

Annual Accounts 2016



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Engineering Ingegneria Informatica S.p.A.
Registered Office
00185 Rome – Italy
Via San Martino della Battaglia, 56
Tax code 00967720285
VAT number 05724831002
Rome Companies' Register 00967720285
Rome Chamber of Commerce 531128
Fully paid-in share capital Euro 31,875,000
Number of shares 12,500,000



Consolidated Financial Statements

ENGINEERING GROUP

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as of December 31, 2016



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 AUDITORS' REPORT
PURSUANT TO ART. 14 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the sole Shareholder of
Engineering Ingegneria Informatica S.p.A.**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Engineering Ingegneria Informatica Group, which comprise the consolidated statement of financial position as at December 31, 2016, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Engineering Ingegneria Informatica Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ancora Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona
Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220.00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

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Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of Engineering Ingegneria Informatica S.p.A., with the consolidated financial statements of the Engineering Ingegneria Informatica Group as at December 31, 2016. In our opinion the report on operations is consistent with the consolidated financial statements of the Engineering Ingegneria Informatica Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by

Giovanni Cherubini

Partner

Rome, Italy

April 12, 2017

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, 2016

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
Amilcare Cazzato	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

II. Introduction and consolidation scope

■ INTRODUCTION

The consolidated financial statements as of December 31, 2016 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 Interpretation Committee) and SIC (Standing Interpretation Committee) interpretations issued by the 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., 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 the Group structure shown in the following page, compared to the previous year, new entities adhered to the consolidation scope both due to corporate enlargement, i.e. Engineering Ingegneria Informatica Spain S.L., and due to acquisitions like EMDS GmbH, DST Consulting GmbH and Sidion GmbH, that are all subsidiaries of the holding Engineering ITS AG.

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, 2016, to which reference should be made. This report uses a number of alternative performance measures (APMs) not envisaged by IFRS accounting standards, in line with CESR recommendation 05-178b published on November 3, 2005. 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 IAS/IFRS international accounting standards.

In particular, the following is highlighted:

- EBITDA is determined, with reference to the Income Statement, as operating income before amortisation and depreciation, allocations and write-downs. It is therefore calculated by adding to EBIT any 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) and write-downs (e.g. impairment losses on tangible and intangible fixed assets).
- EBIT is the operating income.
- 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.

A number of estimates and assumptions were used in preparing these accounts and were consistently applied for all interim 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.

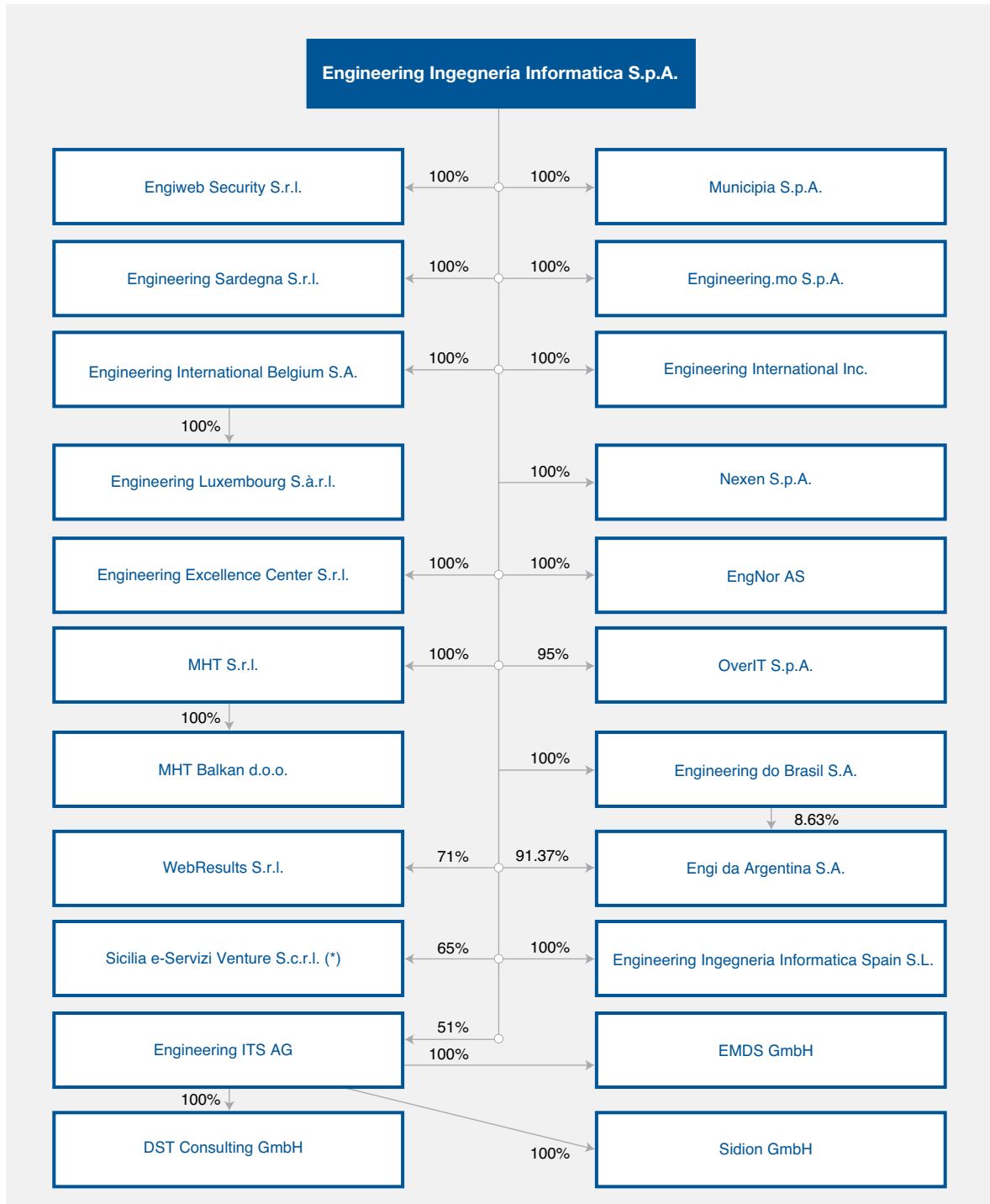
The above-stated valuations are founded on the reasonableness principle and take account of market practice, historic experience, the involvement of external consultants and market conditions.

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.

■ CONSOLIDATION SCOPE

The structure of the Group as of December 31, 2016 follows the implementation of a careful acquisition policy and subsequent integration processes which have resulted in the Group consisting of 22 companies, in addition to the Parent Company, 21 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.



* The company Sicilia e-Servizi Venture S.c.r.l. was placed in liquidation during 2014. The companies Engineering Excellence Center S.r.l. and EngNor AS were liquidated during 2016.

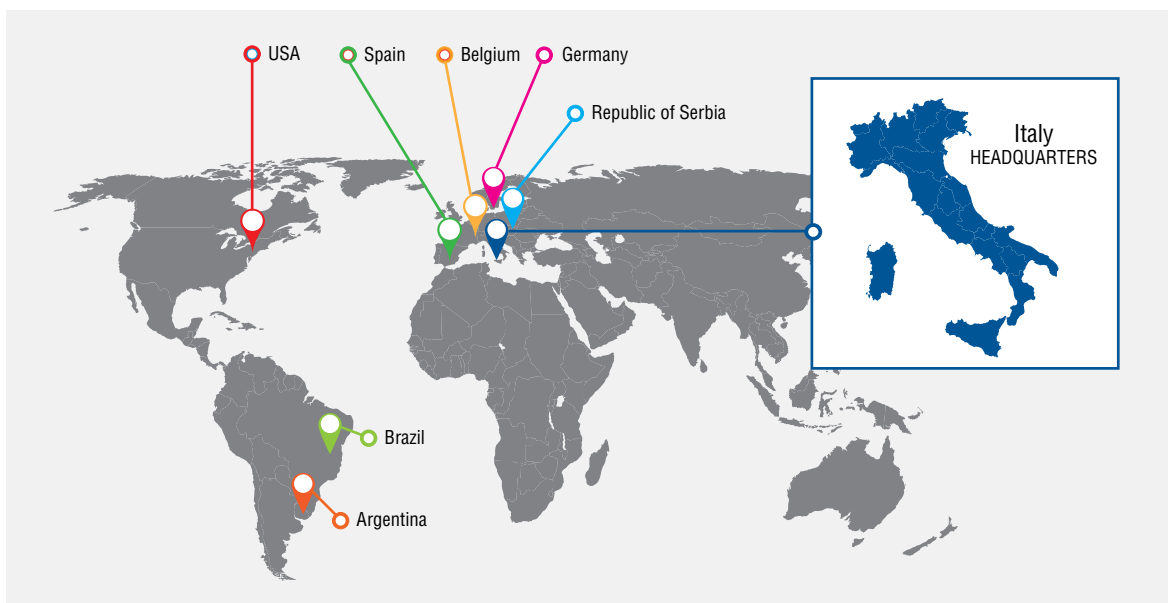
III. Group activities and operations

The Company Engineering Ingegneria Informatica S.p.A. was established in Padua on June 6, 1980 and it is leading a Group operating in Software and IT Services. Engineering is the leading Italian provider of integrated ICT services, products and consultancy.

established on June 6, 1980

1st Italian IT operator

ICT services, products and consultancy



With approx. 8,800 employees, around 50 offices throughout Italy, the EU, Scandinavia and Latin America and with an agent in the United States, the Group generates approximately 11% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Utilities, Finance and Public Administration sectors.

8,800 employees

50 offices

20 countries served

11% foreign revenues

The Group operates in the outsourcing and Cloud Computing market through an integrated network of 4 data centres located in Pont St. Martin (AO), Turin, Vicenza, Milan, which manages approx. 300 clients with an infrastructure corresponding to the highest technological, qualitative and security standards.



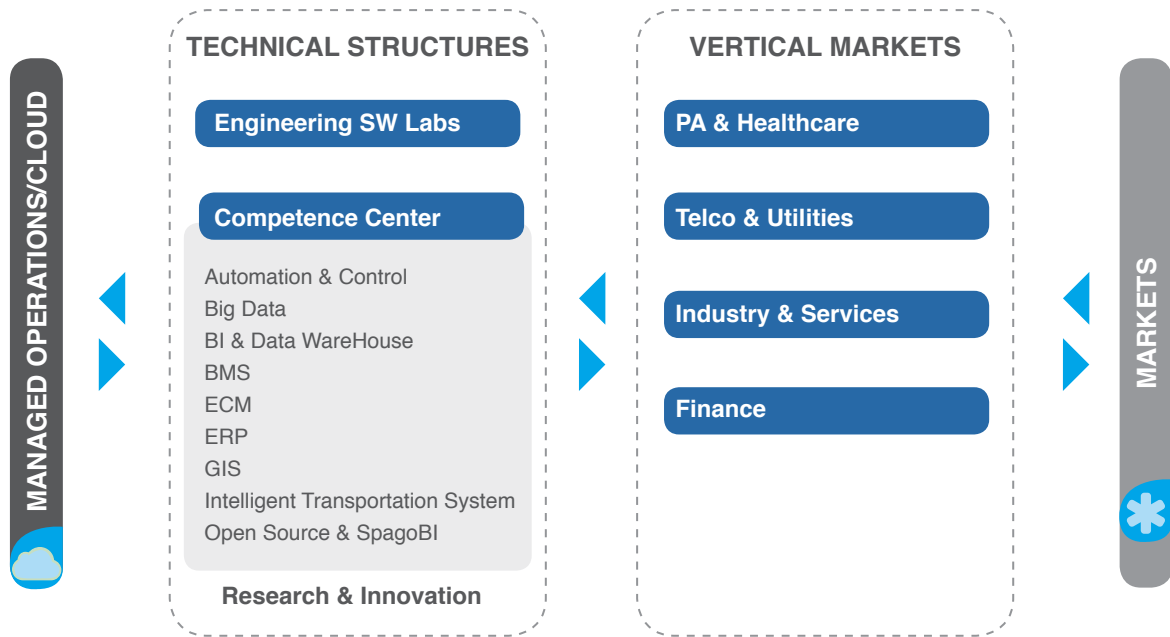
The Engineering market consists of medium-large clients, both in the private (banks, insurance companies, industry, services and telecommunications) and in the public sector (healthcare, local and central public administration and defence) to which SMEs and small municipalities have now been added, for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

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

The Group is organised in four market divisions: Finance, Industry, Telco & Utilities and Public Administration. Engineering covers an important position in all the vertical sectors it operates in. The market share in Italy in the Software and IT Services area, where the Group operates, equals about 9%, with a wide range of proprietary solutions:

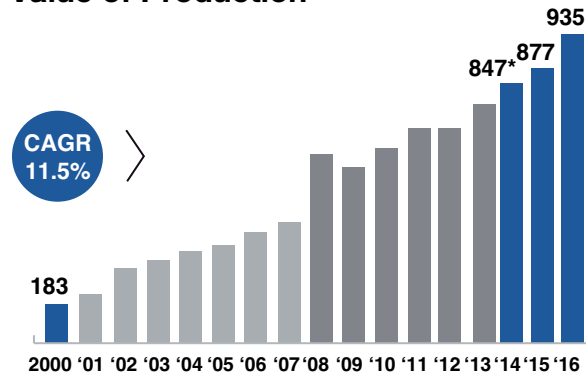
- banking compliance (SISBA and ELISE);
- billing and CRM for Utilities (Net@SUITE);
- integrated solutions in the Health Care segment (AREAS);
- Work Force Management systems (GEOCALL);
- mobile platforms for TLC;
- systems for the management of municipal revenues;
- business intelligence analytics systems (Knowage).

In over thirty-five years the range has been widened constantly thanks to the domain of innovative technologies, which are the result of considerable investments in research and development and of the constant monitoring of the changes in the market. As a result of its business model, the Group creates tangible value in its various areas of operation, and can meet the needs of its existing and potential clients and concretely define, plan and develop efficient and effective IT strategies.

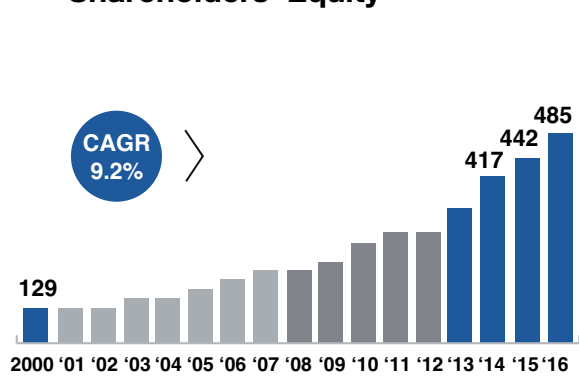


PRIMARY ECONOMIC/FINANCIAL RESULTS FROM THE YEAR 2000 (IPO) TO 2016 (Data in millions of Euro)

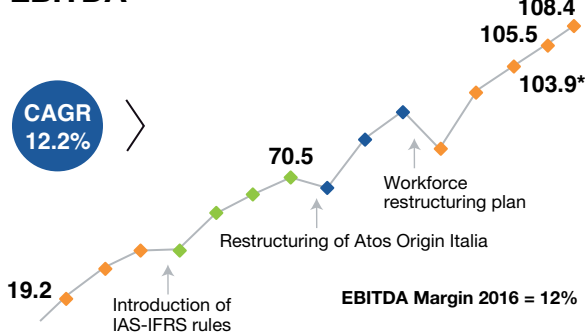
Value of Production



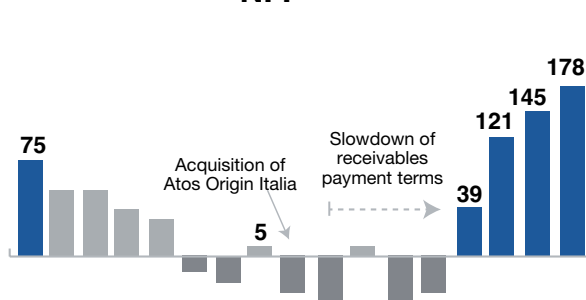
Shareholders' Equity



EBITDA



NFP



* Not considering the extraordinary income 2014 (Euro 6 mln).

■ ECONOMIC OVERVIEW

In its 2017 Global Outlook, issued in January 2017, the IMF estimated that economic growth might increase both in 2017 and in 2018, especially with a recovery of the emerging and developing countries.

Estimates on global growth, processed in October 2016, remained unchanged and envisaged an increase of around 3.4% in global richness, with Advanced Economies and Emerging Countries at +1.8% and +4.6%, respectively. In the emerging countries, in particular, a recovery is reported in the economies of Russia (+1.1%) and Brazil (+0.5%), with a positive sign after two years of negative performance in the economy.

The Eurozone was still subject to a highly favourable monetary policy of the ECB due to the Quantitative Easing (QE) tool which allowed countries of the European continent to access financial resources at a low cost.

The IMF forecasts a GDP growth for the Eurozone of around +1.5%, driven by the four main economies: Germany (+1.4%), France (+1.3%), Italy (+0.9%) and Spain (+2.2%).

■ THE ITALIAN ECONOMY

According to data recognised by ISTAT in 2016, the GDP grew by 0.9%.

As regards domestic demand, in 2016 a 1.2% growth, in terms of sales volume, was reported with respect to domestic final consumption and a 2.9% growth in gross fixed investments. As regards cash flows with foreign countries, exports of goods and services increased by 2.4%, as well as imports grew by 2.9%.

Domestic demand gave a positive contribution to the growth in GDP by 1.4 percentage points (0.9 including changes in stocks), while net foreign demand reported a negative consideration (-0.1 percentage points).

■ THE IT SECTOR

According to data published in March 2017 by Assinform, the year 2016 witnessed a strengthening of positive signs as regards the digitalization of the Country. In 2016, the Italian digital market (informatics, telecommunication and contents) grew by 1.8% compared to the previous year.

With respect to forecasts, a half-point improvement was reported, which strengthened the trend that began in 2015 (+1%), reversing the downward trend reported in the previous years.

With an view to 2017, projections give a hint of further improvement of around 2.3% (3.8% net of network services), driven by the segment components that are mostly linked to innovation.

The greater growth was reported in digital contents and advertising (+7.2%), ICT services (+2.5%, driven by Cloud) and even more in software and solutions (+4.8%, also thanks to IoT). If the various segments are considered in evaluating the various dynamics of the most innovative components (digital enabler), it can be noted that the Cloud reported 23% growth rate, IoT grew by 14.3%, the mobile business by 13.1%, and safety solutions by 11.1%.

V. Operational overview

Within Italy, the solid positioning of the Group and the trend towards market consolidation make Engineering a technological and business partner to which an increasing number of customer companies entrust the management and development of their systems.

The focus on research and innovation was again confirmed in 2016, through the allocation of an adequate level of resources, in line with previous years.

R&D projects are pivotal for the success of the Group, recognised to be a reliable partner, boasting a unique mix of process expertise and technological content 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 internal 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.

VI. Financial highlights

(in millions of Euros)

Description	31.12.2016	31.12.2015	Change	
			Amount	%
Total revenues	934.6	877.5	57.1	+6.5
Net Revenues	907.6	850.9	56.7	+6.7
EBITDA	108.4	105.5	2.9	+2.7
% of net revenue	+11.9	+12.4		
Amortisation and Depreciation	17.7	17.6	0.0	+0.3
Provisions	34.7	32.6	2.1	+6.5
EBIT	56.0	55.3	0.7	+1.3
% of net revenue	+6.2	+6.5		
Net Profit	45.3	45.5	(0.2)	-0.5
% of net revenue	+5.0	+5.4		
Shareholders' Equity	486.7	442.0	44.6	+10.1
Net debt	177.7	144.9	32.9	+22.7
% Debt/equity				
ROE % (N.P./N.E.)	+9.3	+10.3	-1.0	-9.6
ROI % (EBIT/N.C.E.)	+18.1	+18.6	-0.5	-2.5
No. of employees	8,842	8,136	706	+8.7

The Engineering Group ended the year 2016 with a growth in revenues and margins (Net revenues +6.7%, EBITDA +2.7%).

In detail:

- net revenues increased by Euro 56.7 million, reaching Euro 907.6 million;
- EBITDA was equal to Euro 108.4 million, with a profitability of around 12%;
- EBIT, including amortisation/depreciation in line with the previous year and allocations totalling around Euro 35 million (including around Euro 25 million for the leave incentive schemes resolved for 2017), was equal to Euro 56.0 million, with a profitability of around 6%;
- net profit amounted to Euro 45.3 million, substantially unchanged with respect to Euro 45.5 million in 2015;
- thanks to the positive cash flows reported in 2016, the Group showed an improved net financial position, amounting to Euro +177.7 million as of December 31, 2016, compared to Euro +144.9 million reported in the same period of 2015.

