E-MARKET SDIR CERTIFIED

Management Report and Financial Statements as at December 31, 2018 and Non-Financial Disclosure 2018

2018

SIA

2018 REPORTING

To continue along the path of excellence, innovation and alignment with international best practices undertaken for some time now, once again in 2018 the SIA Group has incorporated within the same report:

- the "Management Report and Financial Statements as at December 31, 2018" approved by the Shareholders' Meeting and audited by PricewaterhouseCoopers S.p.A.;
- the "Non-Financial Disclosure 2018", prepared on a voluntary basis according to the GRI standard and submitted to the Board of Directors for review, subject to a limited audit by BDO Italia S.p.A.

Presenting the Non-Financial Disclosure alongside financial reporting provides readers with a more comprehensive, organic and exhaustive view of the trend and performance of the SIA Group, not only from the economic viewpoint but also from the ethical, social and environmental point of view.

Management Report and Financial Statements as at December 31, 2018 and Non-Financial Disclosure 2018

LETTER TO SHAREHOLDERS AND STAKEHOLDERS

Giuliano Asperti
Chairman

Nicola Cordone
CEO

Dear Sirs,

Last year, the global economy continued to show signs of uncertainty and was unable to find that drive towards a decisive recovery that everyone has been hoping for and expecting for some time now, partly due to tensions caused by the “tariff war” between the United States and China. Europe is especially setting the pace with respect to expectations, particularly the Eurozone, where GDP growth has slowed quite significantly, dropping from +2.4% in 2017 to +1.8% in 2018. This slowdown has been caused, amongst other factors, by fears linked to Brexit as well as unforeseen difficulties in Germany, the less than brilliant results of France and modest performance in Italy, still lagging behind in a European Union where, for several years now it is the Eastern European countries that have had the highest GDP growth rates.

Despite continuing difficulties in Europe and internationally, for the SIA Group 2018 was a record year for profit as well as business results, confirming the effectiveness of the company’s strategy to support its growth process. The year just closed showed a sharp rise in revenues as well as EBITDA compared to 2017, thanks especially to the positive contributions of the parent company SIA S.p.A., the subsidiary P4cards and, in the last quarter, the companies acquired in Central and South-Eastern Europe, as well as the considerable growth in card-based electronic payment transactions and traffic volumes on the SIAnet network.

Consolidated revenues reached €614.8 million, marking an increase of €47.6 million (+8.4%) compared to 2017; EBITDA reached €201.4 million, up by €21.6 million (+12%); the profit / (loss) before income taxes was €110.3 million, up by €10.2 million (+10.2%); the net profit was €79.5 million, basically in line with the previous year, taking into account the decrease in tax benefits from the Patent Box. The Cards segment made the largest contribution to revenues (63%) and was confirmed as the main segment in which the Group operates; this was followed by Payments (19%), which incorporates activities linked to electronic payments other than those made with cards, and the Institutional Services segment (18%), which includes payment clearing and settlement as well as financial market services. At geographical level, the turnover made in Italy came to €466.5 million, up by €15.2 million (+3.4%), while the turnover made abroad reached €148.3 million, marking progress of €32.4 million (+27.9%), partially due to the Group’s internationalization policy enacted in recent years.

In line with the strategy aiming to make SIA the European leader in digital payments, the acquisition from First Data of its card business in Greece and in other Central/South-Eastern European countries including Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia was finalized in September, positioning SIA as the top operator in this area, which is one of the most important and has the strongest growth in Europe for our sector. The operation regarded card processing and card production, call center and back office services relating to in excess of 13 million payment cards and 1.4 billion transactions, as well as the management of more than 300,000 POS terminals and 6,500 ATMs.

Including this acquisition, in 2018 the Group managed a total of 7.2 billion card transactions (+18.1% compared to 2017), 14 billion transactions for institutional services (+6.7%) and 3.1 billion payment transactions, which were down by 2.4% as, against a sharp increase in volumes relating to Jiffy (+79.3%) and Gateway services (+10.3%), there was a decline in volumes linked to non-SEPA payments and the transactions of foreign bank branches in Italy. Trading and post-trading transactions in the financial markets totaled 51.7 billion, down 8% due to increases in the technological efficiency of market logics, which reduced the number of orders. 1,204 terabytes of data was managed on the 186,000 kilometers of the SIAnet network, up by 53.6% over 2017, with a full availability of the infrastructure and service levels at 100%.

During the year, €52.1 million in operating investments were made for the development of new projects and hardware and software infrastructure. The Group's positive economic results also contributed to a significant strengthening of shareholders' equity, which is posting constant growth, also taking into account past dividend pay-out levels. In terms of employment, at the end of 2018 the Group had 3,465 employees, up 70% compared to the previous year due primarily to the above-mentioned acquisition from First Data which entailed the transfer of roughly 1,400 staff.

Furthermore, we are particularly proud to have hired 220 new people, especially recent university and high school graduates who have found work and career opportunities at the SIA Group.

For some years now, SIA has been committed to dedicating increasing attention to the topics of sustainability and corporate social responsibility and, from this perspective, it has implemented a precise strategy aiming to create sustainable value for all stakeholders, from shareholders to employees, from customers to suppliers, from the community to the environment. Thus, once again this year, as in 2017, we are presenting our non-financial disclosure alongside our financial reporting, to provide the most complete, clear and transparent view possible of the Group's activities from various perspectives.

The record 2018 financial statements are the point of departure for the 2019-2021 Strategic Plan approved by the Board of Directors in February to transform SIA into the leading Pan-European Payment & Tech company. Today, the Group provides its services to customers in 50 countries across Europe, the Middle East, Africa and Oceania, but our objective is to expand our reach even further. In the course of the year, thanks to the capabilities and passion of everyone working in the Group, we consolidated customer relationships, strengthened our international positioning by becoming the leader in Central and South-Eastern Europe and increased our turnover abroad by nearly 28%. We intend to continue along this path of growth by aiming for excellence and innovation, which have always been the key identifying features of how SIA operates and on which we strive to continue to build the Group's success.

