist of:

(in Euros)

Description	31.12.2017	31.12.2016
Salaries and wages	390,301,887	178,136,452
Social security expenses	91,024,753	43,240,903
Post-employment benefits	23,127,914	10,355,530
Restructuring and reorganising personnel	663,437	4,379,735
Other personnel costs	13,768,319	1,203,326
Total	**518,886,310**	**237,315,946**

For further information on personnel costs, reference is made to item IX hereof.

It should be noted that, the item “Other personnel costs” also include the cost of Euro 9.4 million related to the Stock Options plan.

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. The 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.

The fair value of rights assigned during 2017 was calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model). It totalled Euro 9.4 million (the fair value of options granted in the first pool amounted to Euro 12.18 per option).

The fair value of rights assigned during 2017 was calculated on the spot.
In particular, the main input data used to measure the fair value 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 btp 3 years as of December 31, 2017;
- historical volatility AT 260 days, observed as of December 31, 2017;
- 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 12.18 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 4 years;
- the exercise price for each share at the assignment date is Euro 42.15.

	As of December 31, 2017		As of December 31, 2016	
	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, 2017	**-**	**-**	**-**	**-**
Granted during the year	42.15	911,759	-	-
Exercised during the year	0	0	-	-
As of December 31, 2017	**-**	**-**	**-**	**-**
Accrued and exercisable as of December 31, 2017	-	-	-	-

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

As of December 31, 2017, a reserve for share-based payments was established for a total amount of Euro 9,426 thousand. Due to this plan, personnel costs therefore increased by the same amount.

The average number of employees in 2017 increased on the previous year by 861.

(units)

Average number of employees	31.12.2017	31.12.2016	Change
Executives	366	363	3
Managers	1,830	1,727	103
Other employees	7,220	6,466	755
Total	**9,416**	**8,555**	**861**

36 Amortisation and depreciation

(in Euros)

Description	31.12.2017	31.12.2016
Amortisation and depreciation	29,690,148	19,206,704

The breakdown is as follows:

(in Euros)

Description	31.12.2017	31.12.2016
Depreciation of property, plant and equip.	7,002,694	3,977,321
Amortisation of intangible assets	22,687,454	15,229,384
Total	**29,690,148**	**19,206,704**

37 Provisions

(in Euros)

Description	31.12.2017	31.12.2016
Provisions	19,050,537	28,051,291

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

(in Euros)

Description	31.12.2017	31.12.2016
Doubtful debt provision	13,132,420	4,389,598
Risk provision	5,907,353	23,661,693
Write-down of fixed assets	10,764	-
Total	**19,050,537**	**28,051,291**

The item "Doubtful debt provision" includes 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. and the allocation to the doubtful debt provision of around Euro 2.5 million.

The allocation to the provision for losses on projects was made with respect to probable future charges which will be incurred mainly on projects in which difficulties have arisen.

Amounts recognised in the financial statements are the best estimates and assumptions based on the best information available at the reporting date, as resolved by the Board of Directors in December 2017.

38 Other costs

(in Euros)

Description	31.12.2017	31.12.2016
Other costs	12,651,191	5,744,152

Other costs are broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016
Dues and subscriptions	1,641,467	391,895
Taxes	7,496,425	3,792,918
Gifts and donations	269,636	135,669
Charges for social causes	565,437	150,764
Other	2,678,226	1,272,905
Total	**12,651,191**	**5,744,152**

39 Financial income/(charges)

(in Euros)

Description	31.12.2017	31.12.2016
Financial income/(charges)	(5,490,788)	(3,332,536)

Financial income is broken down as follows:

(in Euros)

Description	31.12.2017	31.12.2016
Interest income	7,992,386	1,983,503
Fair value gain (differential from derivative)	607,915	114,455
Other income	1,731,682	5,228,964
Total	**10,331,983**	**7,326,922**

Interest income include interest in arrears (around Euro 7.7 million) related to receivables from the Sicilian Region, reference of which is made to the previous paragraph 14, which were entirely written-down as described in item “Allocations”.

The “Other income” item comprises the exchange gains.

Financial charges consist of:

(in Euros)

Description	31.12.2017	31.12.2016
Interest expense	10,323,712	9,427,514
Other	5,499,059	1,231,945
Total	**15,822,772**	**10,659,459**

Interest expense refers principally to loans detailed in note 21 hereof.

The “Other” item comprises the exchange losses.