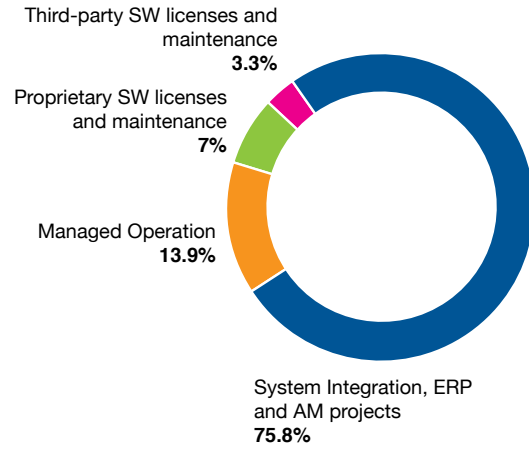
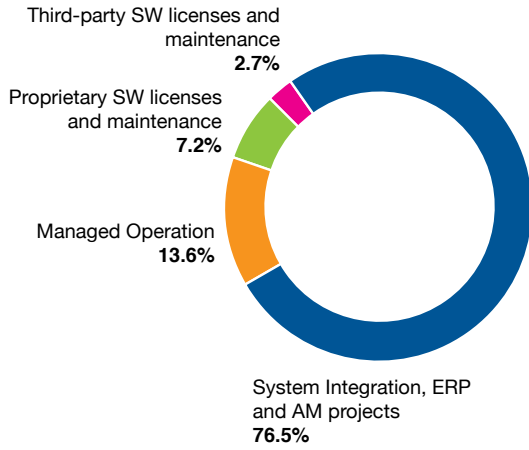
Net revenues are reported hereunder for the Service Line, highlighting results, in percentage terms, that are substantially unchanged compared to the previous year:

(in millions of Euros)

Service line	31.12.2016		31.12.2015		% change
		%		%	YOY
System Integration, ERP and AM projects	694.6	+76.5%	645.2	+75.8%	+7.7
Managed Operation	123.2	+13.6%	118.6	+13.9%	+3.9
Proprietary SW licenses and maintenance	65.0	+7.2%	59.2	+7.0%	+9.7
Third-party SW licenses and maintenance	24.9	+2.7%	27.9	+3.3%	-10.5
Total net revenues	907.6	100.0%	850.9	100.0%	+6.7

2016

2015



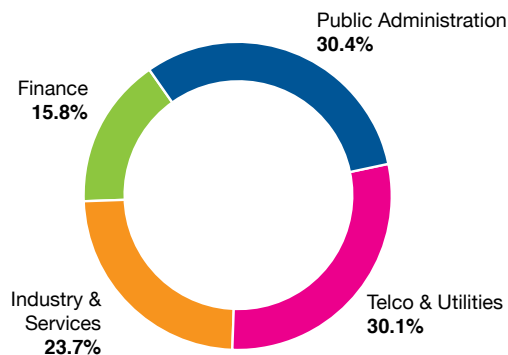
■ SEGMENT INFORMATION (IFRS 8)

The table hereunder shows the breakdown of revenues and EBITDA, divided by market segments, as set forth by IFRS 8. Direct revenues and costs are allocated according to the relevant sector. Other revenues or income and central structural costs, not specifically identifiable to sectors, are allocated in relation to the contribution margin:

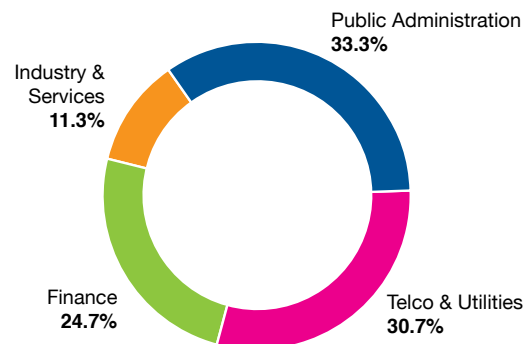
(in Euros)

Description	31.12.2016		31.12.2015		% change
		%		%	YOY
Total revenues					
Finance	143,352,527	+15.8	130,344,983	+15.3	+10.0
Public Administration	276,215,244	+30.4	271,467,877	+31.9	+1.7
Industry & Services	214,717,568	+23.7	206,048,608	+24.2	+4.2
Telco & Utilities	273,316,338	+30.1	243,052,061	+28.6	+12.5
Net revenues	907,601,678	+100.0	850,913,528	+100.0	+6.7
Other revenues	27,005,356		26,586,469		+1.6
Total revenues	934,607,034		877,499,997		+6.5
EBITDA (gross operating margin)					
Finance	26,753,545	+24.7	26,366,634	+25.0	+1.5
% of net revenue	+18.7		+20.2		
Public Administration	36,106,447	+33.3	38,292,566	+36.3	-5.7
% of net revenue	+13.1		+14.1		
Industry & Services	12,243,624	+11.3	14,728,771	+14.0	-16.9
% of net revenue	+5.7		+7.1		
Telco & Utilities	33,263,346	+30.7	26,095,577	+24.7	+27.5
% of net revenue	+12.2		+10.7		
Total EBITDA	108,366,961	+100.0	105,483,549	+100.0	+2.7
% of net revenue	+11.9		+12.4		

Net revenues 2016



EBITDA 2016



FINANCE

In 2016, Finance focused on the increase in business volumes, thus benefiting from the results of the rationalisation process that had been implemented in the last few years and was aimed at consolidating the position, developing offers and streamlining operating models.

In particular, the increase in revenues is the consequence of the enhancement of assets, services and corporate skills that led to a transversal growth of the various market segments, in addition to a growth of the main Customers, that we recall are the major banking Groups in the Country.

The backlog recorded a significant growth compared to end 2015, up by 37% and with multi-annual orders.

These results were able to offset market turmoil and corporate reorganization being implemented in some large and medium-sized companies of the Country, which markedly slowed down their decision-making processes in the second half of 2016.

In 2016, specialisation skills strengthened their pivotal position within Finance. In addition to the traditional market leadership in the Compliance & Governance segment, in fact, the year 2016 recorded a significant success in the Customer & Credit area. The acquisition of projects based on proprietary solutions, especially Elise (Financing Area) and Visage (CRM Area), increased Engineering's relations with customers.

Other distinctive elements in 2016 of the Finance General Management were as follows:

- the start-up of strategic collaborations concerning consulting on primary market realities. In particular, the collaboration pursuant to IFRS 9 (new international accounting standard), has already allowed for the drawing up of an offer that the market is proving to appreciate and that will entail an enrichment focused on the corporate asset portfolio;
- the skill enhancement of Engineering on bank IT systems migration, which is a hot issue in view of the current market trends.

In particular, the key elements of the main projects that had been completed during 2016 are as follows:

- direct connection with the use of proprietary solutions of Engineering;
- the contribution in terms of streamlining of the Customer's operations, through organisation and process reviews and/or the streamlining of application platforms.

PUBLIC ADMINISTRATION

The result for 2016 marks an increase in revenues, with reduced margins obtained despite lower public expenditure.

As regards Local Public Entities, in 2016 interesting recovery signs were reported, which we hope can further consolidate. The number of organizations, which are facing additional investments with respect to the ordinary management of the already existing IT systems, is even more growing. Therefore, by reason of the above, a very high number of tenders were launched.

Amongst the most interesting novelties, the regulatory drive towards digitalization of processes and procedures, both internal and addressed to citizens, companies and entities, is to be mentioned.

During 2016, the Healthcare market was characterised by important aggregation processes, both on the demand side, with continuous centralisation of healthcare companies and a remarkable reduction of potential customers, and on the offer side, which underwent important acquisitions. Within this context, the market continued to show recovery signs, started in 2015, after years of almost complete stagnation; in particular, during the year, some important tenders were launched, mainly related to Regional projects. The issues that were faced the most regarded electronic healthcare, namely transfusion diagnostics, monitoring systems of expenses through the creation of regional management systems which include administration-accounting processes, the Single Reservation Centre software system (CUP) and the electronic medical records.

Despite the above, the widespread feeling is that the market had not yet expressed all its potentialities. As regards each single Healthcare Company, in fact, projects have concerned a lower number of large projects. A greater attention was cast on the coverage of single functional areas, thus offering wide potentialities above all to companies that were historically present on the market, through implementation and development initiatives on the already installed systems.

INDUSTRY & SERVICES

The recovery signs of investments, only a hint in 2015, strengthened in 2016, further backed by the emphasis that the 4.0 digital revolution will cast on the manufacturing system from now on to 2020, which is considered as the symbolic milestone for the completion of this changing process.

Within this context, the market consolidated in terms of revenues, new names and innovative spaces.

The key elements of our business are the following offer lines:

- Managed Operations services;
- ERP system management;
- transportation;
- factory automation;
- innovative solutions.

For each segment, the main aspects are described hereunder.

Managed Operations services increased both thanks to the good management of the already existing customer portfolio, and to the acquisition of new customers operating in the cruises and pharma segments. In particular, customers of the Cruises segment show interesting potentialities due to the fact that, besides the management of technological services, the application worlds and IoT will be open, resulting in a sure evolution towards digitalization.

As regards the ERP system management, the consolidation in the SME sector continues, further proving the effectiveness of our offer also for medium-sized enterprises, starting from the case of the pocket-sized multinational, for which we developed the ERP management system, and ending with Managed Operations services and products for production management.

As regards Transportation, the Metro Rio project was successfully completed, also under the image viewpoint. This project was critical for the fact that the servicing date could not be postponed. The works for the Milan Line 4 underground are fully operating and will continue for at least two more years.

In the Factory automation segment, never as in this year, this issue was so strictly intermingled with the issue of innovative solutions as we have completed our effort to provide an offer of Digital Transformation, which will be a primary area of operation and expenditure for companies in the coming years due to the spreading of IOT technologies and systems for integrating huge amounts of data that are recorded on the field as well as algorithms that are capable of effectively exploiting the Big Data systems.

Within this context, in the first months of 2017 we enriched our offer through the integration of Fair Dynamics of a top quality shop, specialised in predictive analyses through simulation modelling techniques. The new reality leads us to pharma multinationals, representing an excellent reference on the Italian market. Another key aspect in the rich 4.0 offer will be the predictive maintenance systems. As regards this issue, during the year, a strategic agreement was signed with Comau, an Italian company of robotics that is operating all over the world. Thanks to their collaboration, products will be fine tuned for the data collection of production lines, their selection and above all the management of these data for the purpose of predictive maintenance.

This partnership will also allow us to start, in 2017, a widespread marketing programme, focused on introducing our vision of Digital Transformation to the main industrial districts.

Lastly, our presence was further consolidated on Pharma and Fashion Luxury clusters, sectors on which we invested in 2015. With the aim of completing the 4.0 offer, we also defined our reference partners with respect to Supply Chain products in the manufacture sector and to analytics for the Pharma world. We are currently striving to successfully achieve these partnerships, that we hope will become consolidated within our organisation.

In conclusion, a growing 2016, not only under the budget targets viewpoint, but also regarding the capacity of showing innovative and organizational skills to the market that are able to change according to the new requirements of a global market.

TELCO

In 2016 the Telco & Media market increased both revenues and margins, compared to the previous year, and this growth involved the following areas:

- the service area in Revenue Sharing with telephone operators (Mpay, Centro Stella, Servizi Premium), which continued the significant growth in revenues already reported in 2015;
- the growth on an important customer, thanks to the accurate trade action regarding Vendor Reengineering and VAS Multimedia, and following the obtaining of new project areas;
- the process to render structure costs more efficient, thanks to the constant monitoring on the use of competence center resources, both inside the Telco & Media division and within the Engineering Group.

As regards Booking, this was a very positive year, with the acquisition of new important initiatives, such as the outsourcing of all Tiscali's IT and the renewal of important contracts. In addition to the good commercial initiatives in place, the backlog envisages a positive trend for 2017, which is characterised by:

- a stabilisation of revenues related to services in Revenue Sharing;
- the starting of outsourcing activities on the customer Tiscali, finalised in December 2016;
- new initiatives with customers, which are already almost defined, and initiatives to make the operating machine more efficient.

In general, a growth of both revenues and margins is expected compared to 2016.

UTILITIES

In 2016, the Energy & Utilities market recorded an increase in both revenues and margins, compared to the previous year.

In a substantially stable situation of the Italian market, the 2016 result derived from a few significant elements, such as:

- the starting of large projects for a new major customer;
- the increase in high margin revenues on a specific project;
- the increase in sales of Net@SUITE licenses in a regulatory context.

As regards Booking, as already mentioned on revenues, the main increase was determined by the acquisition of contracts on the main operators of the market, while establishing the leading position of our product Net@SUITE with respect to SAP ISU.

■ OPERATING EXPENSES

Operating expenses increased overall by approximately Euro 56.4 million, compared to 2015.

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

- personnel costs increased by approximately Euro 41.2 million (+9.7%);
- costs for services increased by approximately Euro 21.7 million (+6.9%).

The increase in personnel costs is mainly attributable to the increased number of employees (details are shown in section IX), in addition to the hiring campaign of highly skilled young people, which began in 2015 and ended in 2016, and to the consolidation of some new subsidiaries, acquired during the year for a staff of around 200 people.

Service expenses continue to increase, almost proportional to the increase in revenue. It should be noted, however, that the component that mostly affected the total increase is the one connected with activities pertaining to mobile payments for consumer clientele that purchased digital goods and services.

The decrease in cost of raw materials was strictly linked to the completion of turn key projects that were started in 2015 and ended in 2016.

The item “Depreciation, amortisation and provisions” reported an increase of around Euro 2.2 million, totalling Euro 17.7 million for amortisation/depreciation and Euro 34.7 million for provisions, of which around Euro 25 million related to the leave incentive scheme concerning around 130 employees and approved by the Board of Directors.

(in Euros)

Description	31.12.2016	31.12.2015	Change	
			Absolute	%
Personnel costs	467,050,379	425,831,374	41,219,005	+9.7
Services	337,221,448	315,487,318	21,734,130	+6.9
Raw materials and consumables	13,675,984	19,049,635	(5,373,651)	-28.2
Depreciation, amort. and provisions	52,357,783	50,187,788	2,169,995	+4.3
Other costs	8,292,262	11,648,122	(3,355,860)	-28.8
Total operating expenses	878,597,855	822,204,236	56,393,619	+6.9

■ OPERATING PROFIT AND NET PROFIT

(in Euros)

Description	31.12.2016	31.12.2015	Change %
Operating profit after depreciation/amortisation (EBIT)	56,009,179	55,295,761	+1.3
Financial income (charges)	11,740,866	13,943,607	-15.8
Income (charges) from investments	(59,603)	1,465,292	-104.1
Profit before taxes	67,690,442	70,704,660	-4.3
% of net revenue	+7.5%	+8.3%	
Income taxes	22,375,974	25,165,696	-11.1
tax rate	+33.1%	+35.6%	
Net profit	45,314,467	45,538,965	-0.5
% of net revenue	+5.0%	+5.4%	
of which Engineering Group	45,316,564	49,403,044	
minority interest	(2,097)	(3,864,079)	

Net profit

The Group net profit stood at Euro 45.3 million, substantially in line with profit reported in 2015, and benefited from a lower tax rate, from 35.6% in 2015 to 33.1% in 2016, also thanks to the benefits already reported in 2015 based on the reform on IRAP calculation.

It is worth noting that, compared to the previous year, the net profit is almost entirely pertaining to the Group, as some minority shareholdings were acquired in 2016.

VII. Statement of financial position

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

At year end, cash and cash equivalents increased by around Euro 101 million and stood at around Euro 312 million as of December 31, 2016. It is noted that the cash flow resulting from operations entirely covered investment requirements for the period, with a positive net balance of around Euro 35 million between cash flows from operations and cash flows from investment activities. Financing activities contributed to cash flows for around Euro 66 million.

	(in Euros)	
Description	31.12.2016	31.12.2015
Revenues from the sales of products /services - third parties	1,066,128,519	965,661,878
Costs for goods and services - third parties	(431,831,478)	(376,481,143)
Personnel costs	(467,695,098)	(437,193,175)
Interest received from operating activities	1,327,691	1,547,795
Interest paid for operating activities	(608,686)	(1,254,624)
Exchange differences	(392,576)	(1,007,194)
Income tax payments and reimbursements	(102,155,351)	(86,335,168)
A) Total cash flow from operating activities	64,776,021	64,938,369
Sale of tangible fixed assets	763,836	123,081
Purchase of tangible fixed assets	(8,554,853)	(8,389,932)
Sale of intangible fixed assets	12,750	0
Purchase of intangible fixed assets	(2,272,954)	(1,683,272)
Purchase of investments in subsidiaries	(19,410,206)	(2,112,667)
Purchase of business unit	(121,323)	(685,769)
Purchase of other investments and securities	(382,798)	0
B) Total cash flow from investing activities	(29,965,549)	(12,748,559)
New loans	92,008,205	80,262,640
Repayment of loans	(25,095,378)	(83,566,809)
Sale of treasury shares	264	0
Purchase of treasury shares	0	(116,980)
Dividends distributed	(2,259,763)	(19,999,981)
Change in consolidation scope	2,210,493	364,864
Interest received for financing activities	0	841,570
Interest paid for financing activities	(864,804)	(1,335,384)
C) Total cash flow from financing activities	65,999,016	(23,550,081)
D) = (A+B+C) change in cash and cash equivalents	100,809,487	28,639,730
E) Cash and cash equivalents at beginning of year	211,344,536	182,704,807
F) = (D+E) cash and cash equivalents at end of year	312,154,023	211,344,536

■ NET FINANCIAL POSITION

The improvement of the net financial position resulted from a good management of the current assets, also through the use of sales, and of liabilities, with a careful management of cash outflows.

(in Euros)		
Description	31.12.2016	31.12.2015
Cash	42,565	34,215
Other liquid assets	312,111,458	211,310,322
A) Cash and cash equivalents	312,154,023	211,344,536
B) Current financial receivables	0	1,279,304
Current bank payables	(4,321,051)	(4,072,416)
Current borrowing	(31,849,453)	(20,553,144)
Other current financial payables	(10,183,341)	(9,148,545)
C) Current borrowing	(46,353,845)	(33,774,104)
D) Net current financial position (A+B+C)	265,800,178	178,849,736
Non-current borrowing	(85,597,774)	(32,665,121)
Other non-current payables	(2,458,570)	(1,291,117)
E) Non-current borrowing	(88,056,345)	(33,956,238)
F) Net financial position (D+E)	177,743,833	144,893,498

Compared to the previous year, the net financial position does not include the value of treasury shares under item "Other liquid assets" as they are securities no longer listed as from July 8, 2016.

It should be noted, in fact, that Engineering Ingegneria Informatica S.p.A. was listed at the Milan Stock Exchange until July 8, 2016.

Therefore, to allow for a correct and homogeneous comparison, also with respect to the previous year, the values of treasury shares, amounting to Euro 7,998,043, and owned as of December 31, 2015 were not included under item "Other liquid assets".

■ CENTRALISED TREASURY

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

The significant levels of liquidity - after taking into account the cyclical trends in cash inflows and loans - are still a central element of focus for financial management. As a result, and during the entire year, it was not necessary to utilise credit lines given that, during periods of low cash flows, it was possible to utilise currently available funds. The constant interaction and communications with different bank corporations has allowed for the attainment of much more favourable conditions for demand deposits compared to those typically applied within the market and which are generally more convenient compared to proposals relating to restricted or forward operations; they are therefore preferred. This has resulted in an average annual receivable rate of approximately 0.67% and the positive result has allowed us to obtain a balancing with respect to financial charges that is derived from medium to long term financing in place.

During the year the 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 at rates which could not have been achieved independently on the market. This advantage translated into the optimal allocation of financial resources within the Group and maximised efficiency in managing the working capital, thereby allowing them to exploit the best offered external conditions and on the basis of effective needs.

The above also shows the Group's care and attention cast in management, and confirms its ability to generate cash flows that are not only sufficient to remunerate and repay the debt and the capital, 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 5.8 million compared to 2015 (+2.2%), amounting to Euro 272.5 million. The trend of the net working capital is the result of the increase in items “Trade receivables” and “Construction contracts”, both connected with the increase in the Group’s turnover occurred mainly in the second half of the year.

As regards current liabilities, an increase in trade payables was reported, which is strictly connected with the increase in sales, and with item “Other current liabilities”, due to the increase in both payables due to personnel (staff increased by 706 individuals compared to last year) and short-term liabilities for leave incentive schemes that will be implemented during 2017.

Description	31.12.2016	31.12.2015	(in Euros)	
			Change	
			Absolute	%
Current Assets				
Inventories and construction contracts	143,966,228	128,989,759	14,976,469	+11.6
Trade receivables	540,794,432	520,007,285	20,787,147	+4.0
Other current assets	58,008,700	53,148,664	4,860,036	+9.1
Total	742,769,360	702,145,707	40,623,653	+5.8
Current Liabilities				
Trade payables	(283,985,916)	(271,967,700)	(12,018,216)	+4.4
Other current liabilities	(186,265,106)	(163,424,778)	(22,840,328)	+14.0
Total	(470,251,022)	(435,392,478)	(34,858,544)	+8.0
Net Working Capital	272,518,338	266,753,229	5,765,109	+2.2

■ RECLASSIFIED STATEMENT OF FINANCIAL POSITION

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

- a Shareholders’ Equity/Fixed Assets ratio of 4.8x (up compared to 4.5x in the previous year and 4.0x in 2014);
- a positive net financial position of Euro 178 million, which, along with the availability of short-term credit lines at advantageous market conditions, provides the Group with a great deal of flexibility and the ability to make suitable investments and sustain possible financial stress without threatening the overall capital balance;
- the net working capital compared to the total revenues recorded a value equal to 29.2% at year end, compared to 30.4% in 2015 and 32.5% in 2014.

Description	31.12.2016	31.12.2015	(in Euros)	
			Absolute change	
			Change	%
Property, plant and equipment	26,267,690	27,366,344	(1,098,654)	-4.0
Intangible assets	17,129,336	20,788,486	(3,659,149)	-17.6
Goodwill	57,662,300	49,955,873	7,706,427	+15.4
Equity investments	131,573	119,323	12,250	+10.3
Fixed assets	101,190,899	98,230,026	2,960,873	+3.0
Short-term assets	742,769,360	702,145,707	40,623,653	+5.8
Short-term liabilities	(470,251,022)	(435,392,478)	(34,858,544)	+8.0
Net working capital	272,518,338	266,753,229	5,765,109	+2.2
Other non-current assets	24,578,426	20,055,010	4,523,416	+22.6
Post-employment benefits	(64,649,744)	(62,606,849)	(2,042,895)	+3.3
Other non-current liabilities	(24,724,673)	(25,277,849)	553,176	-2.2
Net Capital Employed	308,913,247	297,153,567	11,759,680	+4.0
Shareholders’ Equity	485,486,506	436,915,009	48,571,497	+11.1
Minority interest Shareholders’ Equity	1,170,574	5,132,056	(3,961,482)	-77.2
Total Shareholders’ Equity	486,657,080	442,047,065	44,610,015	+10.1
M/LT (Liquidity)/Borrowing	88,056,345	33,956,238	54,100,106	+159.3
ST (Liquidity)/Borrowing	(265,800,178)	(178,849,736)	(86,950,442)	+48.6
(Liquidity)/Borrowing	(177,743,833)	(144,893,498)	(32,850,336)	+22.7
Total sources	308,913,247	297,153,567	11,759,680	+4.0

The reconciliation between the financial statements as of December 31, 2016 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.	43,424,482	442,075,438
Net profit and Shareholders' Equity of consolidated companies	4,649,153	101,579,116
Total	48,073,634	543,654,554
Elimination of the net book value of investments in subsidiary companies consolidated companies and any intercompany dividend	0	(53,068,465)
Valuation of associated companies under the equity method	0	0
Other adjustments	(2,759,167)	(3,929,009)
Total consolidated profit and Shareholders' Equity	45,314,467	486,657,080
of which Minority Interest net profit/(loss) and Shareholders' Equity	(2,097)	1,170,574
Group consolidated net profit and Shareholders' Equity	45,316,564	485,486,506

VIII. Research and innovation activity

The Group's R&D activities developed along with the track traced in the last few years, aiming at consolidating technological innovations to enrich projects, solutions and innovative products on the market.