The Chairman	*The Chief Executive Officer*
Giuliano Asperti	Nicola Cordone

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ANNUAL GENERAL MEETING OF SHAREHOLDERS

Published in Official Gazette no. II Part 32 of March 16, 2019

SIA S.p.A.
Registered Office in Via Gonin 36, Milan
Share Capital €22,274,619.51= fully paid-up
Companies' Register, Tax Code and VAT no. 10596540152
Milan Economic and Administrative Register (REA) no. 1385874

Call of Shareholders' Meeting

The Shareholders of SIA S.p.A. are called to attend the Ordinary Shareholders' Meeting in Milan, at the registered office of SIA S.p.A., Via Francesco Gonin, 36, on first call on April 16, 2019 at 11:30 a.m., and possibly on second call on April 29, 2019, at 11:30 a.m., same venue, to discuss and resolve on the following

AGENDA:

1. **Approval of the Financial Statements at December 31, 2018; related resolutions;**
2. **Appointment of Directors;**
3. **Appointment of the Board of Statutory Auditors for the 2019-2021 three-year period;**
4. **Determination of remuneration for the Board of Statutory Auditors;**
5. **Appointment of the Independent Auditing Firm.**

All holders of ordinary shares are entitled to attend the Shareholders' Meeting upon presentation of the notice issued by an authorized intermediary pursuant to applicable law.

Milan, March 13, 2019

SIA S.p.A.
The Chairman of the Board of Directors
Mr. Giuliano Asperti

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EXECUTIVES IN OFFICE

The Shareholders' Meeting appointed the following members of the Board of Directors of SIA S.p.A. for the 2017-2019 three-year period, and in any case, until the approval of the Financial Statements at December 31, 2019.

Board of Directors

Chairman	Giuliano Asperti
CEO	Nicola Cordone[1]
Directors	Fabio Albano Alessandro Garofalo Federico Giordano Marco Lucchini Salvatore Poloni Giacomo Riccitelli Guido Rivolta Francesco Silva[2] Valerio Zappalà
Board Secretary	Monica Coppo

1 Co-opted on November 29, 2018 to replace Massimo Arrighetti.
2 Co-opted on February 14, 2019 to replace Roberto Giacchi, who resigned as of December 4, 2018.

Board of Statutory Auditors

Chairman	Riccardo Ranalli
Standing Auditors	Andrea Bignami Claudia Cattani
Alternate Auditors	Antonia Coppola Federica Mantini

The Statutory Auditors, appointed by the Shareholders' Meeting on April 15, 2016, will remain in office until the approval of the Financial Statements at December 31, 2018.

Independent Auditing Firm

PricewaterhouseCoopers S.p.A.

The Independent Auditing Firm, appointed by the Shareholders' Meeting on April 15, 2016, will remain in office until the approval of the Financial Statements at December 31, 2018.

Supervisory Body

Chairman	Riccardo Ranalli
Members	Andrea Bignami Claudia Cattani

The Board of Directors has established the following Committees within itself:

Remuneration Committee

Chairman	Giuliano Asperti
Members	Fabio Albano Marco Lucchini Valerio Zappalà

Development Committee

Chairman	Marco Lucchini
Members	Fabio Albano Nicola Cordone Giacomo Riccitelli Valerio Zappalà

GROUP PROFILE

SIA is European leader in the design, creation and management of technology infrastructures and services for Financial Institutions, Central Banks, Corporates and the Public Sector, in the areas of payments, cards, network services and capital markets.

SIA Group provides its services in 50 countries, and also operates through its subsidiaries in Austria, Croatia, Czech Republic, Germany, Greece, Hungary, Romania, Serbia, Slovakia and South Africa. The company also has branches in Belgium and the Netherlands, and representation offices in the UK and Poland.

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Our vision

Everyone will be able to use their own money anytime, anywhere, simply and securely.

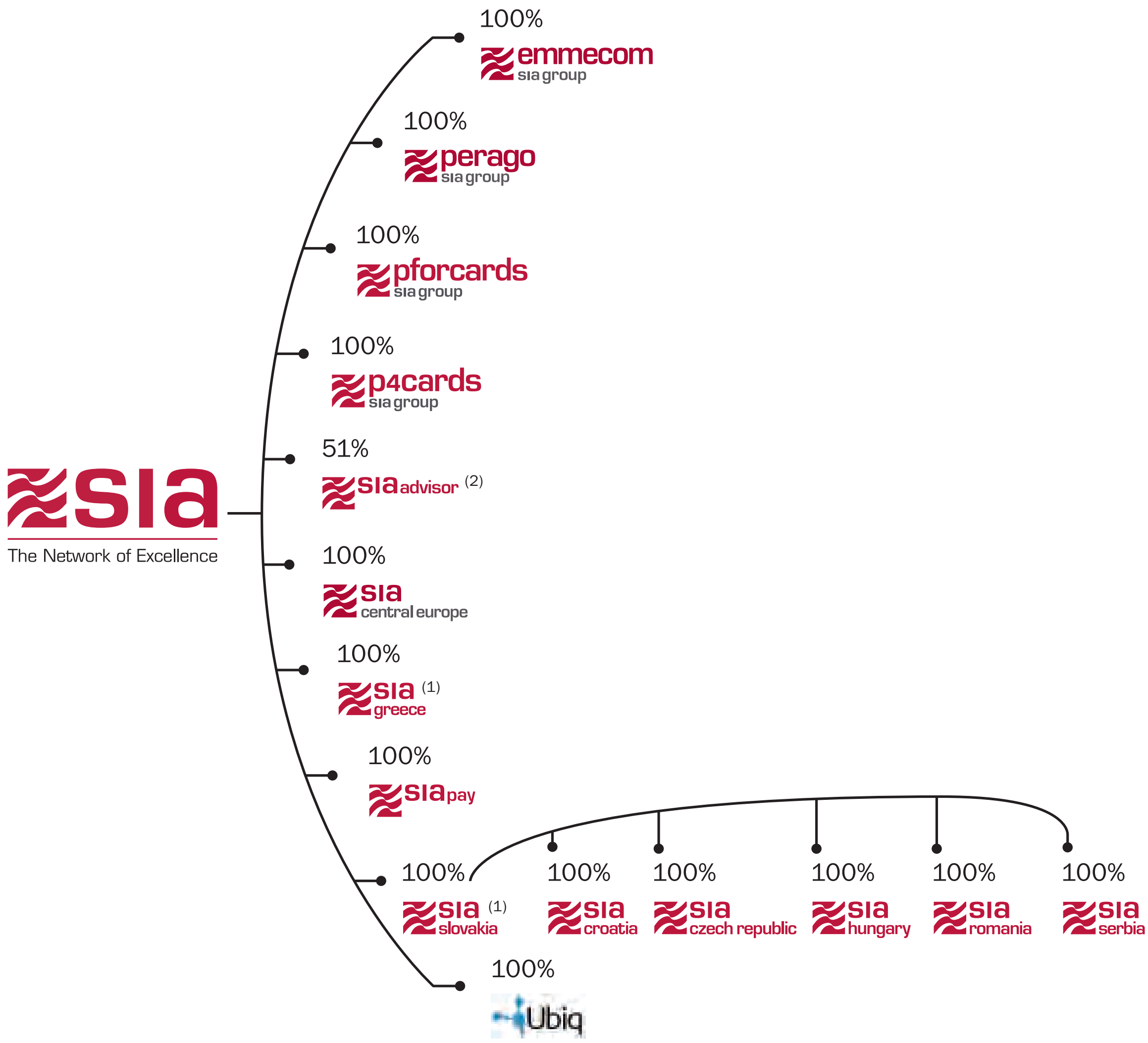
Our mission

Provide the best platforms to process all kinds of payments of institutions, people, corporates.