40 Income/(Charges) from investments

(in Euros)

Description	31.12.2017	31.12.2016
Income/(Charges) from investments	(998,988)	(285,674)

The breakdown is as follows:

(in Euros)

Description	31.12.2017	31.12.2016
Gains on equity investments	-	312,877
Write-down of equity investments	(1,027,160)	(598,551)
Other income	28,172	-
Total	**(998,988)**	**(285,674)**

41 Taxes

(in Euros)

Description	31.12.2017	31.12.2016
Taxes	6,023,727	8,488,896

The breakdown of taxes is as follows:

(in Euros)

Description	31.12.2017	31.12.2016
Current	14,741,797	15,766,905
Deferred	(8,718,070)	(7,278,009)
Total	**6,023,727**	**8,488,896**

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	31.12.2017	
	Amount	%
Profit before taxes	58,287,992	
Ordinary rate applied	**13,989,118**	**+24.0%**
Tax effects deriving from:		
Income taxable in prior years	3,672,441	+6.3%
Income not taxable	(4,617,086)	-7.9%
Expenses not deductible	10,239,531	+17.6%
IAS differences	(365,096)	-0.6%
Other changes reducing taxable IRES	(10,184,785)	-17.5%
Utilisation of previous years tax losses	(3,515,881)	-6.0%
Effect of foreign tax rates	(43,295)	-0.1%
Total assessable IRES	**38,228,946**	
Tax/Tax rate	**9,174,947**	**+15.7%**

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 10 “Deferred tax assets” and 22 “Deferred tax liabilities”.

42 Other significant information

COMMITMENTS UNDERTAKEN

The following table summarises the commitments of the Group as of December 31, 2017.

(in Euros)

Description	31.12.2017
Third party sureties	188,984,952
Bank sureties in favour of other companies	13,623,645
Bid bonds and performance bonds	31,704,526
Total commitments undertaken	**234,313,123**

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 and refer primarily to the Parent Company for around Euro 168 million.

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, primarily attributable to the company Engineering.mo S.p.A. (around Euro 23 million) and the Parent Company (Euro 8 million).

OPERATING LEASES

The operating leases related to rental contracts for transport vehicles, photocopiers, HW and ordinary office machines are shown below.

(in Euros)

Description	31.12.2017	31.12.2016
Liability remaining at 1st January	19,020,050	19,713,902
Amount of contracts agreed in year	15,367,769	15,347,270
Amount of fees paid in year	(10,815,505)	(10,444,402)
Amount of fees paid in advance	(173,894)	(6,053,635)
Amount of fees still due	**23,398,421**	**18,563,135**

At year-end, the amount of rental due was as follows:

(in Euros)

Description	31.12.2017	31.12.2016
Within 1 year	10,753,247	9,249,094
Over 1 year	12,645,174	9,306,327
Over 5 years		7,714
Total	**23,398,421**	**18,563,135**

43 Breakdown of financial instruments by category

Pursuant to requirements of IFRS 7, the following table shows information on the categories of Group financial assets and liabilities as of December 31, 2017.
As regards financial instruments recognised at fair value in the statement of financial position, the IFRS 7 standard also requires that these values be classified based on a hierarchy of levels which reflect the relevance of inputs used in determining the fair value.

The following levels are highlighted:
- level 1: if the financial instruments is listed in an active market;
- level 2: if the fair value is determined based on evaluation techniques taking as reference the indicators that can be observed on the market, other than prices of the financial instrument. In particular, fair value of derivatives was determined by using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined based on evaluation techniques taking as reference the indicators that cannot be observed on the market.

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, 2017.

(in Euros)

Book value as of 31.12.2017	Assets at fair value in P&L	Investments held to maturity	Loans and receivables	Financial assets available for sale
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	**0**	**0**	**836,253,768**	**0**

(in Euros)

Book value as of 31.12.2016	Assets at fair value in P&L	Investments held to maturity	Loans and receivables	Financial assets available for sale
Other non-current assets			2,609,605	
Trade receivables			531,434,221	
Other current assets			58,981,352	
Cash and cash equivalents			312,232,343	
Total assets	**0**	**0**	**905,257,521**	**0**

(in Euros)

Book value as of 31.12.2017	Liabilities at fair value in P&L	Liabilities relating to derivative financial instruments	Liabilities recognised at amortised cost
Non-current financial liabilities		175,695(*)	221,932,246
Other non-current liabilities		4,920,000(**)	18,465,903
Current financial liabilities			102,845,848
Other current liabilities			165,807,854
Trade payables			318,140,848
Total liabilities	**0**	**5,095,695**	**827,192,698**

(in Euros)

Book value as of 31.12.2016	Liabilities at fair value in P&L	Liabilities relating to derivative financial instruments	Liabilities recognised at amortised cost
Non-current financial liabilities		296,507(*)	85,490,088
Other non-current liabilities			6,070,522
Current financial liabilities			323,163,611
Other current liabilities			158,460,375
Trade payables			284,545,467
Total liabilities	**0**	**296,507**	**857,730,063**

(*) 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.