The Research activities continued along two intermingled tracks:

- deepening and experimentation of technological-architectural solutions
- application of innovative technologies and/or architectures that have been experimented in the various market application domains.

As regards the first item, in 2016 attention was cast on deepening and experimenting the following:

- machine algorithms and deep learning within Big Data and Analytics. Meanwhile, we also invested to increase the number of resources specialised on these issues, by hiring various data scientists, a new specialistic profession that was born after the widespread of Big Data and that identifies the experts in analytics algorithms;
- microservice architecture, within the Cloud issue: the Cloud architecture can be now considered as the mainstream, albeit this has opened a wide research and innovation area concerning the development of applications able to best exploit the peculiar characteristics of these technological architectures;
- blockchain, within the Security issue: the blockchain technology, initially developed to protect transactions based on the digital BitCoin, became the object of attention by various market players by virtue of the fact that its intrinsic features make it applicable also to domains different from the one for which it was originally intended for. The huge growth of information exchanges on Internet makes security of these exchanges even more critical and BlockChain seems to be the possible solution to this problem. For this reason, in 2016, we began various studies and experimentations on this solution;
- Internet-of-Things (IoT): the very large amount of sensors that are able to detect data of the various type enhanced the use of these sensors on a very wide range of devices, thus creating the issue of "Internet-of-Things". We have been carrying out research on this issue by some time and in 2016 we focused our attention on the control evolution modalities of the sensors, on data collection and above all on the handling of the huge amount of data collected through machine learning techniques to avert any possible faults in apparatus or plants, to permit a remote assistance of patients, to detect environmental parameters, etc..

As regards applications on which the technological innovations had to be tested, in 2016 we focused on:

- **Intelligent Transportation System:** smart systems aimed at mobility with both private and public means. In many countries rationalization of transportation is one of the issues where significant investments are being made, given the effects that transportation has on environment, quality of life and economic transactions. The use of Big Data technologies for transportation, with the aim of improving efficiency and ensuring monitoring, has been and will be research fields for us;
- **CyberSecurity & Homeland Security:** cybersecurity to safeguard the systems from hackers, the protection from possible terrorist attacks, the detection of frauds through internet, the survey on illegal traffics through the network are all fields where information research is of key importance. This year we significantly increased research activities on both CyberSecurity, which studies the technologies to avert, detect and manage any attack to information systems, and Homeland Security, which deals with the study of technologies applicable to ensure the physical security of critical infrastructures;
- **Industry 4.0:** the term Industry 4.0 means the branch of information research dealing with technologies aimed to improve efficiency in the industrial processes. This has become one of the key issues over the last two years. We started various research projects with the objective of exploiting technologies as IoT, Big Data and Cloud in the industrial processes;
- **Energy:** for some years now we have been focusing on a research topic dealing with the use of IT to save energy and the efficient production of energy through renewable sources. These activities continued in 2016 as well.

Most of the activities of the above-mentioned segments were carried out within research projects acquired in the various domestic and European programmes in which we have taken part for many years now. As regards quantity, in 2016 we performed research activities for a total amount of around Euro 30 million. The main research programmes in which we took part are listed hereunder.

The European programme Horizon 2020, in which we have taken part since 2014. In 2016, in addition to scientific and technical objectives, already described in the introduction, we strived to achieve the target of improving previous years' performance both in terms of quality, by enlarging the areas where the projects are to be introduced (in 2016 we made various proposals in the area of CyberSecurity and Industry 4.0), and of quantity (number of projects acquired). To this purpose, we deem it important to highlight that, based on the report "Horizon 2020 Monitoring Report 2015", issued by the European Commission and describing the results of the CALL 2015, Engineering ranks the 16th position amongst the "Top-50 PRC organisations", with a total of thirteen projects that exceed, in aggregate, Euro 7 million of financing. No Italian companies operating in the same sector are ranked in the same classification. This result was also achieved thanks to the acquisition of projects on research topics, such as Industry 4.0, that had not previously dealt with by the Company. At the same time, the result is also due to the success rate of over 20% compared to the projects submitted (in other words, more than double the average success rate of Italian participants).

The FIWARE initiative, in 2016, together with ATOS, Telefonica and Orange: our Company promoted the creation of the "FIWARE Foundation", a no profit association with registered office in Berlin. This initiative strengthens Engineering's commitment in fostering the development and adoption of the FIWARE platform, as an enabling factor for the creation of the European "digital single market". Investments connected with the technological development therefore continued, together with the implementation of FIWARE-based, innovative services. Always last year, we started to use the platform of our commercial offer and an important information campaign began at various customers (with special reference to town councils), aiming at promoting FIWARE's potentialities for the development of Smart Services.

We contributed to the creation of ECSO, i.e. "The European Cyber Security Organisation", a non profit organisation, established in Belgium in June 2016. ECSO is intended to support all initiatives and projects aimed at developing, promoting and fostering the Cyber Security at European level. Thanks to a public-private partnership agreement, signed with the European Commission, ECSO will benefit from dedicated loans for over Euro 400 million.

We strengthened our investments in EIT-Digital, European association aiming at financing projects for accelerating the transfer of innovative solutions to the market. Also in this case, our efforts were successful and a substantial increase was recorded compared to past years.

At national level, the Company focused mainly on Domestic PON projects issued by the Ministry of Economic Development (MISE) and on some Regional tenders.

As regards Regional tenders, the programme contract in Puglia should be mentioned, which received the first approval by the Region, condition precedent to the submission of the final project. This is a contract with a total value of Euro 10 million, co-financed by the Puglia Region. To this purpose, Engineering proposed, and has recently signed, an agreement with the University and the Polytechnic of Bari for accessing the best talents to be hired in the Company's staff. Albeit the project is at national level, the first user will be the same Puglia Region. This project, in fact, is aimed at studying innovative processes and services for the Public Administration. Within this context, the collaboration with the DHITECH district will continue, with companies in the territory and the University of Salento.

Engineering also took part in both the PON MISE H2020 tender, with a project that is currently being examined, and the PON MISE Grandi Progetti tender, with four large projects (all well positioned in the evaluation ranking). During 2017, the Company estimates that some of the above-mentioned projects might be started partially.

Lastly, a special note deserves the effort made to take part in the first Pre-Commercial Procurements (PCPs). This is a new procurement modality, made available to Public Administrations to acquire innovative services. This instrument is likely to accelerate the use of solutions that are typical of R&D towards the market, therefore creating strong synergies between Business and Research structures. Also in this case, we took part to the first PCPs issued and in one of them we successfully concluded the entire process.

IX. Personnel

■ WORKFORCE AND TURNOVER

As of December 31, 2016 the Group workforce (with long-term contracts) numbered 8,842. Compared to December 31 of the previous year, the increase was 706 individuals (+7.9%), due, on the one hand, to the hiring campaign undertaken by Group companies to enhance competition in the various business segments, and on the other hand, to important acquisitions made abroad (especially in Germany and Brazil).

In fact, the Group's workforce abroad increased (+33%) and, as of December 31, 2016, the number of the employees of the foreign associated companies was equal to: Engineering do Brasil S.A. 483 (against 444 the year before); Engineering International Belgium S.A. 12 (against 13 the year before); MHT Balkan d.o.o. 24 (against 20 the year before); Engi da Argentina S.A. 14 (against 7 the year before); Engineering International Inc. in USA 2; Engineering ITS AG in Germany 196. For a total of 731 employees (against 485 the year before).

Overall turnover, net of intragroup transfers, reported the following: in 2016 there were 1,429 hirings (866 in Italy) compared to 1,216 in 2015 (+14.9%); resignations totalled 723 compared to 468 in 2014 (35.2%).

As regards the hirings in the Group, special importance was played by two important acquisitions made in Brazil (company Logann merged into Engineering do Brasil S.A.) and in Germany (DST and EMDS established a new German company with Engineering ITS).

The year 2016 also witnessed the completion of some important initiatives aimed at streamlining, reorganizing and concentrating assets in various Group areas. The main initiatives are detailed below:

- conclusion of the reorganization process of Engineering.mo S.p.A.. As already described in the 2015 report, this programme involved 61 employees, with the request of the extraordinary layoff scheme (CIGS) for the duration of 12 months, from April 1, 2015 to March 31, 2016. Together with the use of this social measure, the Company and Trade Unions also agreed upon the definition of a series of measures for the management of resources involved in the aforesaid programme, including: professional requalification actions, as well as placing in the mobility scheme based on the criterion of the non-opposition of the employees involved;

- the transfer of the business unit, through the transfer from Engineering Ingegneria Informatica S.p.A. to Engineering.mo S.p.A., dedicated to the management of the Data Center structure, IT infrastructure and operating activities. This concentration has the target for allowing Engineering.mo S.p.A. to increase its offer of services aimed at managing infrastructures and ensuring competitiveness of the Group in the services dedicated to assistance, also operating assistance, as well as to maintenance of IT infrastructures;
- the transfer of the business unit, through the transfer from Engineering Ingegneria Informatica S.p.A. to Municipia S.p.A., dedicated to the offering of services and solutions for the digitalization of the Local Public Administration. This concentration is aiming at permitting Municipia S.p.A. to widen its offer of activities, with special reference to research projects and strengthening of services and digitalization solutions in the citizen-administration relation.

Some detailed figures (Italy) are provided below with reference to the workforce of the Group as of the end of 2016:

- employees with degrees totalling 57.6%;
- women totalling 31%;
- the number of executives was equal to 4%;
- employees with Super Management/Management qualifications totalling 20%.

As regards the Group's geographical position, in 2016 (Italy), 47.6% of personnel was in the Northern Area (46.2% in 2015) and the remaining 52.4% in the Southern-Central Area (53.8% in 2015).

■ TRAINING

During 2016, 354 different editions of training courses – relative to 197 different courses - were held in the classrooms of the Engineering's IT & Management School "Enrico Della Valle", an increase of 7.9% with respect to 2015. The educational activities involved about 3,426 participants, totalling 14,078 man-days of classroom training, a 13.5% increase with respect to 2015. The various initiatives of remote training through wbt and webinars, available to Group employees are to be mentioned.

There were numerous training projects created specifically in 2016 which focused on specific training requirements of Group Employees. Worth mentioning among the many initiatives are the following:

- the training projects destined to Group managers and aiming at the linguistic training through individual language courses for English, French and Portuguese (with "full immersion" modalities at some of the main European towns), and the strengthening of the main skills for the management of HR and cost centres, as well as the analysis and interpretation of the new scenarios in the IT world;
- the didactic activities were aimed at obtaining professional certificates for the Engineering staff on the main technologies and methods in the IT world. Through these training actions, in 2016, 800 Group employees successfully passed the exams and obtained prestigious certifications such as PMP and ITIL, Prince2, Microsoft, Oracle, SAP, Cisco, VMware, Red Hat 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 launch of a new series of seminars, on a monthly basis, at the IT & Management School, dedicated to the impact of the Digital Transformation and the IT Innovation on the Companies' business models, called "I Martedì dell'Innovazione" (Tuesdays of innovation). Assigned to experts and exceptional teachers in the sector, this series of seminars faced concepts such as Sharing Economy, Industry 4.0, Social CRM and others, starting from the analysis of real successful cases and of the main epic fails, while defining both the impact that innovation had on the social and cultural scenario in which the case is included, and the new opportunities and business models that innovation may generate;
- the completion of the Master Engineering in Management which achieved the objective to enrich, with high-level educational contents, the CV of 53 young managers of elevated specialization and who will assume growing responsibilities within the Group over the medium period. The Master envisaged the participation of renowned University professors and testimonials from the Italian industrial and journalistic sector, through

11 training modules of three days each. They were focused on issues related to the management of Human Resources, the development of individual skills and the knowledge of elements of international and corporate economy;

- the Company induction program, which benefits the many young new employees hired during the 2015/2016 two-year period, and structured into specifically residential training courses whose objective is to illustrate the history, values and foundational principles of the “Engineering” Group culture in addition to developing interpersonal and teamwork skills;
- of particular note was the training activity completed within the external entities and involving 334 participating employees within 303 training courses and conferences in Italy and the EU; its themes were Methodological, Technological and Project Management.

X. Significant events during the year

During 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 telematic market managed by Borsa Italiana S.p.A.. 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 of 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. (hereinafter Engineering), with the following modalities:

- the investment agreement was finalised to govern the transaction envisaging the purchase by Renaissance and Apax VIII investors, through Holdco, Newco and Bidco, of the initial investments and the following promotion by Bidco of a mandatory Public Tender Offer on the remaining share capital of Engineering, excluding the shares owned by Bidco. Moreover, it should be highlighted that Michele Cinaglia, founder and Chairman of Engineering, together with the Company’s top management, transferred a portion of his own shares in the so-called new-co, with the aim of carrying on Engineering’s development plans and giving more value to the Company’s business over the medium-long term, while maintaining the leadership of the company in Italy, in the IT service sector, and expanding abroad;
- on May 3, 2016, Mic Bidco S.p.A. then 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 (EEM) for the sessions of July 6 and 7, 2016 and their delisting on the Electronic Equity Market since July 8, 2016.

For further information, reference is made to the Investor Relations section in the Group’s website, Tender Offer page.

The main events, without considering the aforesaid Tender Offer, are described hereunder:

- on April 1, 2016, Engineering Ingegneria Informatica S.p.A. acquired the Business Unit from Engineering Excellence Center S.r.l., which deals with IT processes, activities and services consisting in the implementation of advanced logistics SAP solutions;
- on April 14, 2016, Engineering Ingegneria Informatica S.p.A. acquired the residual 15% of the company’s share capital from the subsidiary MHT S.r.l. With this transaction, Engineering Ingegneria Informatica S.p.A. now wholly owns MHT S.r.l.’s share capital;

- on April 29, 2016, the Company's Ordinary Shareholders' Meeting approved the financial statements as of December 31, 2015, as submitted for approval by the Board of Directors and the earnings of Euro 49,812,553 were carried forward;
- on May 31, 2016, Engineering do Brasil S.A. acquired 100% of the shares in a local company, Logann - Soluções em tecnologia de automação e informação - LTDA Avenida Nossa Senhora do Carmo, 45 Belo Horizonte CEP 30.310-000. On July 1, 2016, Engineering do Brasil S.A. then provided for the merger by absorption;
- on June 10, 2016, Engineering Ingegneria Informatica S.p.A. acquired the residual minority shareholding (25%) of the share capital of the subsidiary Engineering do Brasil S.A. from the company Metalma Investimentos Ltda. After this purchase, Engineering Ingegneria Informatica S.p.A. now wholly owns the share capital of Engineering do Brasil S.A.;
- on June 23, 2016, Engineering Ingegneria Informatica S.p.A. acquired a further 20% of the company's share capital from the subsidiary WebResults S.r.l. By means of this transaction, Engineering Ingegneria Informatica S.p.A. now holds 71% of the company;
- on June 30, 2016, the purchase of 51% of the companies DST Consulting GmbH and EMDS GmbH, both wholly owned by F-Net AG, and operating in Germany, was finalised with the German Group F-Net AG;
- on July 13, 2016, the Board of Directors of Engineering Ingegneria informatica S.p.A. resolved on the transfer of two business units to Engineering.mo S.p.A. (as from October 1, 2016) and Engineering Tributi S.p.A., now Municipia S.p.A. (as from January 1, 2017). The related deeds were finalised on September 28, 2016, with consequent supplementary deed on October 27, 2016 as regards the transfer of the MO business unit to Engineering.mo S.p.A. and on December 29, 2016 as regards the transfer of the PAL business unit to Municipia S.p.A.. These transfers involved changes in the share capital of Engineering.Mo S.p.A., now equal to Euro 2,000,000, and of Municipia S.p.A., now equal to Euro 13,000,000;
- on July 27, 2016, Engineering Ingegneria informatica S.p.A. finalised the establishment of a new company, wholly owned by Engineering Ingegneria Informatica Spain S.L.;
- during the month of July, we were informally informed that our customer Sabesp underwent an auditing proceeding by the Court of Conta, in the region of São Paulo, regarding the procedure for the obtaining of the work consisting in remaking the information system and its management. To date, the outcome of these audits carried out by the Court of Conta is not known yet;
- on August 4, 2016, following the resolution of the Extraordinary Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A., the previous administration and control system was modified from the one-tier system to the traditional system, and the Articles of Association were amended accordingly. Following the expiration of the Board's mandate, the Ordinary Shareholders' Meeting appointed a new Board of Directors and a Board of Statutory Auditors;
- on August 4, 2016, through resolution of the Company's Board of Directors, Michele Cinaglia was appointed Chairman of the Board of Directors and Paolo Pandozy was appointed Chief Executive Officer;
- the Extraordinary Shareholders' Meeting of Engineering Tributi S.p.A. was held on September 15, 2016. On this occasion, the Company's name was changed in Municipia S.p.A.;
- on September 27, 2016, the related Boards of Directors of Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A. resolved on the reverse merger project of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.. This transaction is not concluded yet as we are awaiting for the Ordinary Court of Rome to appoint an expert in charge of drawing up the report, as per Article 2501-sexies, paragraphs I and II of the Italian Civil Code;

- on November 2, 2016, Engineering Ingegneria Informatica S.p.A. acquired an investment of 2.80% of the share capital of Sedapta S.r.l., a company offering a complete series of IT products and services for the transformation and evolution of the supply chain, manufacturing processes and industrial automation of plants and related operators;
- on November 28, 2016, Engineering Ingegneria Informatica S.p.A. acquired 5.1809% of the share capital of Consorzio Cefriel;
- on December 22, 2016, the subsidiary Municipia S.p.A. acquired 19% of Ekovision S.r.l.'s share capital. The company Ekovision S.r.l. produces and sales software solutions destined to the market of companies operating in the field of environment. In particular, the company developed an ERP, which allows for the integrated management of the lifecycle of waste.

XI. Shareholders and treasury shares

■ SHAREHOLDERS

With the conclusion of the above-mentioned Public Tender Offer, Engineering Ingegneria Informatica S.p.A. is currently wholly owned by the company Mic Bidco S.p.A., which exercises direction and coordination activities.

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 Bidco S.p.A..

■ TREASURY SHARES

The treasury shares held as of December 31, 2016 totalled 343,213 (2.746%) for a value of Euro 7,998,201, recorded as a reserve under Shareholders' Equity in accordance with IAS 32, at an average carrying value of Euro 23.304 per share.

As of the date of approval of this report, the number of treasury shares held in the portfolio by the Company has remained unchanged.

XII. Subsequent events to the year-end

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

- on January 24, 2017, Engineering Ingegneria Informatica S.p.A. purchased the Business Unit from the company Dekra Italia S.r.l.. Dekra 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 February 23, 2017, the Company Engineering Ingegneria Informatica S.p.A. acquired two lease contracts, no. 890731 and no. 890732, in place with Mediocredito Italiano S.p.A.. This operation refers to the lease of a real estate property in Turin (TO), in the area of former Officine Savigliano, located in the area within Corso Mortara, via Nuova, Via Tesso, via Giachino and via Udine. As regards the contract no. 890731, the principal including instalments still to be paid, in addition to the redemption price, is Euro 4,643,878.53. The settlement of the last instalment is expected by December 23, 2023. As regards the contract no. 890732,

the principal including instalments still to be paid, in addition to the redemption price, is Euro 4,642,875.39. Also for this contract, the settlement of the last instalment is expected by December 23, 2023;

- 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, the deed was executed in relation to the acquisition, by Engineering Ingegneria Informatica S.p.A., of the portion corresponding to 19% 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 complexity, by supplying solutions for business critical issues 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.. 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..

XIII. Outlook

The year 2017 was negatively affected by the substantial standstill of the Company's activities for the Public Administration market. This situation might be mitigated by the starting of works related to the Integrated Management Systems programme for Local Public Administrations, for which Engineering won the tender in November 2016 and for which Consip has not yet finalised the contract.

The formalisation of the SGI programme, in due time for the starting of activities within the second half of the year, affects forecasts for the PA market.

All the other markets in which the Company holds a good position are expected to grow, to take advantage of the estimated growth recovery in IT expenditure, especially in the sectors such as Cloud, IoT, Smart Intelligence, where the Company has invested and proposes solutions and skills that are well appreciated by the market.

As regards Brazil, the economy is affected by the political situation that impairs the expression of its entire potentialities. The Group confirms the consolidation of business at international leading customers (FCA and Telecom). With reference to the Sabesp customer, the implementation of the project and all additional supplements were started and delivery is expected within the current year.

■ 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 & 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.

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 11% 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 rates risks deriving from operations in currencies other than the function currency (Euro) is limited.