Our values

- Competence
- Reliability
- Participation
- Responsibility
- Innovation

Structure of the SIA Group as at December 31, 2018



The companies under liquidation Consorzio QuenIT and DMAN are not shown above.

(1) On September 28, 2018, SIA acquired the card processing business of First Data in Central and South-Eastern Europe.

(2) On December 1, 2018, LM-e changed its name to SIAadvisor.

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The '80s

The National Interbank Network (RNI) and payment systems

- Development of the National Interbank Network (RNI) that connects all Financial Institutions
- Automation of the interbank payment system
- Creation of the first Bancomat (ATM) circuit.

The '90s

Automation of financial markets

Technological innovation hits the financial markets: SIA is a player in the automation of the Borsa Italiana markets and in launching Italian wholesale markets: MID and MTS.

The first projects involving payment cards are launched: Bancomat and PagoBancomat, FASTpay, e-Wallet and Microcircuito project to shift from magnetic stripe cards to microchip cards.

The 2000s

The first steps in Europe

Technological excellence is acknowledged at European level. The company aims at being a competitor on the international market. Innovative services are developed in connection with the Euro and Europe:

- services membership with international EMV circuits and standards
- EBA STEP2 platform for retail payments in Euro
- Monte Titoli post trading
- surveillance
- processing solutions for issuing and acquiring.

2010 • 2015

International expertise

- Network Service Provider for access to T2S
- SIAnet Financial Ring for access to Trading Venues
- Collateral management for Central Banks and CSDs
- 4CBNet
- Outsourcing for IPs and ELMIs
- Development of Jiffy service, for transfers of cash P2P.

2016 to date

New services and international success

- Development with EBA Clearing of the pan-European Instant Payment infrastructure
- Acquisition of Ubiq (Ti Frutta) for the development of digital promotion solutions
- POSs enabled to accept payments with BANCOMAT Pay, Apple Pay, Samsung Pay, Alipay and WeChat Pay
- Execution of a new interbank payment system for the Central Bank of New Zealand
- Development of a data center with "Active/Active" architecture
- Extreme contingency
- Creation of SIAchain, the first private blockchain/distributed ledger infrastructure with architecture geographically distributed at European level.

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Group customers segments

Central Institutions	Financial Institutions	Corporates	Public Sector	Capital Markets
Central Banks	Domestic and Multinational Banks and Bank Groups	Telco	Central Public Administration	Financial Marketplaces
ACHs	Foreign Banks with offices in Italy	Utility	Local Public Administration	CSDs
Financial Associations	Intermediaries	Petrol	Agency for Digital Italy	Clearing Houses and Central Counterparties
System Financial institutions	Brokers/traders	Insurance	Health Authorities	Global Custodians
	Application Centers	Payment Institutions	Education	Supervisory Authorities
		Mobility	Smart Mobility	
		Manufacturing	Social/assistance welfare	
		Retail		
		Media		
		Services		

Main operating volumes 2018 (on 2017)

NETWORK

1.204 terabytes of data carried **(+53.5%)**

100% service availability

186.000 km SIAnet network **(+6.9%)**

CARDS

7.2 billion issuing and acquiring transactions **(+18.1%)**

More than **1.1 million** merchants managed **(+19.8%)**

84.2 million credit, debit and prepaid cards managed **(+15.3%)**

PAYMENTS

3.1 billion transactions **(-2.4%)**

925 customers managed **(-22.1%)**

INSTITUTIONAL SERVICES

52 billion financial transactions **(-8%)**

Over **100** brokers and traders in **18** countries adopting SIA compliance and surveillance systems

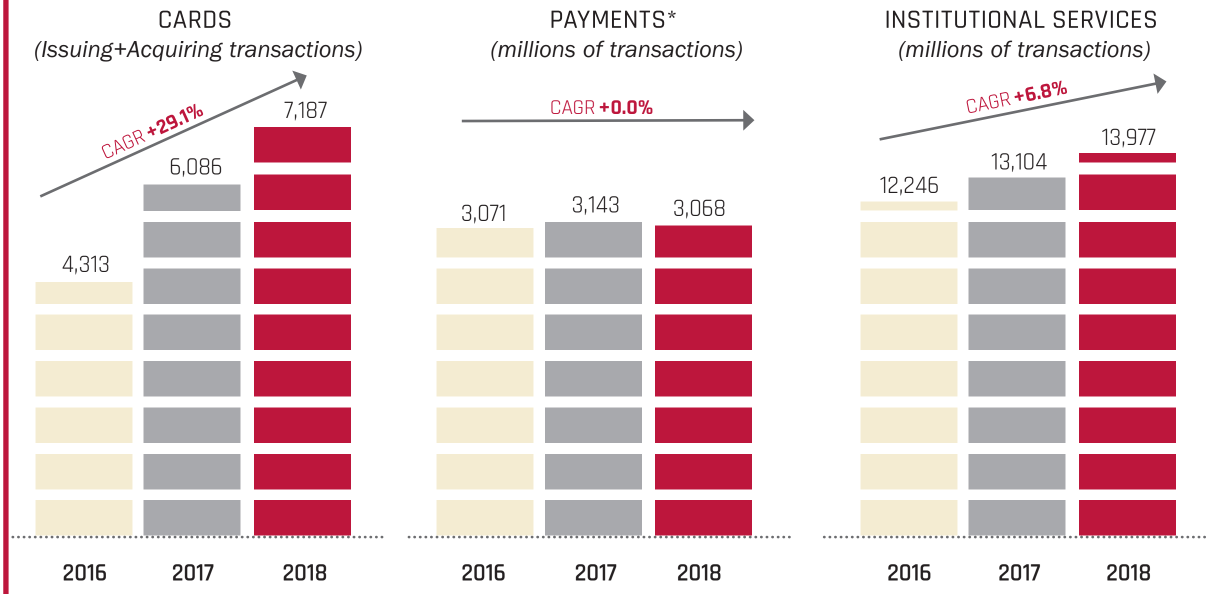
More than **350 million** deal proposals handled daily (50,000 per second)