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, associated companies, as well as senior managers with strategic responsibilities of the Parent Company and the companies directly and/or indirectly controlled by it and in which the Parent Company exercises significant influence are considered related parties.

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

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

(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 International Belgium S.A.	Engineering D. HUB S.p.A.	Engi da Argentina S.A.	MHT S.r.l.	WebResults S.r.l.	Engineering Balkan d.o.o.	Engineering Luxembourg S.à.r.l.	Engineering ITS AG	Engineering Ingegneria Informatica Spain S.L.	DST Consulting GmbH	EMDS GmbH	Engineering Software Labs GmbH	Sogeit Solutions S.r.l.	Infinity Technology Solutions S.p.A.	Total costs
Engineering Ingegneria Informatica S.p.A		632,315	675,727	21,719,282	2,037,208	26,256,876	82,652	3,258,888	25,488,289	13,098	2,074,846	5,962,578	432,205		34,000	213,910	57,562			11,000	25,489	88,975,925
Engineering Sardegna S.r.l.	558,808		4,059						111,154													674,021
Engineering do Brasil S.A.	1,006,014								24,912	4,580												1,035,506
MHT S.r.l.	154,275												252,898									407,173
Engineering ITS AG									188,150								66,914	63,824	122,708			441,597
DST Consulting GmbH															1,788,048			82,021				1,870,069
EMDS GmbH															533,299		665,158					1,198,457
Engineering Software Labs GmbH	133,418														2,684		238					136,340
Eng. Usa	7,483																				40,903	48,386
Bekast IT Consulting GmbH															20,000							20,000
Municipia S.p.A.	5,521,773			630,212	12,000	9,850		4,730	683,133		1,650											6,863,349
Engiweb Security S.r.l.	727,383																					727,383
Nexen S.p.A.	1,092,219																					1,092,219
OverIT S.p.A.	492,115			30,929						58,635							22,344					604,023
Sicilia e-Servizi Venture S.c.r.l.	533,743																					533,743
Engineering International Belgium S.A.	546,683													653,037								1,199,720
Engineering International Inc.	288,969						49,854		184,133													522,956
Engineering D. HUB S.p.A.	10,798,729	94,464	90,470	131,564	4,300	120,863																11,240,389
Engi da Argentina S.A.	908,062					9,661	113,264															1,030,987
WebResults S.r.l.	1,035,907	99,784																				1,135,690
Engineering Balkan d.o.o.	97,576										5,384											102,960
Engineering Luxembourg S.à.r.l.	102,411																					102,411
Engineering Ingegneria Informatica Spain S.L.	262,504																					262,504
Sofiter Tech S.r.l.	397,171																					397,171
Total Revenues	**24,665,243**	**826,563**	**770,256**	**22,511,987**	**2,053,508**	**26,397,250**	**245,770**	**3,263,618**	**26,679,771**	**76,313**	**2,081,880**	**5,962,578**	**685,103**	**653,037**	**2,378,031**	**213,910**	**812,216**	**145,846**	**122,708**	**11,000**	**66,392**	**120,622,980**

The following tables summarise the commercial and financial transactions undertaken at arms' length between the Group companies as of December 31, 2017, eliminated for consolidation purposes:

(in Euros)

Description	Engineering Ingegneria Informatica S.p.A	Muni-cipia S.p.A.	Nexen S.p.A.	OverIT S.p.A.	Engineering International Belgium S.A.	Engineering D. HUB S.p.A.	MHT S.r.l.	Engineering ITS AG	Total charges
Engineering Ingegneria Informatica S.p.A.		441,451	33,137			129,475			604,063
Engineering Sardegna S.r.l.	13,200								13,200
Engineering do Brasil S.A.	927,658								927,658
Engineering ITS AG	18,542								18,542
Engineering Software Labs GmbH								1,013	1,013
Bekast IT Consulting GmbH								1,950	1,950
Municipia S.p.A.	583,190								583,190
Engiweb Security S.r.l.	88,073								88,073
OverIT S.p.A.									0
Sicilia e-Servizi Venture S.c.r.l.	254								254
Engineering International Belgium S.A.	21,079								21,079
Engineering International Inc.									0
WebResults S.r.l.	1,699								1,699
Engineering Balkan d.o.o.									0
Engineering Luxembourg S.à.r.l.					1,739				1,739
Engineering Ingegneria Informatica Spain S.L.	2,020								2,020
OverIT International Inc.				17					17
Total income	**1,655,714**	**441,451**	**33,137**	**17**	**1,739**	**129,475**	**0**	**2,963**	**2,264,496**