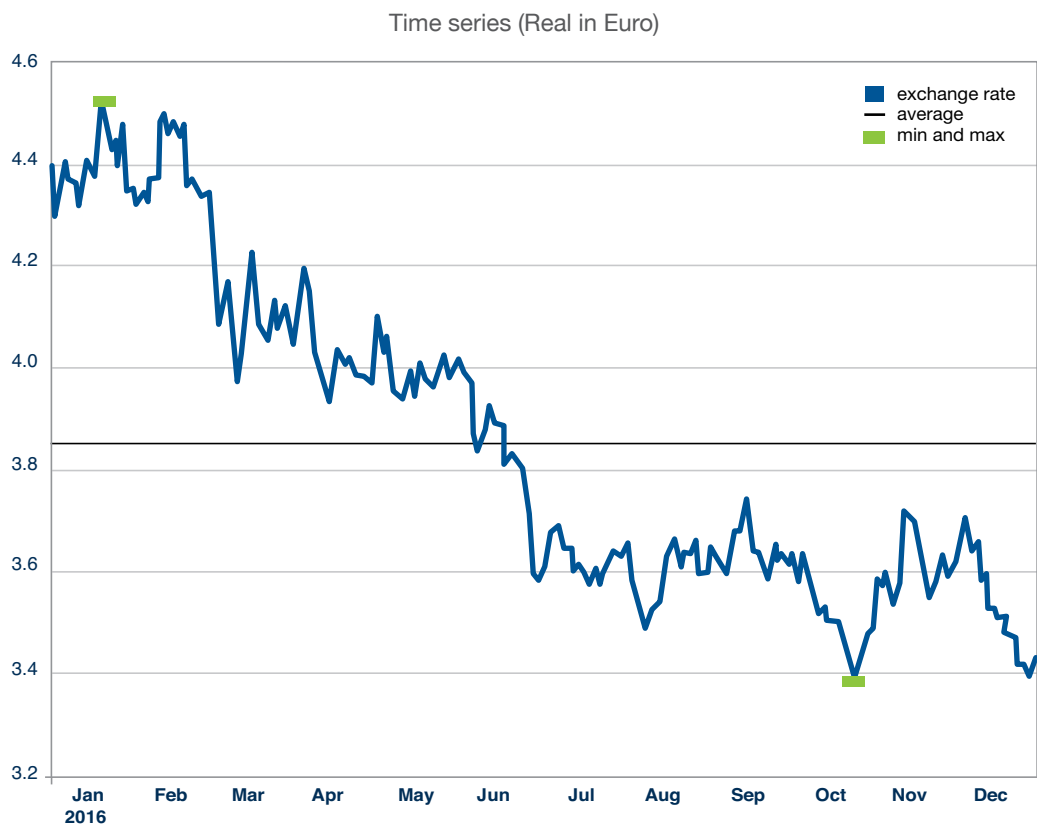
IFRS 7 requires the Group to introduce simulation and sensitivity analysis processes to value potential losses deriving from unfavourable changes in the sector environment concerning:

- 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 exchange rate 2016:	3.86 Real/Euro
Exchange rate as of January 4, 2016:	4.4023
Exchange rate as of December 30, 2016:	3.4305
Max exchange rate:	4.523 on January 21, 2016
Min exchange rate:	3.3872 on October 25, 2016
Current Exchange rate (March 9, 2017)	3.3436

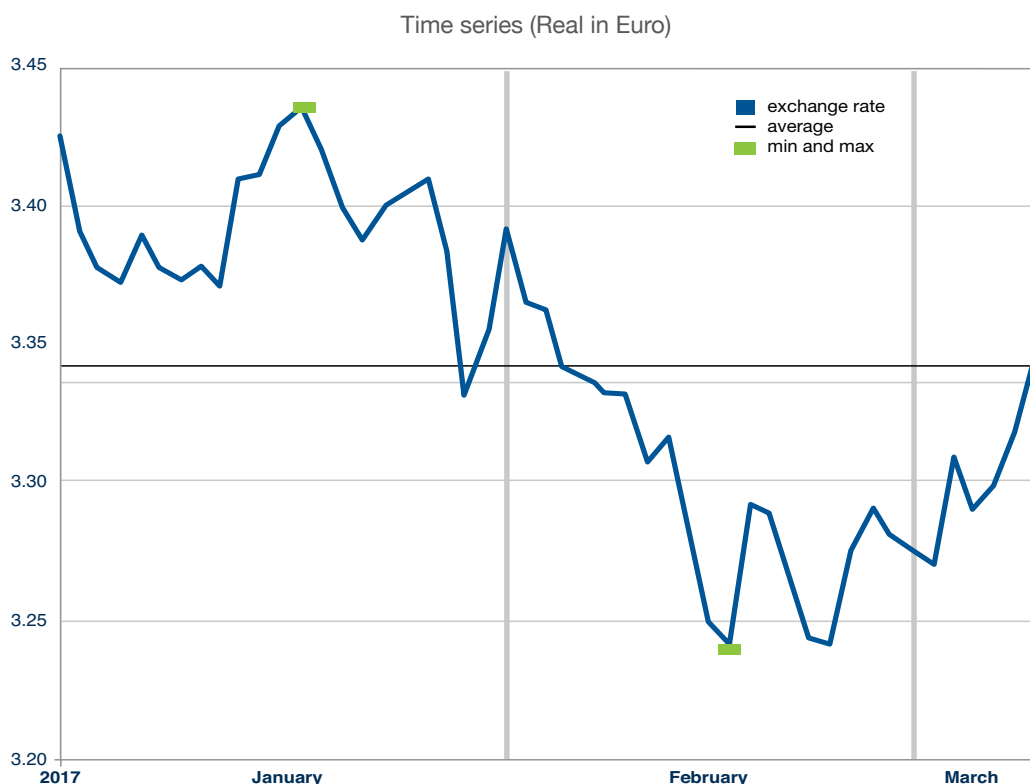


The EUR/BRL exchange rate 2016, recorded daily (Source Bank of Italy Eurosystem).

During 2016, the Brazilian currency slightly strengthened against the Euro in the last half of the year, albeit not sufficiently to mitigate the strong depreciation recorded over the first six months. The average exchange rate for 2016 was in fact 3.85614 Real for 1 Euro, against 3.7004 Real of 2015.

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 average exchange rate for the first few months of 2017 strengthened further with respect to the first months of 2016; the average exchange rate for January and February 2016 equalled 3.39 and 3.30, respectively. The current EUR/BRL exchange rate – with reference to the date when this document was drawn up – is lower compared with the value recorded on December 31, 2016.



The EUR/BRL exchange rate 2017, from January 1 to March 9, recorded daily (Source Bank of Italy Eurosystem).

Since the beginning of 2015, Brazil has undergone a strong political and economic instability, which recorded its peak in the first two months of 2016. The President Dilma Roussef was suspended from her Presidential office while awaiting the final judgement in a trial before the Federal Senate. This political instability is mainly due to the continuous worsening of domestic economic indicators, with inflation that has continued to rise during the last three years. The IMF expects, however, that in 2017 the economy will report a slight growth (+0.5%), driven by the recovery of prices of raw materials.

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 2016 data. The Income Statement values are calculated utilising the average annual exchange rate between the two currencies.

Engineering do Brasil S.A. total revenues 2016	Real 150,616,100
BRL/EURO financial statement conversion rate	3.86
Financial statements total revenues in Euro	Euro 39,058,774

(in Euros)

Depreciation BRL	Corresponding revenues 2016	Net effect	Effect on % of Group consolidated total revenues
5%	37,105,835	(1,952,939)	-0.22%
10%	35,152,896	(3,905,877)	-0.45%
15%	33,199,958	(5,858,816)	-0.67%
20%	31,247,019	(7,811,755)	-0.89%
25%	29,294,080	(9,764,693)	-1.11%

B2. Interest rate risk

The portion of long-term financial payables at variable interest rate was fully paid off with the last instalment of January 2014. Therefore, interest rate risk no longer applies.

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 respect 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

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 2011 was served in December 2016 and settled in February 2017. 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 Engineering.IT (merged in Engineering Ingegneria Informatica S.p.A. in 2013) was served with an assessment notice related to VAT for transactions undergone with Banca Antonveneta first, and then with Consorzio Operativo Gruppo Monte Paschi, in the 2011-2013 period. This audit resulted from the report sent by the 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. To date, no news are available thereon.

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. The company filed defence briefs and to date, has received no assessment notice by the competent Inland Revenue Office.

STATEMENT OF FINANCIAL POSITION

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(in Euros)

Statement of Financial Position - Assets	Notes	31.12.2016	31.12.2015
A) Non-current assets			
Property, plant and equipment	6	26,267,690	27,366,344
Intangible assets	7	17,129,336	20,788,486
Goodwill	8	57,662,300	49,955,873
Investments	9	131,573	119,323
Deferred tax assets	10	21,968,822	18,725,057
Other non-current assets	11	2,609,605	1,329,953
Total non-current assets		125,769,326	118,285,036
B) Non-current assets held for sale		0	0
C) Current assets			
Inventories	12	64,840	223,510
Construction contracts	13	143,901,388	128,766,249
Trade receivables	14	540,794,432	520,007,285
Other current assets	15	58,008,700	54,427,968
Cash and cash equivalents	16	312,154,023	211,344,536
Total current assets		1,054,923,383	914,769,548
Total assets (A + B + C)		1,180,692,709	1,033,054,584
Statement of Financial Position - Liabilities	Notes	31.12.2016	31.12.2015
D) Shareholders' Equity			
Share Capital	18	30,999,807	30,999,807
Reserves	19	98,041,629	88,029,391
Retained earnings/(losses carried forward)	20	311,128,506	268,482,768
Profit/(Loss) for the year		45,316,564	49,403,044
Group Shareholders' Equity		485,486,506	436,915,009
Capital and reserves of minority interests		1,172,671	8,996,135
Profit/(Loss) for the year of minority share		(2,097)	(3,864,079)
Total Shareholders' Equity	17	486,657,080	442,047,065
E) Non-current liabilities			
Non-current financial liabilities	21	88,056,345	33,956,238
Deferred tax liabilities	22	20,515,797	21,312,107
Non-current provisions for risks and charges	23	408,104	162,349
Other non-current liabilities	24	3,800,773	3,803,393
Post-employment benefits	25	64,649,744	62,606,849
Total non-current liabilities		177,430,761	121,840,937
F) Current liabilities			
Current financial liabilities	26	46,353,845	33,774,104
Current tax payables	27	3,853,977	13,845,184
Current provisions for risks and charges	28	35,096,799	14,305,000
Other current liabilities	29	147,314,330	135,274,594
Trade payables	30	283,985,916	271,967,700
Total current liabilities		516,604,868	469,166,582
G) Total liabilities (E + F)		694,035,629	591,007,519
Total liabilities and Shareholders' Equity (D + G)		1,180,692,709	1,033,054,584

INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

(in Euros)

Income Statement	Notes	31.12.2016	31.12.2015
A) Total revenues			
Revenues		907,601,678	850,913,528
Other revenues	32	27,005,356	26,586,469
Total revenues	31	934,607,034	877,499,997
B) Operating expenses			
Raw materials and consumables	34	13,675,984	19,049,635
Services	35	337,221,448	315,487,318
Personnel costs	36	467,050,379	425,831,374
Amortisation and Depreciation	37	17,652,207	17,602,232
Provisions	38	34,705,575	32,585,556
Other costs	39	8,292,262	11,648,122
Total operating expenses	33	878,597,855	822,204,236
C) Operating profit (A - B)		56,009,179	55,295,761
D) Net financial income/(charges)	40	11,740,866	13,943,607
E) Income/(Charges) from investments			
Income/(Charges) from other investments			
Non-recurring income/(charges) from investments		(59,603)	1,465,292
Total income/(charges) from investments	41	(59,603)	1,465,292
F) Profit before taxes (C + D + E)		67,690,442	70,704,660
G) Income taxes	42	22,375,974	25,165,696
H) Net profit from continuing operations (F - G)		45,314,467	45,538,965
I) Profit/(Loss) from discontinued operations		0	0
L) Consolidated profit/(loss) for the year (H + I)		45,314,467	45,538,965
Minority share		(2,097)	(3,864,079)
Group share		45,316,564	49,403,044

(in Euros)

Comprehensive Income Statement	Notes	31.12.2016	31.12.2015
L) Group consolidated profit		45,314,467	45,538,965
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		(3,927,679)	4,483,115
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		942,643	(1,499,242)
Changes in other equity reserves			
Tax effect of changes in other equity reserves			81,518
Total other profit/(loss) which will not be reclassified in profit/(Loss) for the year, net of tax effect		(2,985,036)	3,065,391
N) Total other profit/(loss) which will be reclassified in profit/(Loss) for the year:			
Profit/(Loss) on cash flow hedge instruments			0
Tax effect related to other profit/(loss) which will be reclassified in profit/(loss) for the year			0
Translation gains/losses on non Euro accounts		1,762,540	(3,457,520)
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		1,762,540	(3,457,520)
Total other profit/(loss), net of tax effect		(1,222,496)	(392,128)
O) Total comprehensive income for the year (L + M + N)		44,091,971	45,146,836
Minority share		8,005	(3,820,776)
Group share		44,083,967	48,967,612

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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(in Euros)

Description	Share Capital	Reserves	Retained earnings	Profit/(Loss) for the year	Group Shareholders' Equity	Minority interest	Total
Balance as of 01.01.2015	31,007,521	98,679,643	237,197,722	40,820,592	407,705,477	8,534,102	416,239,579
Net profit/(loss)				49,403,044	49,403,044	(3,864,079)	45,538,965
Other net comprehensive items		(3,457,520)	3,022,088		(435,431)	43,303	(392,128)
Comprehensive profit	0	(3,457,520)	3,022,088	49,403,044	48,967,612	(3,820,776)	45,146,836
Allocation of profit	0	0	20,820,592	(20,820,592)	0	0	0
Dividends distributed			0	(20,000,000)	(20,000,000)	0	(20,000,000)
Incr./decr. treasury shares	(7,714)		(109,267)		(116,980)	0	(116,980)
Incr./decr. Share Capital	0	0	0	0	0	0	0
Transactions with Shareholders	(7,714)	0	20,711,325	(40,820,592)	(20,116,980)	0	(20,116,980)
Other changes	0	(7,192,732)	7,551,632	0	358,899	418,729	777,629
Balance as of 31.12.2015	30,999,807	88,029,391	268,482,767	49,403,044	436,915,008	5,132,056	442,047,064
Net profit/(loss)				45,316,564	45,316,564	(2,097)	45,314,467
Other net comprehensive items		1,762,540	(2,995,138)		(1,232,598)	10,102	(1,222,496)
Comprehensive profit	0	1,762,540	(2,995,138)	45,316,564	44,083,967	8,005	44,091,971
Allocation of profit	0	0	49,403,044	(49,403,044)	0	0	0
Dividends distributed			0	0	0	0	0
Incr./decr. treasury shares	0		0		0	0	0
Incr./decr. Share Capital	0	0	0	0	0	0	0
Transactions with Shareholders	0	0	49,403,044	(49,403,044)	0	0	0
Other changes	0	8,249,698	(3,762,167)	0	4,487,531	(3,969,487)	518,045
Balance as of 31.12.2016	30,999,807	98,041,629	311,128,507	45,316,564	485,486,506	1,170,574	486,657,079

CASH FLOW STATEMENT

The following table shows the Group cash flow movements and was prepared using the direct method. In relation to cash flows deriving from acquisitions during the year, reference is made to paragraph VII of the Directors' Report.

(in Euros)

Description	31.12.2016	31.12.2015
Revenues from the sales of products /services - third parties	1,066,128,519	965,661,878
Revenues from the sales of products /services - Group	67,153,234	54,757,901
Costs for goods and services - third parties	(431,831,478)	(376,481,143)
Costs for goods and services - Group	(67,153,234)	(54,757,901)
Personnel costs	(467,695,098)	(437,193,175)
Interest received from operating activities	1,327,691	1,547,795
Interest paid for operating activities	(608,686)	(1,254,624)
Exchange differences	(392,576)	(1,007,194)
Income tax payments and reimbursements	(102,155,351)	(86,335,168)
A) Total cash flow from operating activities	64,776,021	64,938,369
Sale of tangible fixed assets	763,836	123,081
Purchase of tangible fixed assets	(8,554,853)	(8,389,932)
Sale of intangible fixed assets	12,750	0
Purchase of intangible fixed assets	(2,272,954)	(1,683,272)
Purchase of investments in subsidiaries	(19,410,206)	(2,112,667)
Purchase of business unit	(121,323)	(685,769)
Purchase of other investments and securities	(382,798)	0
B) Total cash flow from investing activities	(29,965,549)	(12,748,559)
New loans	92,008,205	80,262,640
Repayment of loans	(25,095,378)	(83,566,809)
Sale of treasury shares	264	0
Purchase of treasury shares	0	(116,980)
Dividends distributed	(2,259,763)	(19,999,981)
Change in consolidation scope	2,210,493	364,864
Interest received for financing activities	0	841,570
Interest paid for financing activities	(864,804)	(1,335,384)
C) Total cash flow from financing activities	65,999,016	(23,550,081)
D) = (A+B+C) change in cash and cash equivalents	100,809,487	28,639,730
E) Cash and cash equivalents at beginning of year	211,344,536	182,704,806
F) = (D+E) cash and cash equivalents at end of year	312,154,023	211,344,536

NET FINANCIAL POSITION

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

(in Euros)		
Description	31.12.2016	31.12.2015
Cash	42,565	34,215
Other liquid assets	312,111,458	211,310,322
A) Cash and cash equivalents	312,154,023	211,344,536
B) Current financial receivables	0	1,279,304
Current bank payables	(4,321,051)	(4,072,416)
Current borrowing	(31,849,453)	(20,553,144)
Other current financial payables	(10,183,341)	(9,148,545)
C) Current borrowing	(46,353,845)	(33,774,104)
D) Net current financial position (A+B+C)	265,800,178	178,849,736
Non-current borrowing	(85,597,774)	(32,665,121)
Other non-current payables	(2,458,570)	(1,291,117)
E) Non-current borrowing	(88,056,345)	(33,956,238)
F) Net financial position (D+E)	177,743,833	144,893,498

Compared to the previous year, the net financial position does not include the value of treasury shares under item "Other liquid assets" as they are securities no longer listed as from July 8, 2016.

It should be noted, in fact, that Engineering Ingegneria Informatica S.p.A. was listed at the Milan Stock Exchange until July 8, 2016.

With order no. 8227 of July 1, 2016, Borsa Italiana S.p.A. ordered a trading suspension of the Engineering shares on the Electronic Equity Market (EEM) for the sessions of July 6 and 7, 2016 and their delisting on the Electronic Equity Market since July 8, 2016. For further information, reference is made to the Tender Offer section in the Engineering website www.eng.it, Investor Relations page.

To allow for a correct and homogeneous comparison, also in the previous year, the values of treasury shares owned as of December 31, 2015, for an amount of Euro 7.998.043 were not included under item "Other liquid assets".

1 General information

Engineering is the leading domestic provider of integrated ICT services, products and consultancy. Established in Padua on June 6, 1980.

With approximately 8,800 employees, around 50 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group derives approximately 11% 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:

- on July 8, 2016, following the purchase of 100% of the share capital of the issuer by the company Mic Bidco S.p.A., with order no. 8227 of July 1, 2016, Borsa Italiana S.p.A. ordered the trading suspension of the Issuer's shares on the Electronic Equity Market for the sections of July 6 and 7, 2016 and their delisting since July 8, 2016. For further information on the mandatory Public Offering (OPA), reference is made to the section on investor relations of the institutional site of the Tender Offer subsection Group;
- on August 4, 2016, following the resolution of the Extraordinary Shareholders' Meeting of Engineering Ingegneria Informatica S.p.A., the previous administration and control system was modified from the one-tier system to the traditional system, and the Articles of Association were amended accordingly. Following the expiration of the Board's mandate, the Ordinary Shareholders' Meeting resolved to appoint a new Board of Directors that will remain in office until the approval of the financial statements as of December 31, 2018. The audit of the Company was also assigned to a Board of Statutory Auditors composed of three standing members and two alternate members. This Board will remain in office until the approval of the financial statements as of December 31, 2018;
- on August 4, 2016, through resolution of the Company's Board of Directors, Michele Cinaglia was appointed Chairman of the Board of Directors and Paolo Pandozy was appointed Chief Executive Officer;

- the Extraordinary Shareholders' Meeting of Engineering Tributi S.p.A. was held on September 15, 2016. On this occasion, the Company's name was changed in Municipia S.p.A.. All the other Company's data remained unchanged. During the same Shareholders' Meeting, Article 11 of the Articles of Associations was amended in the aim of streamlining the call proceeding of Shareholders' Meetings;
- on September 27, 2016, the related Boards of Directors of Engineering Ingegneria Informatica S.p.A. and Mic Bidco S.p.A. resolved on the reverse merger project of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A. The Ordinary Court of Rome appointed the expert with appointment measure of November 23, 2016. The above-mentioned merger project is expected to be concluded in the first months of 2017, with effective date on January 1, 2017;
- as from December 30, 2016, the value of the share capital of Engineering do Brasil S.A. is equal to 30,006,020 Reais. The whole share capital is owned by Engineering Ingegneria Informatica S.p.A..

■ 1.2 ACQUISITIONS IN THE YEAR

The main components acquired during the half year are shown below:

- on April 14, 2016, Engineering Ingegneria Informatica S.p.A. acquired the residual 15% of the subsidiary MHT S.r.l. Engineering Ingegneria Informatica S.p.A. therefore now holds 100% of the share capital of MHT S.r.l.. Changes in interests of Engineering Ingegneria Informatica S.p.A. in MHT S.r.l., pursuant to provisions set out by IFRS 10, were recognised at equity in the consolidated financial statements, as they were classified as transactions related to an equity investment on which the company held control;
- on May 31, 2016, Engineering do Brasil S.A. acquired 100% shares of a local company Logann Soluções em Tecnologia de Automação e Informações Ltda, with registered office in Belo Horizonte – Minas Gerais. The total value of the acquisition was Reais 8,500,000.00, of which Reais 3,000,000.00 paid at the acquisition date, in addition to other Reais 2,500,000.00 to be paid on the escrow account. The remaining Reais 3,000,000.00 will be paid after 17 months from the signature. Logann Ltda is specialised in the automation market and mobility systems. On July 1, 2016, Engineering do Brasil S.A. then carried out the merger by absorption.

A goodwill of Euro 2,417,154 was generated from the line-by-line consolidation of the subsidiary company under evaluation, as better specified in the section on goodwill.

The following table shows the total book values of assets acquired and liabilities undertaken, as well as defined values related to identified fair value. Upon completion of the measurement procedures, a fair value adjustment of assets acquired, equal to Euro 2,417,154, was reported against recognition of the value of software licenses.

	Book value	Fair Value adjustments	Fair Value
(in Euros)			
Net assets acquired 01.06.2016			
Property, plant and equipment	89,423		89,423
Intangible assets	2,909	2,417,154	2,420,063
Other non-current assets	5,019		5,019
Trade assets and and other current assets	504,293		504,293
Current liabilities	436,223		436,223
Other current liabilities	449,576		449,576
Total net assets acquired	(284,155)	2,417,154	2,132,999
Third party Shareholders' Equity			
Total net assets acquired by the Group			2,132,999
Total amount			2,132,999

- on June 10, 2016, Engineering Ingegneria Informatica S.p.A. acquired the residual minority interest (25%) of the share capital of the subsidiary Engineering do Brasil S.A. from the company Metalma Investimentos Ltda. With this transaction, Engineering Ingegneria Informatica S.p.A. now owns 100% of Engineering do Brasil S.A.'s share capital. Changes in the equity investment of Engineering Ingegneria Informatica S.p.A. in Engineering do Brasil S.A., consistently with provisions set forth in IFRS 10, were recognised at equity in the

consolidated financial statements as they were classified as transactions related to an equity investment on which the company held control;

- on June 23, 2016 Engineering Ingegneria Informatica S.p.A. purchased an additional 20% of the share capital of the subsidiary WebResults S.r.l.. Engineering Ingegneria Informatica S.p.A. therefore holds 71% of the company's share capital. Changes in the equity investment of Engineering Ingegneria Informatica S.p.A. in WebResults S.r.l., consistently with provisions set forth in IFRS 10, were recognised at equity in the consolidated financial statements as they were classified as transactions related to an equity investment on which the company held control;
- on June 30, 2016, Engineering Ingegneria Informatica S.p.A. acquired a majority interest in ITS Holding AG, investee of Engineering Ingegneria Informatica S.p.A. (51%) and F-NET AG (49%). The company wholly owns other two German companies: "DST Consulting GmbH" and "EMDS GmbH". From the line-by-line consolidation of the subsidiary in question, as better specified in the section on goodwill, a Goodwill of Euro 7,759,004 was generated, determined with the partial goodwill method.