44 trading venues and over **570** customers connected to the Financial Ring

14 billion transactions for institutional services **(+6.7%)**

Over **4,800** EBA STEP2 participants

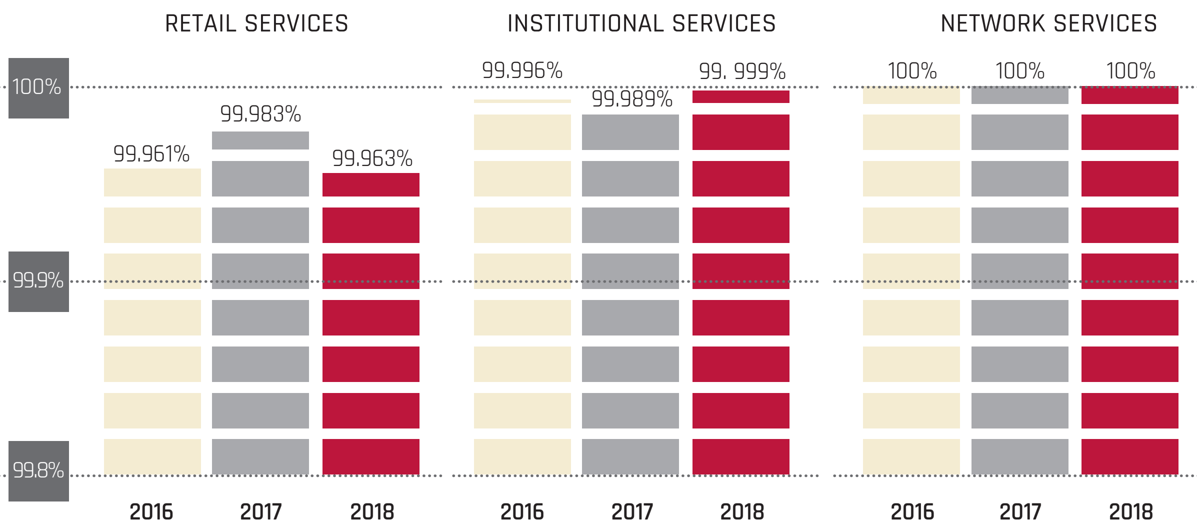
Transaction volumes managed



*Net of Italian domestic volumes migrated to SEPA.
The data prior to 2017 may have experienced slight variations due to a refinement in reporting methodologies.

The CAGR was calculated taking into consideration year-end values.

Service levels



SUMMARY OF SIA GROUP CONSOLIDATED RESULTS

In 2018, the SIA Group (hereinafter also referred to as the "Group") continued along its path of growth through business combinations with third-party companies, acquiring all shares in the companies SIA Greece (formerly First Data Hellas) and SIA Slovakia (formerly First Data Slovakia) on September 28, 2018.

The latter holds the controlling interest in the companies SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia. Taking into account their recent acquisition date, the contribution of those companies to the Group's consolidated results is shown only for the fourth quarter of 2018.

Consolidated economic results *(thousands of euro)*

	31/12/2016	31/12/2017	31/12/2018	Change 2018 vs 2017	%
Revenues from sales and services	**468,222**	**567,213**	**614,802**	**47,589**	**8.4%**
EBITDA	**124,876**	**179,825**	**201,387**	**21,562**	**12.0%**
% to revenues	*26.7%*	*31.7%*	*32.8%*		
EBIT	**104,176**	**108,530**	**122,281**	**13,751**	**12.7%**
% to revenues	*22.2%*	*19.1%*	*19.9%*		
Profit/(loss) before income taxes	**103,753**	**100,063**	**110,255**	**10,192**	**10.2%**
% to revenues	*22.2%*	*17.6%*	*17.9%*		
Profit/(loss) attributable to the Group	**70,354**	**80,083**	**79,536**	**(547)**	**-0.7%**
% to revenues	*15.0%*	*14.1%*	*12.9%*		

The Group's results continue to improve significantly, supported by external growth, thanks to the contributions of P4cards (starting from 2017) and the contributions in the final quarter of the Greek and Slovakian companies due to the acquisition mentioned above.

Please note that the net profit/(loss) for the year 2017 was positively affected by an agreement entered into with the Italian Revenue Agency with respect to the tax benefits arising from the Patent Box, which allowed for the recognition of a tax credit on income starting from 2015; thus, although margins in 2018 were up significantly, the net profit for 2018 is aligned with that of the previous year since it no longer benefits from further tax impacts.

CONSOLIDATED FINANCIAL POSITION *(thousands of euro)*

		31/12/2016	31/12/2017	31/12/2018	Change 2018 vs 2017	%
Net working capital	A	66,613	87,660	95,106	7,446	8.5%
Fixed assets	B	581,822	636,653	980,367	343,714	54.0%
Provisions	C	(20,036)	(72,699)	(62,737)	9,962	-13.7%
Net Invested Capital	**D=A+B+C**	**628,399**	**651,614**	**1,012,736**	**361,122**	**55.4%**
Net Financial Position		**392,420**	**379,683**	**723,880**	**344,197**	**90.7%**
Group Shareholders' equity		**235,974**	**271,926**	**288,851**	**16,925**	**6.2%**
Non-controlling interests		5	5	5	-	
Net Financial Position and Shareholders' equity		**628,399**	**651,614**	**1,012,736**	**361,122**	**55.4%**

(A) Net working capital is calculated as the difference between current non-financial assets and current non-financial liabilities.
(B) Non-current assets are calculated as the sum of tangible assets, intangible assets and equity investments.
(C) Provisions are calculated as the sum of provisions for risks, the provision for employees and the provision for deferred tax liabilities net of deferred tax assets.