(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 S.c.r.l.	Engineering do Brasil S.A.	Eng. International Belgium S.A.	Engineering D. HUB S.p.A.	Engi da Argentina S.A.	MHT S.r.l.	Xc Excellence Club S.r.l.	Webresults S.r.l.	Engineering Balkan d.o.o.	Engineering Luxembourg S.r.l.	Engineering ITS AG	Engineering Ingegneria Informatica Spain S.L.	DST Consulting GmbH	EMDS GmbH	Engineering Software Labs GmbH	Sogeit Solutions S.r.l.	Infinity Technology Solutions S.p.A.	Infogroup S.p.A	Total liabilities
Engineering Ingegneria Informatica S.p.A.		446,329	1,642,404	26,660,635	5,498,399	20,037,949	33,295	216,369	2,285,847	59,204,494	22,736	2,629,261	0	2,105,841	238,485			81,970	57,562			13,420	31,097	56,489	121,262,579
Engineering Sardegna S.r.l.	3,294,291		4,059							124,071															3,422,421
Engineering do Brasil S.A.	15,362,170					375,230				62,033	4,156														15,803,590
MHT S.r.l.	296,635														96,854										393,489
Engineering ITS AG	2,500,000									128,817										300,000	122,708				3,051,525
DST Consulting GmbH																	469,408								469,408
EMDS GmbH																	376,167		114,877						491,043
Engineering Software Labs GmbH	131,296																153,143			100,000					384,439
Eng. Usa	7,049																						32,350		39,399
Bekast IT Consulting GmbH																	388,800								388,800
Infogroup S.p.A	282,009																								282,009
Municipia S.p.A.	25,616,606			1,409,685	27,163	9,577			4,730	812,269		13,600													27,893,629
Engiweb Security S.r.l.	19,754,662		30,409							89,964															19,875,036
Nexen S.p.A.	1,104,425									1,054															1,105,479
OverIT S.p.A.	852,875			30,929				34,281			245,590														1,163,674
Sicilia e-Servizi Venture S.c.r.l.	68,527,879																								68,527,879
Eng. International Belgium S.A.	2,409,146															123,703									2,532,849
Engineering International Inc.	158,571							46,961		197,697															403,230
Engineering D. HUB S.p.A.	6,681,026	94,464	111,063	440,948	5,246	200,814																			7,533,561
Engi da Argentina S.A.	2,431,964					250,689		83,378																	2,766,031
WebResults S.r.l.	1,006,126	103,831																							1,109,957
Engineering Balkan d.o.o.	99,523											5,104													104,627
Engineering Luxembourg S.à.r.l.	173,799								180,686																354,484
Engineering Ingegneria Informatica Spain S.L.	362,490																								362,490
Sofiter Tech S.r.l.	442,935																								442,935
OverIT International Inc.						62,553																			62,553
Total assets	**151,495,477**	**644,623**	**1,787,935**	**28,542,197**	**5,530,808**	**20,936,812**	**33,295**	**380,988**	**2,471,263**	**60,620,399**	**272,482**	**2,647,965**	**0**	**2,105,841**	**335,339**	**123,703**	**1,387,518**	**81,970**	**172,438**	**400,000**	**122,708**	**13,420**	**63,447**	**56,489**	**280,227,116**

Information on remuneration of 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.

Board of Statutory Auditors' report on the Consolidated Financial Statements drawn up by Engineering Ingegneria Informatica S.p.A. as of December 31, 2017

Pursuant to Art. 2429 of the Italian Civil Code

Dear Shareholders,

the consolidated financial statements as of December 31, 2017, were drawn up by Directors in accordance with the law, and were approved at the meeting of the Board of Directors held on March 28, 2018.
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's consolidated financial statements as of December 31, 2017, 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.

The Board of Statutory Auditors acknowledged that, in its report dated April 14, 2018, 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, 2017.

Taking also account of the opinion expressed by the Independent Auditors, we hereby certify that the consolidated financial statements as of December 31, 2017 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 concerning the consolidated financial statements and the measurement of the Goodwill item entered under assets in the financial statements, and it shared the outcome in numerical terms and considerations.

While considering also the outcome of the audit performed by the Independent Auditors, as shown in the Independent Auditors' Report on the consolidated financial statements issued on April 14, 2018, 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
Francesco Tabone
Rocco Corigliano
Massimo Porfiri

Chairman - Board of Statutory Auditors
Francesco Tabone

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