The following table summarizes the measurement of assets acquired and liabilities undertaken, compared to the purchase cost of the interest. According to IFRS 3, the final allocation will be made within 12 months from the acquisition date.

	(in Euros)
Description	01.07.2016
Property, plant and equipment	117,646
Intangible assets	4,552
Other non-current assets	90,702
Current assets	7,539,332
Other current assets	523,253
Non-current liabilities	
Current liabilities	3,091,471
Other current liabilities	1,704,284
Temporary fair value of assets acquired	3,479,730
Acquired portion	51%
Acquisition cost	9,533,666
Goodwill	7,759,004

- on July 27, 2016, Engineering Ingegneria Informatica S.p.A. finalised the establishment of a new wholly owned company named Engineering Ingegneria Informatica S.L., with registered office in Madrid. With the registration at the local Company Register on November 30, 2016, the company's name changed into: Engineering Ingegneria Informatica Spain S.L.;
- on November 2, 2016, Engineering Ingegneria Informatica S.p.A. purchased an additional 2.80% of the share capital of Sedapta S.r.l., a company offering a complete range of IT products and services for the transformation and evolution of the supply chain, manufacturing processes and industrial automation of plants and related operators;
- on November 28, 2016, Engineering Ingegneria Informatica S.p.A. acquired 5.1809% of the share capital of Consorzio Cefriel;
- on December 22, 2016, the subsidiary Municipia S.p.A. acquired 19% of Ekovision S.r.l.'s share capital. The company Ekovision S.r.l. produces and sales software solutions destined to the market of companies operating in the field of environment. In particular, the company developed an ERP, which allows for the integrated management of the lifecycle of waste;
- on December 27, 2016, after the liquidation of the subsidiary Engineering Excellence S.r.l., the Chamber of Commerce in Rome recorded the discontinuation of the business;
- the investment in Engi da Argentina S.A. changed on December 30, 2016. A share capital increase was required to cover losses of Engi da Argentina S.A. and restore the Shareholders' Equity, for a total amount of Euro 1,260,947, of which Euro 1,152,176 paid by Engineering Ingegneria Informatica S.p.A. and Euro 108,771

paid by Engineering Brasil S.A.. This measure results from the change in the investment, where Engineering Ingegneria Informatica S.p.A currently holds 91.37% and Engineering do Brasil S.A. holds 8.63% of interests.

2 Form, contents and accounting standards

These annual consolidated financial statements as of December 31, 2016 were prepared in accordance with international accounting standards (IAS-IFRS) and the related IFRIC interpretations and IFRS standards, approved by the European Commission.

These consolidated financial statements are expressed in Euro and, in compliance with IAS 1 “Presentation of Financial Statements” include the Statement of Financial Position, the Income Statement and the Comprehensive Income Statement, the Statement of changes in Shareholders’ Equity, the Cash Flow Statement and the related Explanatory Notes.

The principles utilised are the same as those used for the preparation of the last annual financial statements and were applied evenly, except for the IFRS and IFRIC accounting standards, amendments and constructions applicable for accounting periods beginning on January 1, 2016, 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 Cash Flow Statement uses the direct method.

Transactions with related parties are disclosed in the Statement of Financial Position, the Income Statement and the Cash Flow Statement.

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 most influenced by estimates are construction contracts, provisions for risks and charges, revenues and the measurement of post-employment benefits and of the fair value of derivative instruments.

3 Consolidation scope and principles

■ 3.1 SUBSIDIARY COMPANIES

The subsidiary companies 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, 2016 (the details are shown in the previous paragraph of the Directors' Report) are listed hereunder:

Company	Headquarter	Share Capital	Percentage of share capital held		
			Direct	Indirect	Total
Engineering Sardegna S.r.l.	Cagliari	20,000 Euros	100.00%		100.00%
Engiweb Security S.r.l.	Rome	50,000 Euros	100.00%		100.00%
Municipia S.p.A.	Trento	13,000,000 Euros	100.00%		100.00%
Engineering International Inc.	Delaware (Usa)	9 Euros	100.00%		100.00%
Engineering International Belgium S.A.	Brussels	61,500 Euros	100.00%		100.00%
Engineering Luxembourg S.à.r.l.	Luxembourg	12,500 Euros		100.00%	100.00%
Engineering.mo S.p.A.	Pont-Saint-Martin	2,000,000 Euros	100.00%		100.00%
Nexen S.p.A.	Padova	1,500,000 Euros	100.00%		100.00%
EngNor AS	Oslo	3,302 Nok	100.00%		100.00%
MHT S.r.l.	Lancenigo	52,000 Euros	100.00%		100.00%
OverIT S.p.A.	Pordenone	300,000 Euros	95.00%		95.00%
Engi da Argentina S.A.	Buenos Aires	21,169,346 AR\$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	San Paolo (Brazil)	36,006,020 Reais	100.00%		100.00%
Sicilia e-Servizi Venture S.c.r.l.	Palermo	300,000 Euros	65.00%		65.00%
MHT Balkan d.o.o.	Belgrado	452,000 Rsd		100.00%	100.00%
WebResults S.r.l.	Treviolo	10,000 Euros	71.00%		71.00%
Engineering ITS AG	Berlin	50,000 Euros	51.00%		51.00%
DST Consulting GmbH	Dusseldorf	25,000 Euros		51.00%	51.00%
EMDS GmbH	Stuttgart	300,000 Euros		51.00%	51.00%
Sidion GmbH	Stuttgart	25,000 Euros		51.00%	51.00%
Engineering Ingegneria Informatica Spain S.L.	Madrid	3,000 Euros	100.00%		100.00%

Changes in the consolidation scope compared to December 31, 2015 relate to transactions carried out during the period as summarised below:

- on April 14, 2016, acquisition of a further 15% of MHT S.r.l.'s share capital;
- on May 31, 2016, acquisition of 100% of Logann Ltda's share capital by Engineering do Brasil S.A.;
- on June 10, 2016, acquisition of 25% of Engineering do Brasil S.A.'s share capital by Engineering Ingegneria Informatica S.p.A.;
- acquisition, on June 23, 2016, of a further 20% of the share capital of WebResults S.r.l.; Engineering Ingegneria Informatica S.p.A. therefore holds 71% of the company's share capital;
- on June 30, 2016, Engineering Ingegneria Informatica S.p.A. acquired 51% of Engineering ITS AG's share capital, a company which is wholly owned by two other German companies DST Consulting GmbH and EMDS GmbH;
- on July 27, 2016, Engineering Ingegneria informatica S.p.A. established a new, wholly owned company named Engineering Ingegneria informatica Spain S.L.I., with registered office in Madrid.

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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Sicilia e-Servizi Venture S.c.r.l.	35.0%	35.0%	(430,041)	(3,300,724)	(3,115,812)	(2,685,770)
WebResults S.r.l.	29.0%	49.0%	70,723	189,258	329,093	450,154
Engineering ITS AG	49.0%		224,775	0	9,382,122	0
DST Consulting GmbH	49.0%		0	0	1,377,839	0
EMDS GmbH	49.0%		0	0	299,366	0
Sidion GmbH	49.0%		(361)	0	11,889	0
Total			(359,318)	(3,111,466)	(2,786,719)	(2,235,616)

Disclosures reflect the balances before intercompany netting.

(in Euros)

Description	Sicilia e-Servizi Venture		WebResults		ITS		DST		EMDS		Sidion	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Non-current assets	566	9,552	360,703	191,197	18,734,281		206,555		59,654		0	
Current assets	98,382,714	98,859,402	2,847,626	2,095,578	1,823,133		6,948,982		1,302,169		24,263	
Non-current liabilities	328	328	488,860	332,823	0		0		0		0	
Current liabilities	107,285,271	106,542,256	1,584,665	1,035,271	1,410,226		4,343,621		750,871		0	
Group Shareholders' Equity	(5,786,508)	(4,987,859)	805,710	468,527	9,765,066	0	1,434,077	0	311,585	0	12,374	0
Minority interest shareholders' Equity	(3,115,812)	(2,685,770)	329,093	450,154	9,382,122	0	1,377,839	0	299,366	0	11,889	0
Revenues	1,051,103	914,464	5,366,274	3,810,505	35,128		12,174,949		2,235,900		0	
Costs	(2,279,792)	(10,345,103)	(5,122,400)	(3,424,264)	423,596	0	(12,174,949)	0	(2,235,900)	0	(737)	0
Profit/(Loss) for the year	(1,228,690)	(9,430,639)	243,874	386,241	458,724		0		0		(737)	
Group profit/(Loss) for the year	(798,648)	(6,129,915)	173,150	196,983	233,949	0	0	0	0	0	(376)	0
Third-party profit/(loss) for the year	(430,041)	(3,300,724)	70,723	189,258	224,775	0	0	0	0	0	(361)	0
Cash flow from operating activities	(511,893)	(1,253,638)	(406,235)	39,188	(635,307)		1,993,242		259,616			
Cash flow from investing activities	0	0	(207,921)	(55,787)	(18,736,031)		(14,747)		(3,383)			
Cash flow from financing activities	0	0	0	0	19,590,092	0	(511,266)	0	(130,159)	0	0	0
Total cash flows	(511,893)	(1,253,638)	(614,156)	(16,599)	218,754	0	1,467,229	0	126,075	0	0	0

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 or amortised 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.

Assets generated are amortised from the moment of use or sale. 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
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 exists that difficulties may arise in the recovery of the net book value, an impairment test is carried out.

Software

The costs directly associated to information technology products produced internally or acquired from third parties are capitalised under intangible fixed assets when the following conditions are met:

- technical feasibility and intention to complete the product in order that the latter may be available for use or sale;
- capacity to use or sell the product;

- definition of the manner in which the product will generate probable future economic rewards (existence of a market for the product or use for internal means);
- availability of adequate technical, financial and other resources for the purposes of completing the development and the use/sale of the product;
- 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 which improve the products or alter them in line with regulatory changes are included within projects carried out on behalf of clients and therefore expensed in the period in which they are incurred.

Concessions, licenses and trademarks

Costs associated with the purchase of concessions, licenses and trademarks are capitalised among intangible 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. A reduction in value following an impairment test is not written back in subsequent accounting 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 reporting entity (acquirer) 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 investments must be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the adjusted value of the minority shareholdings 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 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.

Subsidiary Companies

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

Investments in other companies relate to holdings other than subsidiaries, associates and joint ventures and are recorded at adjusted cost of any loss in value, whose effect is recorded to 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.

These financial assets are derecognised from the financial statements when, due to their sale or settlement, the Group companies are no longer involved in their management, nor hold the relative risks and benefits relating to these instruments sold/settled.

■ 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 Comprehensive Income Statement 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 Group 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 comprehensive Income Statement items and Shareholders' Equity reserve and is calculated as the lower value between the accumulated changes in hedge derivative fair value and the changes in fair value of the hypothetical derivative. The ineffective hedging component is recorded to the Income Statement.

■ 4.18 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 Comprehensive Income Statement and recorded under Shareholders' Equity on an accrual basis.

Defined contribution plans

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

■ 4.19 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 recorded in the period in which the distribution by the issuing Company is approved.

■ 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 balances

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

Conversion of financial statements of foreign operations

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

■ 4.24 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 preventative 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 SEGMENT INFORMATION

An operating segment is a component of the Company engaged in corporate activity that generates revenue and costs and whose operating results are periodically reviewed by the Chief Executive Officer for the purpose of making decisions on the resources to allocate to the sector and evaluating the results on the basis of information contained in the financial statements.

■ 4.27 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.

■ 4.28 NEW IFRS AND IFRIC INTERPRETATIONS

The accounting standards adopted for the drawing up of these annual consolidated financial statements are the same as those used for the Group annual consolidated financial statements as of December 31, 2015, with the exception of the standards and interpretations listed below, applicable from January 1, 2016.

- **Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”**

On November 21, 2013, the IASB issued some amendments to the IAS 19 - “**Defined Benefit Plans: Employee Contributions**”, which aim at allocating the contribution (related only to the service rendered by the employee during the year) paid by the employees or third parties to defined benefit plans in order to reduce the service cost for the year in which this contribution is paid. The necessity of this proposal arose with the introduction of the new IAS 19 (2011), where such contributions are to be interpreted as part of a post-employment benefit, rather than a short-time benefit and, therefore, this contribution should be apportioned along the entire service period of the employee.

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

- **Annual Improvements to IFRSs: 2010-2012 Cycle”**

On December 12, 2013 the IASB published the “**Annual Improvements to IFRS's document: 2010-2012 Cycle**” was published, which includes the amendments to certain standards within the annual improvement process. The main amendments involve:

- IFRS 2 Share Based Payments – Definition of vesting condition. Amendments to definitions of “vesting condition” and “market condition” were made and further definitions of “performance condition” and “service condition” (previously included in the definition “vesting condition”) were added;
- IFRS 3 Business Combination – Accounting for contingent consideration. The amendment clarifies that a contingent consideration, within a business combination classified as financial asset or liability, should be remeasured at fair value at each financial statement date and changes in fair value should be recognised in the Income Statement or amongst the components of the Comprehensive Income Statement, pursuant to requirements set out by IAS 39 (or IFRS 9);

- IFRS 8 Operating segments – Aggregation of operating segments. The amendments require that an entity should give information on the valuations made by management in applying the criteria of operating segment aggregation, including a description of the aggregated operating segments and economic indicators considered in determining whether such operating segments are similar;
- IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The amendment requires the reconciliation of segment assets to total assets is to be provided solely where the total assets of the operating segments are regularly reviewed by the entity's top management;
- IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions was changed in order to clarify that, with the release of IFRS 13, and consequent amendments to IAS 39 and IFRS 9, the possibility to record trade receivables and payables is still effective without recognising the effects of discounting, if such effects are not material;
- IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortisation. The amendments eliminated inconsistencies in the recognition of accumulated amortisation/depreciation when a tangible or intangible asset is revalued. The requirements envisaged by amendments clarify that the gross carrying amount should be accordingly consistent with the write-up of the carrying value of assets and that the accumulated amortisation/depreciation should be equal to the difference between gross carrying amount and the carrying amount, net of recorded impairment losses;
- IAS 24 Related Parties Disclosures – Key management personnel. The standard clarifies that, if the services of key management personnel are rendered by an entity (and not a physical individual), this entity is to be considered a related party in any case.

Amendments are applicable at the latest to accounting periods beginning on or after February 1, 2015. The adoption of these amendments had no impact on the Company financial statements.

- **Amendment to IFRS 11 “Joint Arrangements – Accounting for acquisitions of interests in joint operations”**

On May 6, 2014, the IASB published an amendment to **IFRS 11 “Joint Arrangements – Accounting for acquisitions of interests in joint operations”** related to the recognition of the acquisition of interests in a joint operation for which the asset represents a business, as envisaged by IFRS 3. The amendments set out that, in these cases, the standards envisaged by IFRS 3 be applied with respect to the recognition of the effects of a business combination. The amendments can be applied as from January 1, 2016.

The adoption of this amendment had no impact on the Company financial statements.

- **Amendments to IAS 16 “Property, plant and Equipment” and to IAS 38 Intangibles Assets – “Clarification of acceptable methods of depreciation and amortisation”**

On May 12, 2014, the IASB issued certain amendments to **IAS 16 “Property, plant and Equipment”** and to **IAS 38 “Intangibles Assets – Clarification of acceptable methods of depreciation and amortisation”**. The amendments to IAS 16 state that the criteria for depreciation/amortisation which are determined on the basis of revenues are not appropriate given that, according to the amendment, the revenues generated from an asset which includes the use of assets subject to depreciation/amortisation generally reflect factors that are not limited to the sole consumption of economic benefits of the asset itself - a requirement which, on the other hand, is applicable for depreciation/amortisation. Amendments to IAS 38 introduce a relative presumption according to which a depreciation/amortisation criterion based on revenues is considered typically inappropriate for the same reasons outlined by the changes introduced to IAS 16. In the case of intangible assets, this presumption can moreover be overcome but only in limited and specific circumstances. The amendments can be applied as from January 1, 2016.

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

- **“Annual Improvements to IFRSs: 2012-2014 Cycle”**

On September 25, 2014 the IASB published the document **“Annual Improvements to IFRSs: 2012-2014 Cycle”**. The amendments introduced by the document are applicable as of the years beginning on or after January 1, 2016. The document introduces modifications to the following principles:

- **IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.** The amendment to the principle introduces specific guidelines in the case that an entity reclassifies an asset (or a disposal group) from the held-for-sale category to the held-for-distribution category (or vice versa) or when the requirements for classification of an asset as held-for-distribution cease to be applicable. The changes define that (i) the same criteria for classification and valuation remain valid for these re-classifications; (ii) the assets which no longer comply with the classification criteria for the held-for-distribution category should be booked in the same manner as an assets which ceases to be classified as held for sale;
- **IFRS 7 – Financial Instruments: Disclosure.** The amendments regulate the introduction of additional guidelines in order to clarify whether a servicing contract constitutes a residual involvement in an asset transferred for the purposes of the requested information and in relation to the transferred assets. In addition, a clarification is made that the reported information on the compensation of financial assets and liabilities is not typically requested for interim financial statements, except in the case of significant information;
- **IAS 19 – Employee Benefits.** The document introduces amendments to IAS 19 in order to clarify that the high quality corporate bonds used to determine the post-employment benefits discount rate should be in the currency used for the payment of the benefits. The amendments specify that the extent of the high quality corporate bonds to consider should be in terms of currency and not the country of the entity subject to reporting;
- **IAS 34 – Interim Financial Reporting.** The document introduces modifications in order to clarify the requirements which must be complied within in the case that the requested information is presented within the interim financial report but outside of the interim financial statements. The modification specifies that this information should be included through a cross-reference from the interim financial statements to other parts of the interim financial report and that this document should be available to readers of the financial statements with the same modalities and with the same time periods as the interim financial statements.

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

- **Amendment to IAS 1 - Disclosure Initiative**

As of December 18, 2014, the IASB issued the amendment to **IAS 1 - Disclosure Initiative**. The objective of the amendments is to provide clarifications in relation to reporting elements which could be perceived as impediments to the clear and intelligible preparation of financial statements. The applied changes are as follows:

- *materiality and aggregation*: it is clarified that an entity must not hide information by aggregating or de-aggregating it and that any considerations pertaining to materiality are applicable to financial statement outlines, explanatory notes and specific reporting requirements of the IFRS. The document specifies that the disclosures which are specifically requested by the IFRS must only be supplied if the information is material;
- *statement of financial position and statement of Comprehensive Income*: it is clarified that the list of items specified by IAS 1 for these statements can be de-aggregated and aggregated, depending on the case. In addition, a guideline for the use of subtotals within the statements is also supplied;
- *Reporting of elements of Other Comprehensive Income (“OCI”)*: it is clarified that the quota of OCI of associated companies and joint ventures – measured according to the equity method – must be reported as an aggregate figure within a single item and in turn subdivided between components which can or can not be re-classified in the future to the Income Statement;

- Explanatory Notes: it is clarified that the entities retain flexibility in defining the structure of the Explanatory Notes and supply guidelines on how to establish a systematic order for the notes themselves, for example:
 - by giving precedence to those which are most relevant for the purposes of understanding the financial position (e.g. by grouping information on specific assets);
 - grouping items that are measured by the same criterion (e.g. assets measured at fair value);
 - following the order of the elements reported in the statements.

The amendments introduced by the document are applicable as of the years beginning on or after January 1, 2016. The adoption of this amendment had no impact on the Company financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance by the Group

• 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 is applicable as of January 1, 2018 but early application is allowed.

Conversely, amendments to IFRS 15 Clarifications to IFRS 15 - Revenue from Contracts with Customers, issued by IASB in April 2016, have not been endorsed by the European Union.

The Directors estimate that the application of IFRS 15 might have a significant impact on the amounts booked as revenues, as well as on the related information reported in the financial statements of the Company. However, it is not possible to supply a reasonable estimate of the effects until the directors have completed a detailed analysis of the contracts with customers.

• IAS 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 phases related to Classification and Measurement, Impairment and Hedge accounting, of the IASB project, aimed to supersede the IAS 39 standard. The new standard, which replaces the previous versions of IFRS 9, 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 valued 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.

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 company.

The Directors expect that the application of IFRS 9 might have a significant impact on the amounts as well as on the information reported within the financial statements of the Company. However, it is not possible to provide a reasonable estimate of the effects until the Company has completed a detailed analysis.

Accounting standards, amendments and 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.

- On January 30, 2014, the IASB published the standard **IFRS 14 – Regulatory Deferral Accounts**, which allows only those parties which adopt the IFRS for the first time to continue to book the amounts relative to activities subject to regulated rates (“Rate Regulation Activities”) according to the previously adopted accounting standards. Given that the Company is not a first-time adopter, this standard is not applicable.
- 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 lessees.

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 expect that the application of IFRS 16 might have a significant impact on the booking of leasing contracts as well as on the related information reported in the financial statements of the Company. However, it is not possible to provide a reasonable estimate of the effects until the Company has completed a detailed analysis of the relative contracts.

- On January 19, 2016, 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 upon occurrence of determined circumstances and the estimate of taxable income for future financial years. Amendments are applicable as of January 1, 2017 but early application is allowed. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company’s financial statements.
- On January 29, 2016, 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. Amendments are applicable as from January 1, 2017 but early application is allowed. Comparative information related to previous years is not required. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company’s financial statements.
- 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 Company’s financial statements.
- 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; and
- b) the date in which the assets, the cost or the revenue (or part of the same) is recorded in the financial statements (with consequent reverse of the advanced payment or the payment on account received).

In the event of a number of advances or payments on account received, a transaction date must be identified for each of these transactions. IFRIC 22 is applicable as of January 1, 2018 but early application is allowed. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company’s financial statements.