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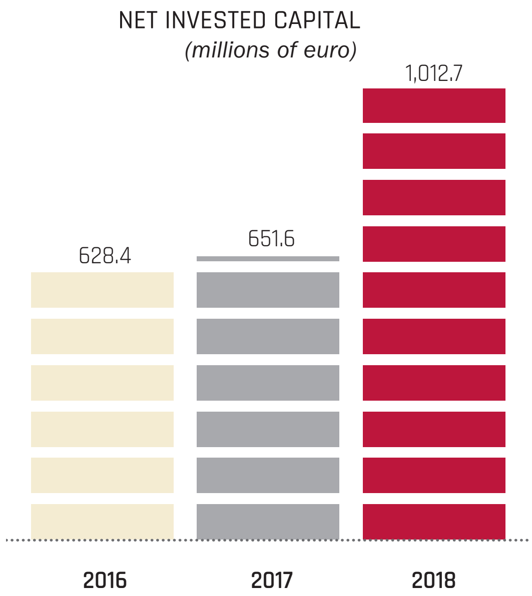
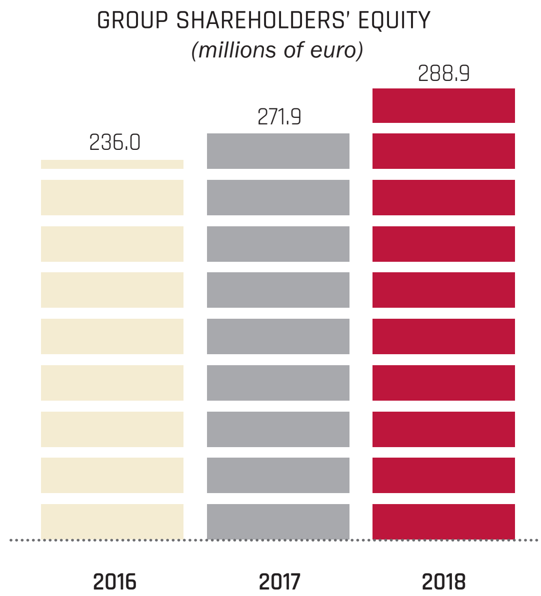
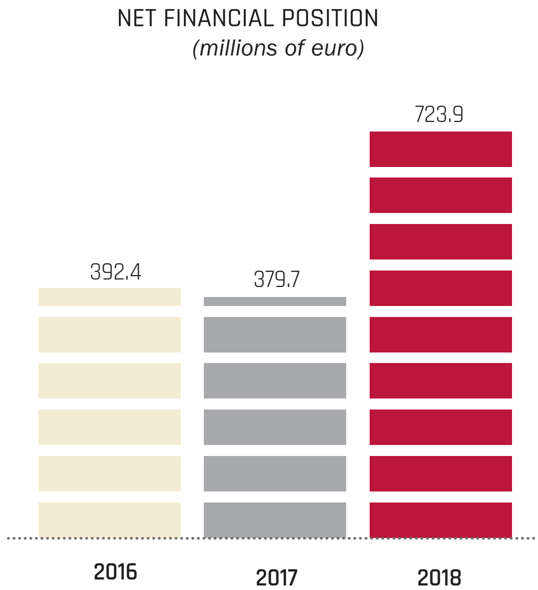
The Group's net invested capital was up 55% compared to the previous year due to the investment made by the parent company SIA in the companies SIA Greece and SIA Slovakia and the latter's direct subsidiaries, financed by making recourse primarily to additional bank borrowings. A pool of leading banks disbursed a loan for a total of €775 million to the parent company SIA, which made it possible to extinguish the existing loan and obtain better conditions, in economic terms as well as with respect to the financial duration.

The Group's positive economic results contributed to a significant capital strengthening in terms of shareholders' equity, which is posting constant growth, also taking into account past dividend pay-out levels.







KEY PERFORMANCE INDICATORS ON FINANCIAL STATEMENTS	31/12/2016	31/12/2017	31/12/2018	Note
ROE - Net profit/Shareholders' equity	**29.8%**	**29.5%**	**27.5%**	
ROI - EBIT/Net invested capital	**16.6%**	**16.7%**	**12.1%**	
EBIT/Revenues from sales and services	**22.2%**	**19.1%**	**19.9%**	
Total assets/Shareholders' equity	**3.62**	**3.52**	**4.71**	
Current assets/Current liabilities	**1.70**	**1.30**	**1.33**	
Cash and cash equivalents/Current liabilities	**0.47**	**0.26**	**0.34**	
Non-current assets/Total assets	**0.69**	**0.67**	**0.73**	
Current assets/Total assets	**0.31**	**0.33**	**0.27**	
FCF Conversion (FCFO/EBITDA)	**0.04**	**0.60**	**0.17**	(1)

(1) The Operating Free Cash Flow (FCF) is given by the sum of the net cash flows generated/absorbed by the operating activities (after taxes) and the net cash flows generated/absorbed by investing activities, both as reported in the consolidated statement of cash flows.

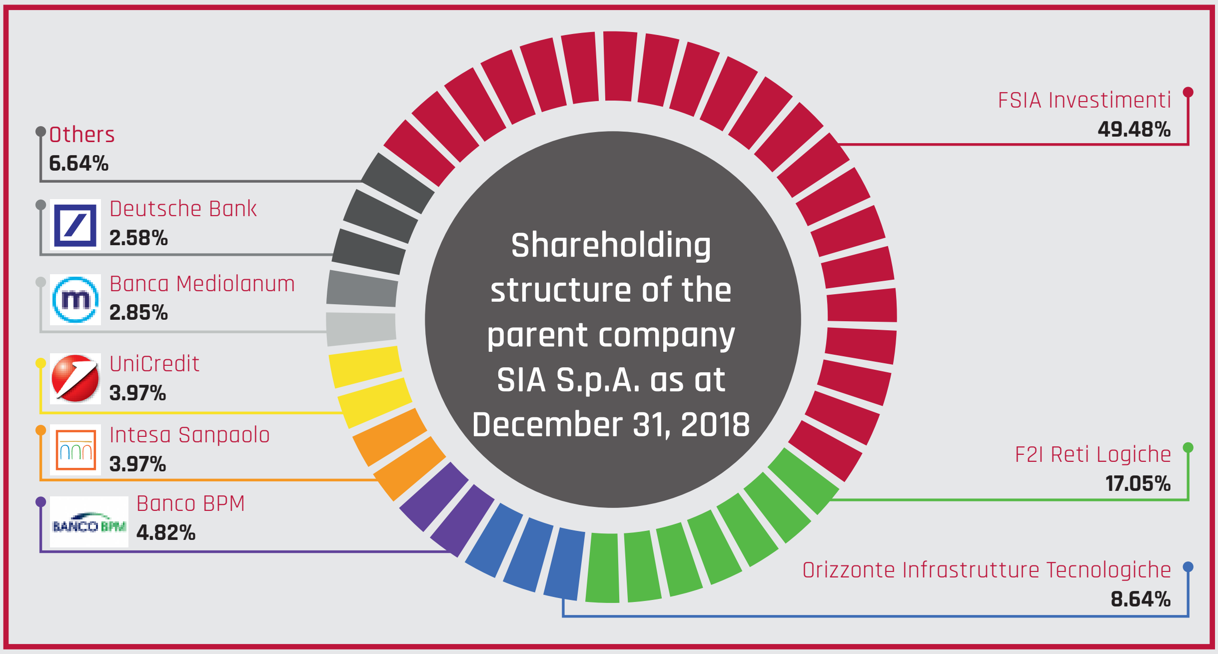
The table above confirms that the Group is successfully continuing along its path of growth in terms of revenues as well as profitability, taking into account the recent acquisition operation. Indeed, for 2018 the ROI was impacted by the sharp rise in net invested capital in the final quarter of the year – following the extraordinary operation noted above – and the fact that EBIT for the year includes the contributions of the companies acquired only for the last three months of 2018. The capital ratios were also impacted by that extraordinary operation, but they remain well balanced, in line with the objectives pursued by the Group to guarantee adequate returns on capital, while maintaining the financial resources required to support the internal and external growth initiatives outlined in the 2019-2021 Strategic Plan.