- 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. These amendments are applicable as from January 1, 2018 but early application is allowed. Directors deem that the adoption of these amendments will have no material impact on the Company Financial Statements.

- On September 11, 2014, the IASB published an amendment to **IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**. The document was published for the purposes of resolving the current conflict between IAS 28 and IFRS 10.

In accordance with the provisions of IAS 28, the profit or loss resulting from the transfer or conferment of a non-monetary asset to a joint venture or associate 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. On the contrary, 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 company to a joint venture or associate. The amendments introduced envisage that in the sale or transfer of an asset or a subsidiary company to a joint venture or 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 transferred represent a business, as envisaged by IFRS 3. If the assets or subsidiary company sold or transferred represent a business, the entity shall recognise the profit or loss on the entire portion previously held. Conversely, the portion of profit or loss, related to the interests which is still held by the entity, should be derecognised. At the moment, the IASB has suspended the application of this amendment.

The Directors are currently evaluating the possible impact of the introduction of these amendments on the Company's financial statements.

■ 4.29 SEASONALITY OF GROUP TRANSACTIONS

The activities of the Company are not subject to seasonality.

5 Segment information

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The organisation and the internal financial reporting system are structured on the divisions, which constitutes the basis in which the Group discloses the primary segment information (in accordance with IFRS 8).

The sectors of the primary breakdown are based on the expertise and market of the individual Group companies and reflect the business model which is currently broken down into 4 product sectors:

- Finance;
- Public Administration;
- Industry & Services;
- Telco & Utilities.

Direct revenues and costs are allocated according to the relevant sector. Other revenues or income and central structural costs, not specifically identifiable to sectors, are allocated in relation to the contribution margin.

(in Euros)

Segment reporting Engineering Group	Finance		Public Administration		Industry & Services		Telco & Utilities		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net Revenues	143,352,527	130,344,983	276,215,244	271,467,877	214,717,568	206,048,608	273,316,338	243,052,061	907,601,678	850,913,528
EBITDA	26,753,545	26,366,634	36,106,447	38,292,566	12,243,624	14,728,771	33,263,346	26,095,577	108,366,961	105,483,549
%	+18.7%	+20.2%	+13.1%	+14.1%	+5.7%	+7.1%	+12.2%	+10.7%	+11.9%	+12.4%
Depreciation, amortisation and provisions	9,333,509	3,910,734	22,158,759	36,332,405	6,736,121	3,609,047	14,129,394	6,335,602	52,357,783	50,187,788
EBIT	17,420,035	22,455,899	13,947,688	1,960,162	5,507,503	11,119,724	19,133,952	19,759,975	56,009,179	55,295,761
%	+12.2%	+17.2%	+5.0%	+0.7%	+2.6%	+5.4%	+7.0%	+8.1%	+6.2%	+6.5%
Net financial income/(charges)									11,740,866	13,943,607
Income/(Charges) from investments									(59,603)	1,465,292
Taxes									22,375,974	25,165,696
Profit/(Loss) from discontinued operations									0	0
Group consolidated profit(Loss) for the year									45,314,467	45,538,965
Profit/(Loss) for the year of minority share									(2,097)	(3,864,079)
Group profit/(loss) for the year									45,316,564	49,403,044
Net Investments	29,850,782	37,749,312	9,753,578	12,610,168	32,033,902	11,999,247	29,552,638	35,871,299	101,190,899	98,230,026
Current Assets	210,272,146	186,177,981	417,183,745	380,731,074	216,301,747	174,389,376	211,168,342	173,471,117	1,054,925,980	914,769,548
Liabilities	74,454,016	60,215,897	306,599,139	287,377,365	130,105,496	104,685,698	182,876,713	138,728,559	694,035,365	591,007,519

For comments on sector results disclosed, reference is made to the previous item VI hereof.

Statement of financial position

A) Non-current assets

6 Property, plant and equipment

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Property, plant and equipment	26,267,690	27,366,344	(1,098,654)

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 improvement	Total
Balance as of 01.01.2015	8,779,211	3,802,660	10,418,190	2,560,821	3,651,026	29,211,907
Exchange difference effect	0	(5,542)	(82,462)	(39,757)	(50,482)	(178,244)
Increase	1,433,800	961,543	4,261,828	622,586	91,670	7,371,426
Decrease	0	(32,453)	(3,548,070)	(184,713)	(44,341)	(3,809,577)
Increase of acc. depreciation	0	0	0	(1,668)	0	(1,668)
Decrease of acc. depreciation	0	32,453	3,245,921	104,038	15,655	3,398,067
Depreciation	(326,354)	(778,145)	(5,284,943)	(629,355)	(1,658,436)	(8,677,233)
Balance as of 31.12.2015	9,886,657	3,980,516	9,024,909	2,469,172	2,005,092	27,366,344
Exchange difference effect	(224,777)	5,088	67,902	27,650	36,709	(87,427)
Increase	280,231	1,391,585	4,660,140	879,189	33,378	7,244,522
Decrease	0	(68,998)	(2,412,251)	(172,080)	(407,428)	(3,060,758)
Decrease of acc. depreciation	0	33,596	2,302,764	115,060	272,583	2,724,003
Depreciation	(327,944)	(843,977)	(4,905,188)	(706,073)	(1,255,464)	(8,038,645)
Changes in consolidation scope	0	0	0	1,434	118,211	119,645
Balance as of 31.12.2016	9,614,167	4,497,810	8,738,280	2,614,352	803,080	26,267,690

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

Increases, equal to Euro 7.2 million, are mainly due to:

- the increase in "Plant and machinery", equal to Euro 1.4 thousand, mainly relates to the installation of new air conditioning and cooling systems in the Data Centre, as well as the upgrading of the EDP systems of the company Engineering.mo S.p.A.;
- the increase in "Industrial and commercial equipment", equal to Euro 4.6 thousand, mainly relates to the purchase of new hardware for in-house use;
- Decreases, equal to Euro 0.1 thousand, less the related accumulated depreciation, are due to the sale, scrapping and/or donation of obsolete and/or fully depreciated computers.

7 Intangible assets

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(in Euros)			
Description	31.12.2016	31.12.2015	Change
Intangible assets	17,129,336	20,788,486	(3,659,149)

The changes in intangible assets are detailed as follows:

(in Euros)						
Description	Development costs	Industrial patents and Int. property	Concessions, licences and trademarks	Assets in progress	Other assets	Total
Balance as of 01.01.2015	0	9,926,648	3,342	829,394	12,780,736	23,540,120
Exchange difference effect	(9,706)	(78,192)	0	0	0	(87,898)
Increase	1,173,542	1,982,263	26,077	361,173	2,949,288	6,492,344
Decrease	0	(102,308)	0	(136,918)	0	(239,226)
Amortisation	(143,112)	(3,159,345)	(3,914)	0	(5,618,628)	(8,924,999)
Changes in Consolidation scope	0	0	0	0	2,319	2,319
Balance as of 31.12.2015	1,020,724	8,574,892	25,504	1,053,649	10,113,715	20,788,486
Exchange difference effect	6,942	342,445	0	0	0	349,386
Increase	1,408,831	4,367,754	4,525	1,468,055	2,230	7,251,396
Decrease	0	(62,910)	(520)	(1,408,831)	0	(1,472,261)
Decrease of Acc. amortisation	0	(179,325)	520	0	0	(178,805)
Amortisation	(488,365)	(3,969,289)	(6,286)	0	(5,149,623)	(9,613,562)
Changes in Consolidation scope	0	4,697	0	0	0	4,697
Balance as of 31.12.2016	1,948,133	9,078,264	23,744	1,112,873	4,966,323	17,129,336

Intangible assets reported a total increase of Euro 7.3 million, mainly due to:

- the increase in development costs by Euro 1.4 million, related to two internally developed products included in the finance area: one is aimed at rendering the Governance, Risk and Compliance of Engineering (GRACE) platform accessible to customers in Cloud and integrated with SpagoBI, and the other is targeted to support the financial bodies in fulfilling the new Basel III regulation;
- the increase of Euro 4.4 million in item “Industrial patents and intellectual property” is mainly due to:
 - purchase of software programmes for in-house developments, totalling around Euro 1.7 million;
 - the increase of software licenses, resulting from the allocation of the goodwill of Logann SA, following the acquisition of the control and its following merger by absorption into the subsidiary Engineering do Brasil S.A., in the amount of around Euro 2.5 million.

As already specified in par. 1.2, the Purchase Price Allocation, emerged upon consolidation of the company Logann Ltda, was carried out with reference to the control acquisition date (May 31, 2016). The measurement at fair value of assets acquired and liabilities undertaken of Logan S.A. led to identify “software licenses”, as per measurement of discounted cash flows (DCF), with a WACC of 7.13. The amount determined at the acquisition date, was Euro 2,417,154, to which a useful life of 5 years was allocated. The book value recorded under fixed assets was determined through an estimate of the fair value of the assets, in accordance with IFRS 3, made with the support of an independent expert and based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

Other intangible assets mainly relate to previous years' disclosures, net of the related accumulated amortisation, with respect to:

- allocation process, at the acquisition date of control (January 28, 2015), of goodwill (Purchase Price Allocation), as emerged upon consolidation of subsidiary WebResults S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of WebResults S.r.l. resulted in the identification of the "Outstanding contract portfolio", as per income assessment discounted (WACC 9.0%) by the prospective residual margins resulting from such orders. The amount calculated at the acquisition date was equal to Euro 4,427,341 (in addition to Euro 1,390,000 of deferred tax liabilities). The residual period of amortisation is 1 year;
- allocation process, at the acquisition date of control (January 31, 2014), of goodwill emerged upon consolidation of subsidiary MHT S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of MHT S.r.l. resulted in the identification of the "Outstanding contract portfolio", as per income assessment discounted (WACC 9.15%) by the prospective residual margins resulting from such orders. The amount calculated at the acquisition date was equal to Euro 7,294,981 (in addition to Euro 2,290,625 of deferred tax liabilities). The residual period of amortisation is 2 years;
- the residual value related to allocations made in the previous years - of goodwill recognised upon acquisition of the business units of the companies Opera 21 and Software E Sistemi Avanzati. The measurement at fair value of assets and liabilities of the aforesaid BUs resulted in the identification of (i) the "Outstanding contract portfolio" and (ii) the customer relationship. The residual period of amortisation is 1 year.

The book value recorded under fixed assets in previous years was determined through an estimate of the fair value of the assets, in accordance with IFRS 3, carried out 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 average residual amortisation period is as follows:

(in Euros)		
Description	Amortisation, remaining years	Remaining amount
Development costs	3	1,948,133
Total development costs		1,948,133
Industrial patents and intellectual property	1	36,265
Industrial patents and intellectual property	2	977,010
Industrial patents and intellectual property	3	1,196,922
Industrial patents and intellectual property	4	120,788
Industrial patents and intellectual property	5	6,747,279
Total industrial patents and intellectual property		9,078,264
Concessions, licences and trademarks	3	21,144
Concessions, licences and trademarks	7	2,600
Total conc., licences and trademarks		23,744
Other assets	1	651,317
Other assets	2	1,160
Other assets	3	3,489,640
Other assets	7	824,206
Total other assets		4,966,323
Total intangible assets		16,016,463

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Goodwill	57,662,300	49,955,873	7,706,427

The account consists of:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Goodwill Finance	22,558,000	22,558,000	0
Goodwill Public Administration	4,419,508	4,419,508	0
Goodwill Industry & Services	10,785,705	3,079,279	7,706,427
Goodwill Telco & Media	6,856,086	6,856,086	0
Goodwill Energy & Utilities	13,043,000	13,043,000	0
Total	57,662,300	49,955,873	7,706,427

Goodwill as of December 31, 2016, entered in the Consolidated Statement of Financial Position of the Engineering Group, is equal to Euro 57,662,300, up by Euro 7,706,427 compared to Euro 49,955,873 in 2015.

In particular, the increase in goodwill of Industry & Services is attributable, in the amount of Euro 7,759,004, to Engineering ITS AG, in the amount of Euro -197.230, to the final allocation of the company EXC and, in the amount of Euro 144,652 to the difference in exchange rate of goodwill for the acquisition of Dynpro Sistemas S.A., as the value in local currency remained unchanged.

In particular, the increase in goodwill of Industry & Services is attributable to the amount resulting from line-by-line consolidation of the subsidiary, after the interim measurement of assets acquired and liabilities undertaken by the same Engineering ITS AG at acquisition date (June 30, 2016). The goodwill in question was determined by using the partial goodwill method. It is worth noting that the allocation to item "Goodwill" of the amount in question is not final as, at statement of financial position date, the fair value to be assigned to assets acquired and liabilities undertaken could be determined only on an interim basis. According to IFRS 3, the final allocation will be made within 12 months from the acquisition date.

The table below lists the CGU's to be tested:

Finance Division	Finance Goodwill	Euro 21,603,000
Nexen	Finance Goodwill	Euro 955,000
Pal and Health Division	PA Goodwill	Euro 4,419,508
OverIT	I&S Goodwill	Euro 1,149,000
EXC	I&S Goodwill	Euro 1,000,000
Engineering ITS AG	I&S Goodwill	Euro 7,759,004
Dynpro Sistemas	I&S Goodwill	Euro 877,702
Telco & Media Division	T&M Goodwill	Euro 6,856,086
Energy & Utilities Division	E&U Goodwill	Euro 13,043,000
Total		Euro 57,662,300

An analysis of the total value of goodwill was made as per IAS 36 and IFRS 3 revised; the value of the goodwill as of December 31, 2016, tested for impairment, was Euro 57,662,300.

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

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

The goodwill was tested at individual CGU level, identifying these as independent Cash Generating Units.

As to the definition of CGU, in line with 2015, reference is made to:

- characteristics of the business;
- the operating regulations and market rules for each CGU;
- the technical and management organisation and structure of the Group;
- management reporting monitoring criteria and instruments.

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

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

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

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

- risk free rate equal to the gross yield of BTP 5 years sold on January 30 and 31, 2017 > 0.92%;
 - Equity Risk Premium, equal to the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The benchmark rate for measurements is the one used by the Corporate Broking at end 2016 (Annexes Equity risk Premium 2016) > 6.25%;
 - Debt cost, equal to the average indebtedness cost (long and short term) of the Group > 0.57%;
 - Beta unlevered equal to 1;
 - LTG (Long Term Growth) equal to 0.5%;
- for a WACC with a prevalence of 7.17%.

Expected future cash flows include a Terminal Value used to estimate future results after the explicitly considered timing. The impact related to the Terminal Value was in any case limited to 70% maximum of the total amount of discounted free cash flows and of the Terminal Value itself.

9 Investments

Investment in associated companies measured at equity and other equity investments

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	31.12.2016	31.12.2015	Change
Equity investments	131,573	119,323	12,250

Changes in investments:

(in Euros)

Investments in	Value as of 31.12.2015	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2016
In associated companies	119,323	12,250				131,573
Total	119,323	12,250	-	-	-	131,573

Associated companies reported an increase of Euro 12,250, related to the investments in DST IT Services GmbH.

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 31.12.2015	%
SI Lab – Calabria S.c.a.r.l.	Rende	29,127	2,090	30,000	27,037		(2,964)	7,200	+24
SI Lab – Sicilia S.c.a.r.l.	Palermo	30,323	323	30,000	30,000			3,525	+24
Consorzio Sirio	Palermo	310,869	156,222	5,000	154,647	19,921	(553)	78,598	+49
Consorzio Engbas in liquidation	Florence	49,420	6	50,000	49,414		(1,619)	22,000	+50
CENTO-6 Società consortile S.c.a.r.l.	Milan	5,248	4,040	20,000	1,208		(2,913)	5,000	+25
Consorzio Sanimed Group	Terni							3,000	+25
Total								119,323	

(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	

The figures for associated companies refer to the last financial statements approved.

10 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. These concern the temporary differences between the book values and the tax recognised values of some financial statement items.

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Deferred tax assets	21,968,822	18,725,057	3,243,765

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	31.12.2016		31.12.2015	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Prov. employee bonus	3,391,111	908,700	2,689,727	676,412
IAS amortisations	3,063,395	519,890	4,373,941	1,113,367
Goodwill	647,934	179,907	761,432	215,491
Directors' fees	1,206,570	289,577	931,295	256,106
Doubtful debt provision	24,927,464	6,040,095	24,793,416	6,820,121
Provisions for risks	12,243,729	3,286,069	10,920,190	3,251,021
Leaving incentives	24,053,945	5,772,947	4,964,914	1,365,351
Financial leases	44,419	12,393	44,419	12,393
Tax losses	486,010	170,103	3,090,856	956,827
Adjustments for IFRS	3,213,024	896,434	3,213,024	896,434
Adjustments for IFRS IAS 19	11,776,148	2,826,276	7,852,641	1,884,634
Other	3,144,908	1,066,431	3,979,180	1,276,899
Total	88,198,657	21,968,822	67,615,036	18,725,057

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

Changes in deferred tax assets are detailed below:

(in Euros)	
Description	Deferred tax assets
Balance as of 01.01.2015	22,721,954
Exchange difference effect	(385,910)
Increase	3,306,424
Decrease	(7,045,664)
Changes in Consolidation scope	128,253
Balance as of 31.12.2015	18,725,057
Exchange difference effect	231,937
Increase	8,196,521
Decrease	(5,184,694)
Balance as of 31.12.2016	21,968,822

The decrease in deferred tax assets is mainly due to the utilisation of deferred tax liabilities, as well as provisions for risks and leaving incentives fund, as well as to the adjustments for the measurement of post-employment benefits based on requirements set out by IAS 19.

The increase for the year is attributable partly to the allocation made for reorganisation and restructuring operations that envisage the leave of managers and white-collar staff, benefiting from the early leave incentive schemes envisaged by the pension reform as per the 2017 Stability Law by the Parent Company, and partly to deferred tax assets, calculated both on the allocation for the restructuring and the statutory/fiscal differences related to amortisation/depreciation transferred with the “Managed Operations” business unit by the company Engineering.mo S.p.A..

II Other non-current assets

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Other non-current assets	2,609,605	1,329,953	1,279,652

As better described later on, the item, reporting a positive change for the period of Euro 1,086,766, includes investments in other companies, non-current financial assets and residual assets as follows.

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Investments in other companies	1,541,831	455,065	1,086,766
Non-current financial assets	1,067,774	874,888	192,885
Total	2,609,605	1,329,953	1,279,652

a) Investments in other companies

Changes in the investments in other companies

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

(in Euros)

Equity investments in other companies	Value as of 31.12.2015	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2016
Banca Popolare di Credito e Servizi	7,747					7,747
Comitato Prom. Banca dell'Urbe	6,197					6,197
Banca Credito Cooperativo Roma	1,033					1,033
Terzo Millennio S.r.l.	1,033					1,033
Consorzio Foodnet	700					700
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 Technol. 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	43,512	72,084				115,595
Consorzio Abi Lab	1,000					1,000
Consorzio Co.Di.Log	1,000					1,000
Partecipazione Ce.R.T.A.	360					360
Consorzio Arechi Ricerca	5,000					5,000
Consorzio Health Innovation Hub	3,000					3,000
Smart Energia	69,578		(77,799)		8,221	0
EHealthnet S.c.a.r.l.	10,800					10,800
Distretto Ligure Delle Tecnologie Marine S.c.a.r.l.	20,000		(20,000)			0
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.	0	750,000				750,000
Equity investment in Novito Acque S.r.l.	0	100,000				100,000
Ekovision	0	300,000				300,000
Seta S.r.l.	82,192					82,192
Consorzio Health Innovation Hub	0			(3,000)		(3,000)
Consorzio Co.Di.log	0			(1,000)		(1,000)
Terzo Millennio S.r.l.	0			(1,033)		(1,033)
Comitato Prom. Banca dell'Urbe	0			(6,197)		(6,197)
Gene. S.I. S.c.r.l.	396			(396)		0
Consorzio E.O.S.	2,000			(2,000)		0
S.I.R.E. S.p.A.	15,000			(15,000)		0
Consorzio B.R.A.I.N.	4,500			(4,500)		0
EIT ICT LABs Trento	2,000			(2,000)		0
Equity investment Cons. Cueva	7,747			(7,747)		0
Equity investment Cons. Appel	1,033			(1,033)		0
Equity investment Cf Pro (Ao)	1,833			(1,833)		0
Total	455,065	1,222,084	(97,799)	(45,740)	8,221	1,541,831

b) Non-current financial assets

(in Euros)

Description	31.12.2016	31.12.2015	Change
Security deposits	582,199	476,347	105,852
Others	485,575	398,541	87,033
Total	1,067,774	874,888	192,885

Non-current financial assets are related to security deposits on rented real estate properties and sundry utilities. Other deposits include loans to other companies and tax receivables.

C) Current assets

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12 Inventories

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Inventories	64,840	223,510	(158,669)

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

13 Construction contracts

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Construction contracts	143,901,388	128,766,249	15,135,139

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

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Construction contracts	128,766,249	124,290,824	4,475,425
Exchange difference	4,882,294	(4,811,339)	9,693,633
Change in consolidation scope	152,994	64,954	88,040
Adjustments and changes in work in progress	1,220,867	(194,621)	1,415,488
Costs incurred plus profits booked according to percentage completion net of losses	376,032,014	350,712,940	25,319,074
Invoicing progress of work	(367,153,029)	(341,296,509)	(25,856,521)
Total	143,901,388	128,766,249	15,135,139

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.

14 Trade receivables

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

The type of Group operations justifies the high amounts of receivables, 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	31.12.2016	31.12.2015	Change
Trade receivables	540,794,432	520,007,285	20,787,147

The breakdown is as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Customers	531,029,470	511,296,794	19,732,676
Others	9,764,962	8,710,490	1,054,471
Total	540,794,432	520,007,285	20,787,147

a) Customers

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Receivables on invoices issued	418,628,017	420,095,292	(1,467,275)
of which overdue	214,255,775	205,575,312	8,680,463
Invoices to be issued	174,278,060	145,195,679	29,082,381
Credit notes to be issued	(237,401)	(293,499)	56,098
Doubtful debt provision	(34,540,723)	(33,825,492)	(715,230)
Provision for interest in arrears	(27,098,483)	(19,875,186)	(7,223,298)
Total	531,029,470	511,296,794	19,732,676

The "Receivables from customers" item is equal to Euro 531,029,470, with a doubtful debt provision of Euro 34,540,723, sufficient to cover any future losses. In addition to allocations made as provision for interest in arrears (Euro 27,098,483) to cover any possible future losses related to the aforesaid entry.