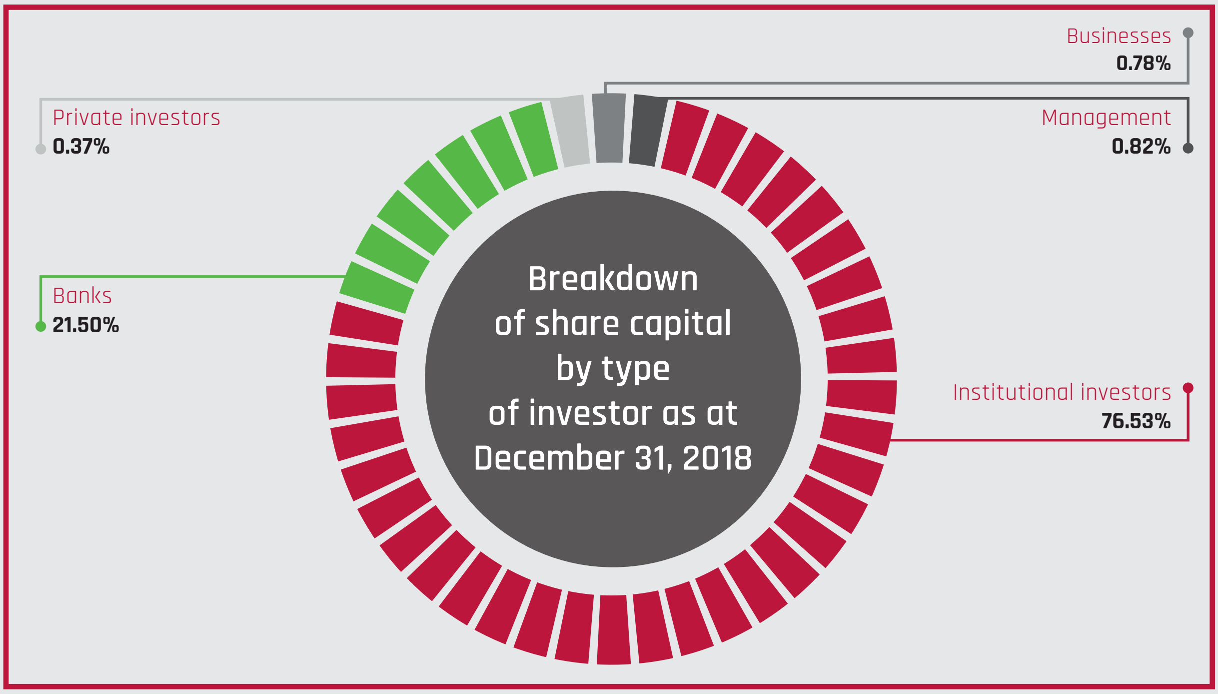
GOVERNANCE OF SIA S.P.A.

Shareholders' Meeting

The Shareholders' Meeting of SIA S.p.A. (also referred to as the "parent company") is the collegial body that expresses the will of the shareholders.

Entrusted with the powers granted by the law and the Articles of Association, the Shareholders' Meeting resolves specifically on the appointment and removal of the members of the Board of Directors and the Board of Statutory Auditors as well as on their fees and duties, on the approval of the financial statements and the allocation of profit, on the purchase and sale of treasury shares, on the changes to the Articles of Association and on the issue of convertible debentures.





Board of Directors

The parent company SIA S.p.A. is managed by a Board of Directors comprising 11 members. At the date of approval of the draft financial statements as at December 31, 2018, the Board of Directors had no female Directors, 10 directors are more than 50 years old and one is between 30 and 50 years old. Overall, the average age is just over 55 years old.

Directors are appointed by the Shareholders' Meeting and remain in office for a period that is fixed from time to time by the Shareholders' Meeting upon appointment but for a period not exceeding three financial years, without prejudice to the provisions of art. 2383 of the Italian Civil Code, and can be re-elected.

The Board of Directors is entitled to the widest possible powers for the ordinary and extraordinary management of the company with no exception and, more specifically, it has all the powers to carry out and achieve the corporate objects that are not reserved to the Shareholders' Meeting by the law.

The Chairman and the CEO are the sole Directors with executive powers that participate in Board Meetings and who receive a higher remuneration due to an additional fee paid to them for the particular office held. All the other Directors are non-executive members.

For the composition of the Board of Directors of SIA S.p.A. at December 31, 2018 please refer to the relevant table in the introduction pages.

Board of Statutory Auditors

The Board of Statutory Auditors of SIA S.p.A. comprises three Standing Auditors and two Alternate Auditors who remain in office for three financial years and can be re-elected.

The Board of Statutory Auditors supervises compliance with the Law and the Articles of Association, as well as compliance with the principles of sound management in the performance of company activities, the adequacy of the organizational structure, the Internal Control System and the company's administration and accounting system.

For the composition of the Board of Statutory Auditors of SIA S.p.A. at December 31, 2018 please refer to the relevant table in the introduction pages.

Supervisory Body

Established to oversee the functioning of and compliance with the Organizational and Management Model pursuant to Italian Legislative Decree 231/2001 and to prevent any breaches of said Decree. The Supervisory Body informs the Board of Directors of the work performed at least once a year. Although the members of the Board of Statutory Auditors are available to hold such an office within the Supervisory Body, SIA S.p.A. has entrusted them with those duties for the 2016-2018 three-year period.