Increases of the provision, over the year, take account, in accordance with the prudence principle, 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.

Receivables from customers include the exposure as of December 31, 2016, with respect to Sicilia e-Servizi S.p.A. (SISE), equal to Euro 119,515,588 (net of the doubtful debt provision amounting to Euro 10,597,855 and provision for interest in arrears amounting to Euro 26,186,390), 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 e-Servizi S.p.A. and Sicilia e-Servizi Venture S.c.a.r.l. in liquidation ("SISEV") on May 21, 2007 and expired on December 22, 2013.

In the mutual interest, on October 9, 2012 SISEV, the Sicilian Region and Sicilia e-Servizi 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 e-Servizi 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 e-Servizi 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 e-Servizi S.p.A., on June 26, 2013, SISEV filed a petition for an order of payment before the Court of Palermo against Sicilia e-Servizi 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. Sicilia e-Servizi S.p.A. therefore 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 e-Servizi 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 e-Servizi S.p.A., also the Sicilian Region (via its accountant general), an undoubtedly solvent entity, is directly committed with respect to Sicilia e-Servizi Venture S.c.r.l. - ... Omitted ... there is no urgency (periculum in mora) ..."*. In other words, the Judge reported no credit risk, while highlighting the "guarantor" role played by the Sicilian Region in favour of SISEV.

To this purpose, it should be noted that, as regards SISEV'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). The final document drafted by technicians will be shortly lodged in Court, in reply to memorandums prepared by the parties.

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. On April 3, 2017, the Office Technical Experts, after an evaluation of papers from both parties, deposited the final version of the report, acknowledging SISEV receivables equal to 28,113,580.07.

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 e-Servizi 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 and therefore, in view of a legal dispute and of the objections

filed in by SISE and the Sicilian Region, in its financial statements the subsidiary SISEV recognised the interest set out by law pertaining to the year (around Euro 7.7 million) in the Income Statement and under item Financial income, in addition to the amount already recognised until December 31, 2015 (for a total amount of around Euro 26.2 million) and allocated an amount of around Euro 8.7 million to the doubtful debt provision, in addition to the total amount of around Euro 36.8 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:

Description	Days falling due					(in Euros)
						Total as of
	30	60	90	120	over 120	31.12.2015
Public Administration	12,393,094	6,058,595	4,497,651	4,063,065	99,490,747	126,503,152
Finance	3,763,165	2,571,585	1,316,990	759,373	3,432,521	11,843,635
Industry & Services	18,796,207	6,678,097	1,292,345	743,000	14,096,181	41,605,830
Telco & Utilities	12,315,784	3,527,738	2,242,937	1,792,549	5,743,688	25,622,696
Total	47,268,250	18,836,015	9,349,923	7,357,987	122,763,138	205,575,312

Description	Days falling due					(in Euros)
						Total as of
	30	60	90	120	over 120	31.12.2016
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

Receivables due for overdue invoices show an aggregate increase of around Euro 9 million, compared to the previous year.

If receivables are analysed by segment, it can be noted that Public Administration showed a clear improvement, and overdue amounts decreased by around Euro 20 million.

The remaining segments show a total increase, mainly connected to higher invoicing made in December, which resulted in an increase of invoices overdue by more than thirty days.

However, it is believed that there could be insolvency risks only for the already known receivables, for which special provisions have already been allocated.

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.

b) Other

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Prepayments	2,727,060	2,152,020	575,040
Others	7,037,902	6,558,470	479,431
Total	9,764,962	8,710,490	1,054,471

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

15 Other current assets

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Other current assets	58,008,700	54,427,968	3,580,732

The other current assets are broken down as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Current financial assets	19,081,970	18,336,234	745,736
Others	38,926,729	36,091,734	2,834,996
Total	58,008,700	54,427,968	3,580,732

a) Current financial assets

Current financial assets are broken down as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Tax receivables	16,100,738	16,225,171	(124,433)
Social security institutions	2,593,647	2,110,254	483,393
Other	387,585	810	386,776
Total	19,081,970	18,336,234	745,736

The tax receivables substantially relate to:

- for around Euro 8.3 million to the request, lodged in 2012 by the Parent Company, for repayment of the higher IRES income tax paid on personnel, not deducted for IRAP purposes in the period 2007-2011, based on Article 2, paragraph 1-*quater*, of Legislative Decree 201/2011;
- for around Euro 1.9 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, 2016;
- for around Euro 2.6 million and relating to receivables for taxes paid abroad;
- for around Euro 3.0 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 2016 and INPS receivables to be recovered over future years.

b) Others

The "Others" item includes:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Applied research grants	37,174,874	33,042,481	4,132,393
Prepaid expenses	270,268	791,501	(521,233)
Others	1,481,587	2,257,752	(776,164)
Total	38,926,729	36,091,734	2,834,996

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

16 Cash and cash equivalents

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Cash and cash equivalents	312,154,023	211,344,536	100,809,487

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	31.12.2016	31.12.2015	Change
Bank and postal deposits	312,111,458	211,310,322	100,801,136
Cash and cash equivalents	42,565	34,215	8,351
Total	312,154,023	211,344,536	100,809,487

Bank and postal deposits include:

- Euro 8.4 million of escrow accounts related to payments made in advance to the European Community for research activities. Under Net financial position, amounts were deducted from item "Other current financial payables";
- Euro 1.1 million of postal escrow accounts related to collections to be repaid to Municipalities, customers of the Company, following the collections of taxes on their behalf. Under Net financial position, amounts were deducted from item "Other current financial payables";
- Euro 1.9 million, related to an escrow account created after the acquisition of the company Dynpro S.A. and the company Logann Ltda by Engineering do Brasil S.A..

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

D) Shareholders' Equity

17 Information on Shareholders' Equity

(in Euros)

Description	31.12.2016	31.12.2015	Change
Shareholders' Equity	486,657,080	442,047,065	44,610,015

The changes are shown in the table below:

(in Euros)

Shareholders' Equity	Value at 31.12.2015	Increase	Decrease	Value at 31.12.2016
Share Capital	31,875,000	0	0	31,875,000
Treasury shares in portfolio	(875,193)	0	0	(875,193)
Total share capital	30,999,807	0	0	30,999,807
Legal reserve	6,375,000	0	0	6,375,000
Reserve acquisition treasury shares	87,978,827	0	0	87,978,827
Share premium reserve	0	0	0	0
Merger reserve	4,601,450	0	0	4,601,450
Translation reserve	(2,707,909)	1,762,540	0	(945,369)
Other reserves	(8,217,977)	8,249,698	0	31,721
Total reserves	88,029,391	10,012,238	0	98,041,629
Prior years' undistributed profits	275,214,366	45,603,592	0	320,817,959
First-time application of IAS/IFRS	(513,103)	11,241	0	(501,861)
IAS 19 actuarial gains/(losses)	(6,218,496)	0	(2,969,095)	(9,187,591)
Retained earnings /(losses carried forward)	268,482,768	45,614,833	(2,969,094)	311,128,506
Profit/(Loss) for the year	49,403,044	45,316,564	(49,403,044)	45,316,564
Total Group Shareholders' Equity	436,915,009	100,943,636	(52,372,138)	485,486,506
Capital and reserves of minority interests	8,996,135	0	(7,823,464)	1,172,671
Profit/(Loss) for the year of minority interests	(3,864,079)	3,861,982	0	(2,097)
Total Shareholders' Equity	442,047,065	104,805,618	(60,195,602)	486,657,080

18 Share Capital

The subscribed and fully paid-in share capital is Euro 31,875,000, divided into 12,500,000 shares each with a par value of Euro 2.55.

There are 343,213 treasury shares in portfolio, valued at acquisition cost, and totalling Euro 7,997,779. They are recognised for the par value as a reduction of the share capital (Euro 875,183) and for the remaining part (Euro 7,122,596) as a reduction of the retained earnings, as established by the provisions introduced by IAS 32. The average book value was Euro 23.3034 per share.

On April 24, 2015, the Engineering Ingegneria Informatica S.p.A. Shareholders' Meeting voted in favour of a treasury share buy-back plan for a maximum of 2,500,000 shares, within a maximum time period of 18 (eighteen) months.

All issued ordinary shares are entirely paid up and there are no shares with limitations relative to the distribution of dividends, with the exception of the provisions of article 2357 of the Italian Civil Code in relation to treasury shares.

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.
- Reserve for the acquisition of treasury shares:
of Euro 87,978,827 is neither available nor distributable.
- Other Reserves of Euro 31,721 relate to:
 - 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.
 - PIA Project reserve, of Euro 1,080,000, is neither available nor distributable.
 - Forward contract reserve, amounting to Euro (1,370,000) on Non-Controlling Interests.
The increase in the item in question is attributable to the implementation of some transactions related to an equity investment on which the company held control that involved the reclassification of reserves for forward contracts and Put Options - recorded in previous years, in retained earnings.
- Merger reserve:
at the reporting date, this reserve totalled Euro 4,601,450 and it is neither available nor distributable. Compared to the previous year, the decrease is instead related to the reclassification, under item "Retained earnings", of profit, fully available and distributable, pertaining to the years before the merger and related to the companies controlled by the Parent Company and incorporated by the latter in the years from 2003 to 2013.
- Translation reserve of foreign entities:
at the reporting date, it amounted to Euro (945,369) and is neither available nor distributable.

20 Retained earnings

Retained earnings are equal to Euro 311,128,506 and include:

- retained earnings from previous years that were not distributed, in the amount of Euro 320,817,959; the reported movements are mainly due to the allocation of profit of the previous year. This reserve is available and distributable;
- the reserve, established on first-time application of IAS/IFRS, amounts to Euro (501,861).
The above-stated reserve is neither available nor distributable;
- actuarial gains/(losses), as provided for by IAS 19, amounting to Euro (9,187,591).

E) Non-current liabilities

21 Non-current financial liabilities

(in Euros)

Description	31.12.2016	31.12.2015	Change
Non-current financial liabilities	88,056,345	33,956,238	54,100,106

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

(in Euros)

Description	31.12.2016	31.12.2015	Change
Payables to lenders	85,597,774	32,665,121	52,932,653
Other non-current financial liabilities	2,458,570	1,291,117	1,167,453
Total	88,056,345	33,956,238	54,100,106

The long-term debt as of December 31, 2016 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		193,539	194,971	
Svil. Econ. Pia Odcdn	2018		173,869	175,156	
Svil. Econ. Pia Sinim	2018		200,491	201,975	
Miur Prog. 6636/1 Siege	2017		275,434		
Svil. Econ. Pia A16/1643/P	2018		55,875	56,288	
Bei/Serapis N. 82199	2018	Euribeur 363m+1,99100	3,750,000	1,875,000	
Miur Prog. 28953 Foodsys	2019		144,184	290,536	
Miur Prog. 28953 Foodsys	2019			80,104	
Intesa San Paolo Fin. 83817	2020	Euribeur 363m+0,85000	16,625,000	41,562,500	
Bei/Serapis N. 84744	2022	Euribeur 363m+0,75000	9,090,909	40,909,091	4,545,455
Credito Emiliano S.p.A.	2017	0.55%	223,064		
Friuladria Credit Agricole	2019	1.15%	165,705	252,153	
Total			30,898,069	85,597,774	4,545,455

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 85,289,333.

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

On January 8, 2016 a new loan was granted directly by the European Investment Bank (EIB), in the amount of Euro 50 million, for R&D activities. On June 30, 2016, the second instalment of Euro 38.5 million, related to the Loan, was granted by the Banca Intesa Sanpaolo S.p.A. for a total amount of Euro 70 million. It should be recalled that the first instalment, amounting to Euro 31.5 million, was supplied on December 30, 2015 and used for the redemption of the previous loan of original Euro 35 million, granted by the European Investment Bank (EIB) through Unicredit S.p.A. (Euro 31.5 million was the residual amount due of this loan, to be redeemed by December 31, 2015).

The contracts related to the variable rate loans, two granted by the European Investment Bank (EIB) to support research and development activities (amounting to Euro 15 and Euro 50 million paid in a direct credit line on January 30, 2013 and January 8, 2016, respectively) and the loan granted by Banca Intesa Sanpaolo S.p.A (supplied in two instalments on December 30, 2015 and June 30, 2016), envisage the fulfilment of some financial obligations. Notwithstanding some financial obligations in addition to those required by relevant laws

in relation to public disclosure by the issuer of financial instruments and its controllers, Engineering Ingegneria Informatica S.p.A. committed itself that the following Financial Parameters be complied with:

- as regards the loans granted by the European Investment Bank (EIB):

- Net Financial Debt/EBITDA not higher than 2.0 (two);
- Debt Service Cover Ratio (DSCR), not lower than 5.0 (five).

- as regards the loan granted by Banca Intesa Sanpaolo S.p.A.:

- Net Financial Position/EBITDA lower than 2.2 (two point two).

(The Bank undertook to reevaluate and allow for the amendment of the parameter until a maximum of 3.5x should conditions change);

- EBITDA/Net Financial Charges higher than 5.0 (five).

The Financial Parameters are revised twice a year with reference to the Consolidated Financial Statements and the Consolidated Half-Year Report.

Failure to observe the financial parameters, unless restored within the 30 (thirty) following business days for the EIB loans and 60 (sixty) following business days for the loan of Banca Intesa Sanpaolo and both values are not fulfilled, may give the Banks the right to withdrawal as per article 1845 of the Civil Code and to exercise the right to recover all amounts covered by the agreement.

All parameters envisaged in the agreement have been fulfilled except for Debt Service Cover Ratio (DSCR), for which an agreement was substantially reached for its cancellation.

In the agreements related to the EIB loans, the “Change of control” covenant is envisaged.

As regards the instalment of Euro 31.5 million supplied by Banca Intesa Sanpaolo S.p.A., the rate swap contract was confirmed to hedge against rate fluctuations, which was entered on July 1, 2014, with Unicredit S.p.A. to hedge the loan supplied by the same bank on behalf of EIB and redeemed on December 30, 2015. This changes the variable portion of the rate, 3-month Euribor, 360 days, into a fixed rate equal to 0.56% for the entire duration of the loan instalment redemption.

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	31.12.2016	31.12.2015	Change
Derivative	296,507	410,962	(114,455)
Security deposits	1,995,349	679,972	1,315,376
Amounts due for finance lease	274,401	300,435	(26,034)
Value of financial debt at amortised cost	(107,686)	(100,252)	(7,434)
Total	2,458,570	1,291,117	1,167,453

The item “Other current liabilities” 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.

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

Amounts due for finance lease relate to the purchase of a property for the company MHT S.r.l..

22 Deferred tax liabilities

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Deferred tax liabilities	20,515,797	21,312,107	(796,310)

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	31.12.2016		31.12.2015	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Adjustments to post-employment benefits	0	0	4,172	1,001
Goodwill	14,393,018	4,124,182	15,834,657	4,613,265
Research grants	2,850,221	705,593	4,194,386	1,168,514
Research grants taxed in 5 years	62,571,700	15,017,208	56,147,119	14,826,233
Doubtful debt provision	20,666	4,960	20,666	4,960
IFRS adjustments	2,378,230	663,526	2,487,405	697,807
IFRS - IAS 8 adjustments	1,031	328	1,031	328
Total	82,214,865	20,515,797	78,689,436	21,312,107

Movements in deferred tax liabilities are illustrated below:

(in Euros)	
Description	
Balance as of 01.01.2015	21,854,766
Change in consolidation scope	12,128
Increase	7,915,321
Decrease	(8,470,107)
Balance as of 31.12.2015	21,312,107
Increase	6,718,127
Decrease	(7,514,437)
Balance as of 31.12.2016	20,515,797

23 Non-current provisions for risks and charges

(in Euros)

Description	31.12.2016	31.12.2015	Change
Non-current provisions for risks and charges	408,104	162,349	245,755

Changes are detailed below:

(in Euros)

Description	
Balance as of 01.01.2015	217,344
Exchange difference effect	(54,995)
Balance as of 31.12.2015	162,349
Exchange difference effect	64,224
Increase	181,531
Balance as of 31.12.2016	408,104

24 Other non-current liabilities

(in Euros)

Description	31.12.2016	31.12.2015	Change
Other non-current liabilities	3,800,773	3,803,393	(2,621)

This item is attributable to the measurement of payables, equal to Euro 1.4 million (including Euro 0.6 million under current payables) based on provisions set out by IAS 32 - which are related to the purchase commitment of the residual investments in the subsidiary WebResults S.r.l. to be carried out over the next years, provided that determined economic-financial targets be obtained. Engineering Ingegneria Informatica S.p.A., in fact, when acquiring the control of WebResults S.r.l., signed a forward agreement with minority shareholders with reference to the Non-controlling interests, equal to 29%.

The residual portion (around 3.0 million) is related to payables for a non-competition agreement signed with the top management.

25 Post-employment benefits

91

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Post-employment benefits	64,649,744	62,606,849	2,042,895

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 0.2706% to 2.1718% 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 table show the absolute and relative changes in liabilities measured according to IAS 19 (DBO), while assuming a 10% negative or positive change in the revaluation and/or discounting rates.

(in Euros)						
Engineering Group	Discounting					
		-10%		100%		10%
	-10%	64,815,261	637,682	64,177,579	-625,536	63,552,043
		-479,787	165,518	-472,165	-1,097,700	-464,722
Infl.	100%	65,295,048	645,304	64,649,744	-632,979	64,016,765
		484,628	1,129,933	476,904	-163,616	469,362
	+10%	65,779,676	653,028	65,126,648	-640,521	64,486,127

Actuarial profits and losses are recognised under Shareholders’ Equity on an accrual basis, while interest cost was recognised in the Income Statement under financial charges.

Changes are detailed below:

(in Euros)	
Description	
Balance as of 01.01.2015	68,869,328
Provisions	18,878,917
Amounts paid to social security institutions + INPS	(18,878,030)
Actuarial profits/(losses)	(4,483,115)
Benefits paid	(2,135,401)
Indemnities on acquisition of Group business units/subsidiaries	277,090
Transfer payables of Group business units/subsidiaries	(250,218)
Post-empl. benefits, consolidated companies	328,278
Balance as of 31.12.2015	62,606,848
Provisions	20,031,213
Amounts paid to social security institutions + INPS	(19,723,322)
Actuarial profits/(losses)	3,927,679
Benefits paid	(2,192,675)
Indemnities on acquisition of Group business units/subsidiaries	413,653
Transfer payables of Group business units/subsidiaries	(413,653)
Balance as of 31.12.2016	64,649,744

The "Provisions" item comprises the interest cost for an amount equal to Euro 25,832.

F) Current liabilities

26 Current financial liabilities

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Current financial liabilities	46,353,845	33,774,104	12,579,741

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

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Lenders	31,849,453	20,553,144	11,296,309
Bank payables	4,321,051	4,072,416	248,636
Other current financial liabilities	10,183,341	9,148,545	1,034,797
Total	46,353,845	33,774,104	12,579,741

Payables to lenders

As of December 31, 2016, short-term loans totalled Euro 31,849,453 and related to the short-term portion of payables to lenders for which reference is made to paragraph 21 "Non-current financial liabilities".

Payables to banks

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Bank overdrafts	4,321,051	4,072,416	248,636
Total	4,321,051	4,072,416	248,636

Other current financial liabilities

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Other grants	9,762,405	8,894,006	868,399
Payables to lease	25,920	24,523	1,397
Equity investments	395,017	230,017	165,000
Total	10,183,341	9,148,545	1,034,797

27 Current tax payables

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Current tax payables	3,853,977	13,845,184	(9,991,206)

The balance as of December 31, 2016 primarily includes current tax payables.

The breakdown is as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
IRES	3,759,832	13,929,506	(10,169,674)
IRAP	94,145	(84,322)	178,467
Total	3,853,977	13,845,184	(9,991,206)

28 Current provisions for risks and charges

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Current provisions for risks and charges	35,096,799	14,305,000	20,791,799

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

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Provision for risks and charges	29,949,366	9,433,436	20,515,930
Provision for losses on projects	5,147,433	4,871,564	275,869
Total	35,096,799	14,305,000	20,791,799

The provision for losses on projects was adjusted to account for probable future charges that will be incurred.

The allocated amount is the best estimate made based on the current information available to date and is related, in the amount of around Euro 20,500 thousand, to the reorganisation and restructuring that envisages the leave of some managers and white-collar staff, benefiting from the early leave incentive schemes envisaged by the pension reform as per 2017 Stability Law. The remaining amount refers mainly to losses and risks on specific projects/contracts.

In addition to the above, the provision for current risks and charges is mainly broken down as follows:

- around Euro 3,500 thousand, related to a restructuring plan connected with the reorganisation underway, resolved and communicated to the counterparties, and allocations, based on IAS 37 provisions set out last year already, for expected staff leaves under incentive schemes;
- around Euro 400 thousand related to the dispute arisen with respect to the tax audit report following the assessment visit that took place in 2012 by the General Management of the Inland Revenue Office;
- around Euro 4,100 thousand, related to a dispute for a still unsettled case for which the risk of an unfavourable outcome is deemed as likely;
- around Euro 5,100 thousand for provisions for risks and losses on projects and relate to likely future losses on some projects being implemented. The provision for losses on projects was adjusted to account for probable future charges which will be incurred on projects in which difficulties have arisen. The allocated amount is the best estimate made based on the current information available to us.

The provision for current risks and charges increased by a total amount of Euro 20,791,799.

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

	(in Euros)
Description	
Balance as of 01.01.2015	21,860,331
Increase	1,195,306
Decrease	(8,750,637)
Balance as of 31.12.2015	14,305,000
Increase	25,590,772
Decrease	(4,798,973)
Balance as of 31.12.2016	35,096,799

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.