For more details on the activity performed by the Supervisory Body, please refer to the "Control Functions" chapter in the Management Report.

Remuneration Committee

This Committee was set up and appointed by the Board of Directors in 2014 and was renewed in 2017; it carries out recommendation and advisory duties such as:

- submitting proposals to define the general policy for the remuneration of Executive Directors and other Directors holding particular offices in the Board of Directors;
- expressing opinions in relation to proposals to increase the remuneration of managers falling under the scope of responsibility of the

Board of Directors, in accordance with the tables of powers and mandates of the Company;

- preparing and submitting to the Board of Directors the adoption of long-term incentive schemes for the top management;
- monitoring the performance and correct application of the aforesaid incentive schemes, regularly assessing the adequacy, overall coherence and actual application of the policy adopted for the remuneration of the aforesaid managers.

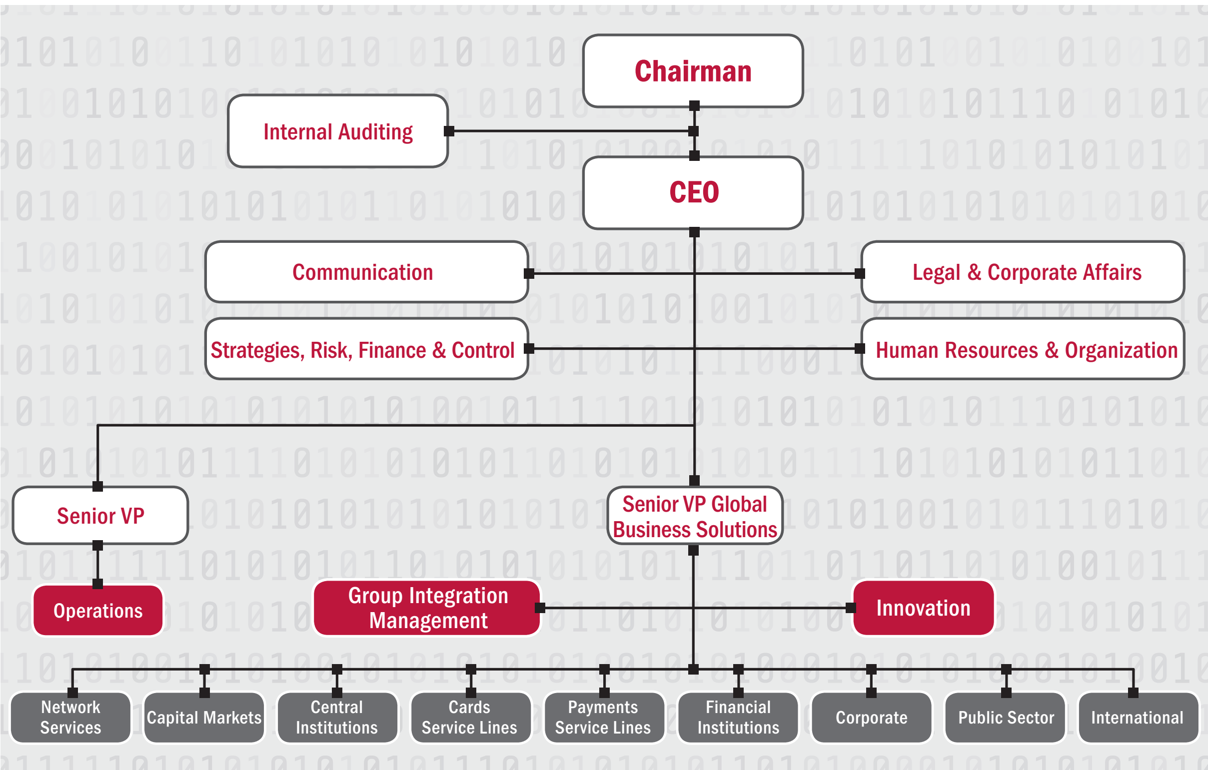
Development Committee

In 2017 the "Committee for researching and evaluating new opportunities", set up three years previously, was renewed with a partial change in the duties and was renamed the "Development Committee".

It currently provides recommendations and advice such as:

- analysis of the main market trends and the strategic positioning of competitors;
- strategic analysis and assessment of M&A opportunities for SIA;
- evaluation of the structure of possible M&A operations.

Organizational structure of the parent company SIA S.p.A.*



** The structure shown here was in force as at December 31, 2018.*

Code of Ethics

The Code of Ethics of SIA, approved by the Board of Directors, is binding for all the company's officers and all external collaborators. Also suppliers, business partners and anyone that, either directly or indirectly, entertains commercial, professional or employment relationships with SIA is required to act in accordance with the principles contained in the Code.

In the Code of Ethics, SIA also expresses its commitment to eliminating any form of conflict of interest of a personal or corporate nature, as well as its attention to the protection of the environment.

In compliance with the Governance and Control System adopted by the Group, the members of the Corporate Bodies must carry out their activities in accordance with the principles of correctness and integrity, abstaining from situations of conflict of interest in their area of activity.

The members of the Corporate Bodies are also requested to behave in accordance with the principles of autonomy, independence and the corporate guidelines in all the relationships that they maintain, on behalf of SIA, with Public Entities and any other private subject.

The obligations of loyalty and confidentiality are binding on these subjects also after they terminate their relationship with the Group.

The most recent version of the Code of Ethics was approved by the Board of Directors on May 25, 2017.

Code of Ethics

Expresses SIA's company values, rights, duties and responsibilities with respect to all parties with which SIA comes into contact in achieving its corporate mission. It also establishes reference standards and rules of conduct which must steer the behavior and activities of whomever works in SIA, whether Directors, Statutory Auditors, employees or collaborators.

Italian Legislative Decree 231/2001

Dictates the general management, supervision and control principles on which the organizational models must be based. SIA has established a specific Board to oversee the functioning of and compliance with the Organizational and Management Model pursuant to Italian Legislative Decree 231/2001 and to prevent any breaches of said Decree.

Organizational model

Concrete application of the principles of lawfulness, transparency, solidity and loyalty that have always characterized SIA's dealings with its stakeholders.

Anti-corruption

The SIA Group has adopted anti-corruption guidelines to promote compliance with ethical standards and full respect for domestic and international rules for preventing corruption, in all of its direct and indirect forms, as well as the application of principles of integrity, transparency and fairness in carrying out business activities.

These guidelines define the Group's general anti-corruption policy.