29 Other current liabilities

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(in Euros)			
Description	31.12.2016	31.12.2015	Change
Other current liabilities	147,314,330	135,274,594	12,039,736

This item is broken down as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Directors and Statutory Auditors	1,659,443	1,198,341	461,102
Consultants	87,646	32,086	55,560
Acquisition of business unit	149,115	153,402	(4,287)
Withholding taxes	1,202,591	1,144,023	58,569
Tax payables	32,640,100	29,136,039	3,504,061
Due to RTI partners	2,633,659	1,945,616	688,043
Social security institutions	18,024,204	16,474,815	1,549,389
Others	6,423,839	13,103,305	(6,679,466)
Employees	77,474,496	69,447,947	8,026,549
Partners for research projects	6,796,679	2,448,276	4,348,403
Accrued m/l loan interest	87,509	53,655	33,853
Other accruals	33,066	22,384	10,682
Deferred income	101,984	114,705	(12,721)
Total	147,314,330	135,274,594	12,039,736

Tax payables are broken down as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
VAT	18,050,237	12,344,819	5,705,418
Suspended VAT	1,737,168	3,072,549	(1,335,381)
IRPEF	12,168,483	10,871,227	1,297,256
Other	684,212	2,847,444	(2,163,232)
Total	32,640,100	29,136,039	3,504,061

30 Trade payables

(in Euros)

Description	31.12.2016	31.12.2015	Change
Trade payables	283,985,916	271,967,700	12,018,216

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

The balance as of December 31, 2016 is broken down as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Suppliers	240,643,920	230,845,134	9,798,787
Others	43,341,996	41,122,567	2,219,429
Total	283,985,916	271,967,700	12,018,216

a) Suppliers

(in Euros)

Description	31.12.2016	31.12.2015	Change
Due to suppliers	170,567,118	173,108,769	(2,541,650)
Due to foreign suppliers	13,286,873	8,318,779	4,968,094
Invoices to be received	57,282,926	49,864,269	7,418,658
Credit notes to be received	(492,997)	(446,683)	(46,315)
Total	240,643,920	230,845,134	9,798,787

b) Others

(in Euros)

Description	31.12.2016	31.12.2015	Change
Advances for future work	43,341,996	41,122,567	2,219,429
Total	43,341,996	41,122,567	2,219,429

A) Total revenues

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Total revenues	934,607,034	877,499,997	57,107,037

31 Total revenues

Group revenues decreased by Euro 57,107,037. 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	31.12.2016	31.12.2015	Change
Revenues from sales and service	897,933,490	841,390,980	56,542,510
Cgs. finished products and construction contracts	9,668,188	9,522,548	145,640
Other revenues	27,005,356	26,586,469	418,887
Total	934,607,034	877,499,997	57,107,037

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

32 Other revenues

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Other revenues	27,005,356	26,586,469	418,887

The breakdown of other revenues is as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Grants	17,928,436	14,968,306	2,960,130
Other income	9,076,920	11,618,163	(2,541,243)
Total	27,005,356	26,586,469	418,887

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, the release of provisions allocated in previous years due to successfully concluded transactions and the cancellation of losses borne in the year in which the related risk was allocated.

B) Operating expenses

(in Euros)

Description	31.12.2016	31.12.2015	Change
Operating expenses	878,597,855	822,204,236	56,393,619

33 Operating expenses

The breakdown of operating expenses is as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Raw materials and consumables	13,675,984	19,049,635	(5,373,651)
Services	337,221,448	315,487,318	21,734,130
Personnel costs	467,050,379	425,831,374	41,219,005
Amortisation and depreciation	17,652,207	17,602,232	49,975
Provisions	34,705,575	32,585,556	2,120,020
Other costs	8,292,262	11,648,122	(3,355,860)
Total	878,597,855	822,204,236	56,393,619

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

34 Raw materials and consumables

(in Euros)

Description	31.12.2016	31.12.2015	Change
Raw materials and consumables	13,675,984	19,049,635	(5,373,651)

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

(in Euros)

Description	31.12.2016	31.12.2015	Change
Hardware	4,580,428	3,814,646	765,782
Software	8,339,354	14,733,836	(6,394,482)
Consumables	702,626	501,153	201,473
Other	53,576	-	53,576
Total	13,675,984	19,049,635	(5,373,651)

35 Service costs

(in Euros)

Description	31.12.2016	31.12.2015	Change
Services	337,221,448	315,487,318	21,734,130

Service costs comprise the following accounts:

(in Euros)

Description	31.12.2016	31.12.2015	Change
EDP purchases, services and data lines	3,909,614	4,355,154	(445,540)
Insurance	3,785,367	3,787,266	(1,900)
Bank charges and commissions	2,064,631	2,006,922	57,709
Technical support and consultancy	224,994,457	207,889,420	17,105,037
Legal and administrative consultancy	4,289,480	2,892,447	1,397,033
Training and refresher courses	3,069,017	3,066,723	2,293
Consultants	392,763	622,603	(229,839)
Cost of corporate boards	2,881,073	3,217,141	(336,068)
Building rental	14,620,129	13,668,263	951,866
Maintenance of fixed assets	18,749,260	19,586,167	(836,907)
Canteen and other personnel expenses	7,798,949	7,250,470	548,479
Automotive expenses	11,551,024	11,899,508	(348,484)
Hardware and software rental	3,904,154	3,209,372	694,782
Maintenance and security services	4,543,136	4,232,128	311,008
Advertising and sales rep. expenses	1,384,064	1,446,952	(62,888)
Travel costs	17,295,596	16,046,012	1,249,584
Postage and shipping expenses	3,114,750	2,184,604	930,145
Utilities	8,465,706	7,651,517	814,189
Other	408,277	474,647	(66,369)
Total	337,221,448	315,487,318	21,734,130

The following table shows the remuneration paid in 2016 to the audit firm of the consolidated financial statements, in accordance with Article 149-*duodecies* of the Consolidated Law on Finance.

Fee is net of expenses.

(in Euros)

Service	Provider	Beneficiary	Fees
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	260,000
Certification services (related to audit)	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	35,000
Other services	Rete Deloitte	Engineering Ingegneria Informatica S.p.A.	38,000
Audit	Deloitte & Touche S.p.A.	Engineering.mo 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

36 Personnel costs

(in Euros)

Description	31.12.2016	31.12.2015	Change
Personnel costs	467,050,379	425,831,374	41,219,005

Personnel costs consist of:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Salaries and wages	356,288,958	320,494,919	35,794,038
Social security expenses	84,024,771	84,960,139	(935,369)
Post-employment benefits	20,005,380	18,848,639	1,156,741
Restructuring and reorganising personnel	4,379,735	126,574	4,253,161
Other personnel costs	2,351,536	1,401,103	950,433
Total	467,050,379	425,831,374	41,219,005

For further information of the increase in personnel costs, reference is made to item IX hereof.

The average number of employees in 2016 increased on the previous year by 778.

(units)

Average number of employees	31.12.2016	31.12.2015	Change
Executives	363	327	36
Managers	1,727	1,654	73
Other employees	6,466	5,797	669
Total	8,555	7,777	778

37 Amortisation and Depreciation

(in Euros)

Description	31.12.2016	31.12.2015	Change
Amortisation and Depreciation	17,652,207	17,602,232	49,975

The breakdown is as follows:

(in Euros)

Description	31.12.2016	31.12.2015	Change
Depreciation of property, plant and equipment	8,038,645	8,677,233	(638,588)
Amortisation of intangible assets	9,613,562	8,924,999	688,563
Total	17,652,207	17,602,232	49,975

38 Provisions

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(in Euros)			
Description	31.12.2016	31.12.2015	Change
Provisions	34,705,575	32,585,556	2,120,020

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

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Doubtful debt provision	8,971,673	29,887,122	(20,915,449)
Risk provision	25,733,903	1,195,306	24,538,597
Write-down of fixed assets		1,503,128	(1,503,128)
Total	34,705,575	32,585,556	2,120,020

The item "Doubtful debt provision" includes the allocation to the provision for interest in arrears, totalling around Euro 7.7 million and the allocation to the doubtful debt provision of around Euro 1.3 million.

The increase in the risk provision refers mainly to the reorganisation and restructuring of a portion of some Group companies, which envisage the leave of managers and white-collar staff while benefiting from the early leave incentive schemes envisaged by the pension reform as per the 2017 Stability Law.

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 2016.

39 Other costs

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Other costs	8,292,262	11,648,122	(3,355,860)

Other costs are broken down as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Dues and subscriptions	668,062	614,981	53,081
Taxes	6,576,880	6,931,225	(354,345)
Gifts and donations	178,303	195,787	(17,484)
Charges for social causes	522,506	464,569	57,937
Other	346,510	3,441,559	(3,095,049)
Total	8,292,262	11,648,122	(3,355,860)

40 Financial income/(charges)

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Financial income/(charges)	11,740,866	13,943,607	(2,202,741)

Financial income is broken down as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Interest income	9,819,599	20,624,677	(10,805,078)
Fair value gain (differential from derivative)	114,455	841,570	(727,115)
Other income	6,537,813	2,836,800	3,701,013
Total	16,471,867	24,303,047	(7,831,180)

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 section 14.

The "Other income" item comprises the exchange gains.

Financial charges consist of:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Interest expense	1,740,570	3,309,376	(1,568,805)
Other	2,990,431	7,050,064	(4,059,633)
Total	4,731,001	10,359,439	(5,628,438)

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

The "Other" item comprises the exchange losses.

41 Income/(Charges) from investments

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Income/(Charges) from investments	(59,603)	1,465,292	(1,524,895)

The breakdown is as follows:

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Income from investments	747,408	1,478,053	(730,645)
Write-down of equity investments	(807,011)	(13,000)	(794,011)
Non-recurring income (charges)	-	239	(239)
Total	(59,603)	1,465,292	(1,524,895)

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Taxes	22.375.974	25.165.696	(2.789.721)

The breakdown of taxes is as follows::

(in Euros)			
Description	31.12.2016	31.12.2015	Change
Current	25.787.770	24.901.133	886.638
Deferred	(3.411.796)	264.563	(3.676.359)
Total	22.375.974	25.165.696	(2.789.721)

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	31.12.2016		31.12.2015	
	Amount	%	Amount	%
Profit before taxes	67,690,442		70,704,660	
Ordinary rate applied	18,614,871	+27.5%	19,443,782	+27.5%
Tax effects deriving from:				
Income taxable in prior years	3,722,603	+5.5%	3,589,924	+5.1%
Income not taxable	(7,319,557)	-10.8%	(10,999,001)	-15.6%
Expenses not deductible	11,859,224	+17.5%	11,844,239	+16.8%
IAS differences	(418,339)	-0.6%	(418,339)	-0.6%
Other changes reducing taxable IRES	(5,549,011)	-8.2%	(6,345,633)	-9.0%
Utilisation of previous years tax losses	(1,004,964)	-1.5%	(224,381)	-0.3%
Effect of foreign tax rates	786,673	+1.2%	579,313	+0.8%
Total assessable IRES	75,241,813		63,526,925	
Tax/tax rate	20,691,499	+30.6%	17,469,906	+24.7%

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".

43 Other significant information

■ COMMITMENTS UNDERTAKEN

The following table summarises the commitments of the Group as of December 31, 2016.

(in Euros)	
Description	31.12.2016
Third party sureties	266,747,039
Bank sureties in favour of other companies	14,152,604
Bid Bonds and Performance Bonds	17,651,734
Total commitments undertaken	298,551,377

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 244.4 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. and amounting to around Euro 8.8 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	31.12.2016	31.12.2015
Liability remaining at January 1	19,713,902	16,838,381
Amount of contracts agreed in year	15,347,270	12,127,342
Amount of fees paid in year	(10,444,402)	(10,053,719)
Amount of fees paid in advance	(6,053,635)	(114,883)
Amount of fees still due	18,563,135	18,797,122

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

(in Euros)		
Description	31.12.2016	31.12.2015
Within 1 year	9,249,094	8,410,880
Over 1 year	9,306,327	10,386,242
Over 5 years	7,714	
Total	18,563,135	18,797,122

44 Breakdown of financial instruments by category

The classification of the Group financial instruments by category according to that established by IAS 39 is reported below:

(in Euros)

Book value as of 31.12.2016	Liabilities at FV in P&L	Investments held to maturity	Loans and receivables	Financial assets available for sale
Other non-current assets			2,609,605	
Trade receivables			540,794,432	
Other current assets			58,008,700	
Cash and cash equivalents			312,154,023	
Total assets	0	0	913,566,760	0

(in Euros)

Book value as of 31.12.2015	Liabilities at FV in P&L	Investments held to maturity	Loans and receivables	Financial assets available for sale
Other non-current assets			1,329,953	
Trade receivables			520,007,285	
Other current assets			54,427,968	
Cash and cash equivalents			211,344,536	
Total assets	0	0	787,109,742	0

(in Euros)

Book value as of 31.12.2016	Liabilities at FV in P&L	Liabilities relating to derivative financial instruments	Liabilities recognised at amortised cost
Non-current financial liabilities			296,507 ^(*)
Other non-current liabilities			85,490,088
Current financial liabilities			6,070,522
Other current liabilities			36,591,440
Trade payables			157,076,735
Total liabilities	0	296,507	569,214,701

(in Euros)

Book value as of 31.12.2015	Liabilities at FV in P&L	Liabilities relating to derivative financial instruments	Liabilities recognised at amortised cost
Non-current financial liabilities			410,962 ^(*)
Other non-current liabilities			32,564,869
Current financial liabilities			4,783,800
Other current liabilities			24,880,099
Trade payables			144,168,599
Total liabilities	0	410,962	478,365,068

(*) For disclosure purposes as per IFRS 7 relating to the fair values in the tables above they relate to Level 2 as described in paragraph 4.17 "Derivative financial instruments".

45 Transactions with related parties

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

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

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

The following tables summarise the commercial and financial transactions undertaken at arms' length between the Group companies as of December 31, 2016, eliminated for consolidation purposes:

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(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.mo S.p.A.	Engi da Argentina S.A.	MHT S.r.l.	Engineering Excellence Center S.r.l.	WebResults S.r.l.	MHT Balkan d.o.o.	Engineering Luxembourg S.à.r.l.	Engineering ITS AG	DST Consulting GmbH	EMDS GmbH	Total costs
Engineering Ingegneria Informatica S.p.A		44,147	1,318,943	22,242,601	3,419,271	23,169,751	368,942	3,459,960	10,219,260	11,079	2,355,298	608,655	1,785,862	269,450					69,273,218
Engineering Sardegna S.r.l.	42,943																		42,943
Engineering do Brasil S.A.	1,716,346					4,549			31,339										1,752,235
Engineering International Inc.	537,369						72,045												609,414
Engi da Argentina S.A.	1,374,338					20,091	4,745												1,399,174
MHT S.r.l.	55,484					2,000								212,753					270,237
WebResults S.r.l.	132,468																		132,468
MHT Balkan d.o.o.											3,037								3,037
Engineering ITS AG									51,390										51,390
DST Consulting GmbH																16,536		18,239	34,775
EMDS GmbH																6,941	342,122		349,063
Municipia S.p.A.	4,801,180			340,952		34,150			105,369										5,281,651
Engiweb Security S.r.l.	738,456																		738,456
Nexen S.p.A.	536,831								864										537,695
OverIT S.p.A.	504,527						282,143			28,899									815,569
Sicilia e-Servizi Venture S.c.r.l.	962,214																		962,214
Engineering International Belgium S.A.	940,786														399,955				1,340,740
Engineering.mo S.p.A.	5,402,024			216,415	2,750	91,459													5,712,647
Engineering Excellence Center S.r.l.	30,248		2,165																32,413
EngNor AS	129,299																		129,299
Engineering Luxembourg S.à.r.l.	71,388																		71,388
Total revenues	17,975,900	44,147	1,321,108	22,799,968	3,422,021	23,322,000	727,875	3,459,960	10,408,222	39,978	2,358,334	608,655	1,785,862	482,203	399,955	23,477	342,122	18,239	89,540,026

Description	Engineering Ingegneria Informatica S.p.A	Municipia S.p.A.	Engineering International Belgium S.A.	Engineering.mo S.p.A.	Total charges
Engineering Ingegneria Informatica S.p.A		368,123		124,356	492,479
Engineering Sardegna S.r.l.	8,624				8,624
Engineering do Brasil S.A.	693,164				693,164
Engineering International Inc.	1,849				1,849
Municipia S.p.A.	424,764				424,764
Engiweb Security S.r.l.	95,639				95,639
Engineering International Belgium S.A.	9,370				9,370
Engineering.mo S.p.A.	50,275				50,275
Engineering Excellence Center S.r.l.	596				596
EngNor AS	301				301
Engineering Luxembourg S.à.r.l.			631		631
Engineering Ingegneria Informatica Spain S.L.	39				39
Total Income	1,284,621	368,123	631	124,356	1,777,732

(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 International Inc.	Engineering.mo S.p.A.	Engi da Argentina S.A.	MHT S.r.l.	Engineering Excellence Center S.r.l.	WebResults S.r.l.	MHT Balkan d.o.o.	Engineering Luxembourg S.r.l.	Engineering ITS AG	DST Consulting GmbH	EMDS GmbH	Total Liabilities
Engineering Ingegneria Informatica S.p.A.		338,122	4,675,066	12,020,335	6,487,284	18,641,558	33,296	264,788	2,090,928	3,214	32,906,708	11,079	2,994,297	0	390,910	96,487	18,679				80,972,760
Engineering Sardegna S.r.l.	1,174,654		249																		1,174,902
Engineering do Brasil S.A.	19,713,748					399,526					35,228										20,148,501
Engineering International Inc.	618,136										20,835										638,971
Engi da Argentina S.A.	3,053,619					19,725		4,629													3,077,974
MHT S.r.l.	404,933					2,440										79,019					486,392
WebResults S.r.l.	42,823																				42,823
Engineering ITS AG											51,390								550,238	300,000	901,628
DST Consulting GmbH																		1,362,992		4,258	1,367,251
EMDS GmbH																			240,154		240,154
Municipia S.p.A.	22,838,255			675,666	19,665						293,056										23,826,642
Engiweb Security S.r.l.	5,726,932		30,409								152,715										5,910,056
Nexen S.p.A.	176,342										2,269										178,610
OverIT S.p.A.	629,421							34,281			2,659	26,899									685,260
Sicilia e-Servizi Venture S.c.r.l.	67,577,682																				67,577,682
Engineering International Belgium S.A.	2,191,020																108,588				2,299,608
Engineering.mo S.p.A.	4,999,264		10,090	264,914		121,839															5,396,108
Engineering Luxembourg S.à.r.l.	71,388								115,151												186,539
Engineering Ingegneria Informatica Spain S.A.	22,315																				22,315
Total Assets	129,240,533	338,122	4,715,814	12,960,915	6,506,959	19,185,088	33,296	303,698	2,206,079	3,214	33,464,859	39,978	2,994,297	0	390,910	175,506	127,266	1,603,147	550,238	304,258	215,144,177

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.

With regard to the new Directors, appointed by the Ordinary Shareholders’ Meeting held on August 4, 2016, no remuneration was decided. The Chairman and the Chief Executive Officer, acting consistently with the previous mandate, continue to receive remunerations. The total amount accrued for the year amounted to Euro 1,703,863.

As regards the Board of Statutory Auditors, always appointed on the occasion of the Ordinary Shareholders’ Meeting held on August 4, 2016, a remuneration was decided based on the resolution taken by the Board of Directors, in the related meeting held on the same day. The total amount accrued for the year amounted to Euro 17,841.

Board of Statutory Auditors' Report on the Consolidated Financial Statements as of December 31, 2016

Dear Shareholders,

A) Audit on the Group consolidated financial statements

The consolidated financial statements as of December 31, 2016, were drawn up by Directors in accordance with the law, and were approved at the meeting of the Board of Directors held on March 31, 2017.

The Report was prepared by the Board of Statutory Auditors, and this is the first Report after the creation of the Board according to the resolution taken by Shareholders on August 4, 2016, pursuant to provisions set out by both Article 2429 of the Italian Civil Code and Article 41 of the Legislative Decree no. 127/1991.

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). Pursuant to these principles, we referred to standards that govern the consolidated financial statements, as construed and supplemented by the related accounting standards issued by the Italian Accounting Profession. The Group has adopted the IAS/IFRS International Accounting Standards since the 2005 financial year.

Pursuant to Article 2409-septies of the Italian Civil Code, the Board also states that it exchanged information with the auditing company, auditor for the Group.

The financial statements of each subsidiary are reported as regularly approved by the related Boards.

We audited the Group's consolidated financial statements as of December 31, 2016, 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.

We hereby certify that the consolidated financial statements have been prepared in compliance with provisions set forth by the Legislative Decree no. 127/1991, as amended. The criteria adopted by the Board of Directors, duly described in the Directors' Report 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.

B) Audit of the Directors' Report on Operations

The Directors' Report, included in the consolidated financial statements, was audited by us to assess its compliance with the expected minimum content, as well as its consistency with the consolidated financial statements.

Based on the audit performed, the Board deems that the Group Directors' Report is fair and consistent with the consolidated financial statements.

The Board of Statutory Auditors also audited the Impairment Test expertise, drawn up by the board internal to the Group and concerning the consolidated financial statements and the measurement of goodwill items entered under Assets in the financial statements, and it shared the outcome in numerical terms and considerations.

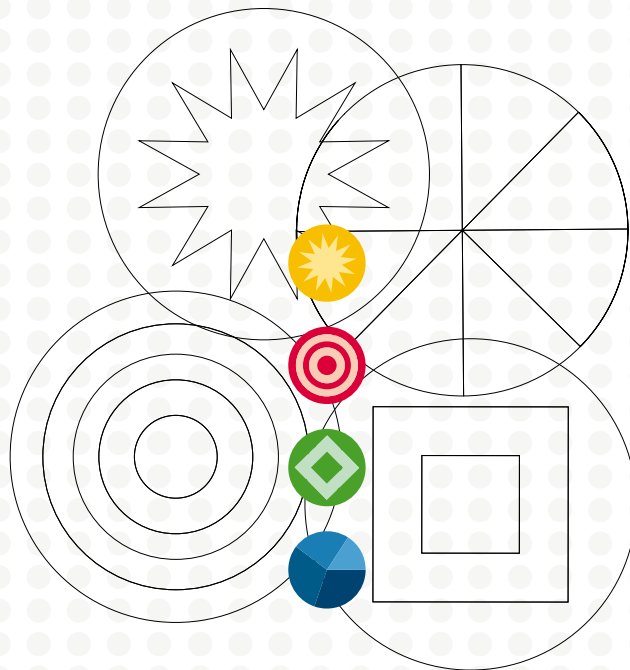
While considering also the outcome of the audit performed by the auditing company, as shown in the Independent Auditors' report on the consolidated financial statements issued on April 12, 2017, in which no remarks or recalls to disclosures are reported, the Board of Statutory Auditors deems that no notifications on the consolidated financial statements are worth reporting herein.

Milan, 12 April 2017

THE BOARD OF STATUTORY AUDITORS
Francesco Tabone
Rocco Corigliano
Massimo Porfiri

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ENGINEERING
Via San Martino
della Battaglia, 56
00185 Rome

T 06.49201
M info@eng.it
W eng.it
@EngineeringSpa