The following risk areas are identified within the anti-corruption guidelines:

- Public Administration
- External Collaborators
- Suppliers and Customers
- Relevant Third Parties
- Partnerships
- Counterparties involved in extraordinary operations
- Facilitated payments
- Sponsorship activities
- Public contributions
- Charitable contributions
- Entertainment and hospitality expenses
- Gifts
- Entertainment, travel and hospitality expenses
- Bookkeeping and accounting.

The Group periodically prepares a crime risk map.

The output is incorporated within risk analyses and assessments for services/products as well as the Divisions/Departments.

The objectives for 2019 include further specific anti-corruption courses and an improvement in whistleblowing procedures.

2 MANAGEMENT REPORT

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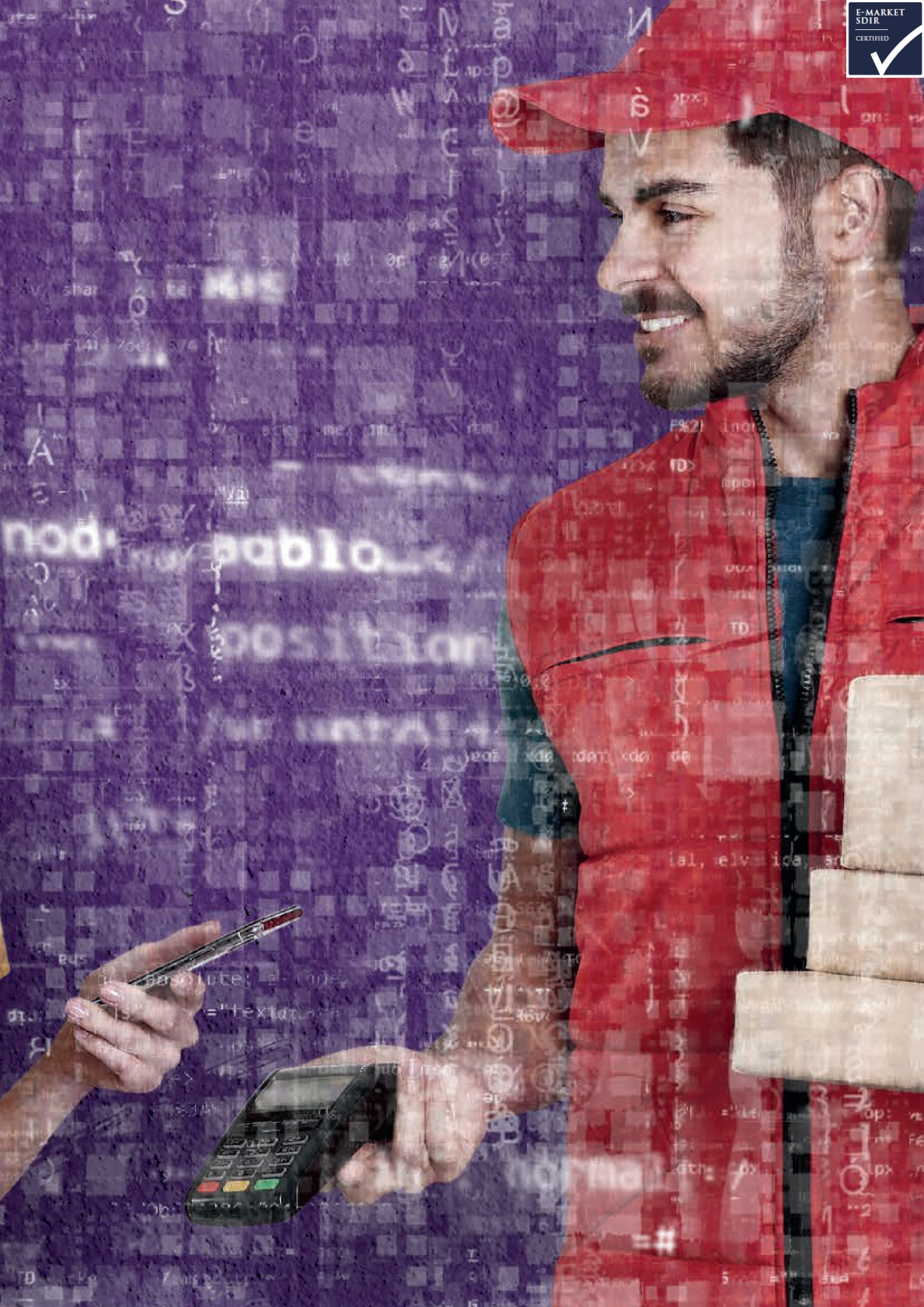


DEVELOPMENT OF THE MACROECONOMIC SCENARIO

In the course of 2018, estimated global economic growth was around 3.7%, with a slowdown in the final quarter that caused the International Monetary Fund to revise its estimates for 2019 and 2020 downward to 3.5% and 3.6%, respectively.

These revisions were for the most part due to the United States-China tariff war, but they were also influenced by uncertainty surrounding the United Kingdom's exit from the European Union, slowing Chinese economic growth and sovereign and financial risk in Italy. It is also necessary to consider the uncertainties linked to the upcoming European elections scheduled for May 2019.

Strong domestic demand is supporting the US economy, which closed 2018 with growth of 2.9% compared to the previous year, the best amongst the economies of developed countries (+2.3%); on the other hand, China decelerated to 6.6%, in any event remaining above the average of emerging economies (+4.6%). With respect to 2017, there were economic slowdowns in Canada (+2.1%), the United Kingdom (+1.4%) and Japan (+0.9%), while India (+7.3%), Russia (+1.7%) and Brazil (+1.3%) all saw improvements in their performance.

Estimated Eurozone growth for 2018 is limited (+1.8% compared to +2.4% in 2017) due to economic trends in Germany (+1.5%), characterized by low domestic demand in the last year, a decline in foreign demand and weaker industrial output, particularly due to updated automotive emissions standards, and France (+1.5%), whose forecasts suffered from street protests and industrial segment slowdowns.

In Italy, the results of the final quarter of 2018 marked an economic deterioration in the industrial sector (+1.2% in the first eleven months of the year, according to ISTAT data) and an improvement in foreign demand which, however, is unable to balance out weaker domestic demand, particularly for operating assets. Expectations for year-end GDP growth were therefore revised downward, stabilizing at a year-on-year improvement of 0.8%.

According to the most recent economic bulletin published by the Bank of Italy, household consumption has risen moderately (+0.6%), total exports grew little (+0.8%) compared to imports (+1.7%) and expected inflation is just over 1%.

SITUATION AND PROSPECTS FOR THE ELECTRONIC PAYMENTS MARKET

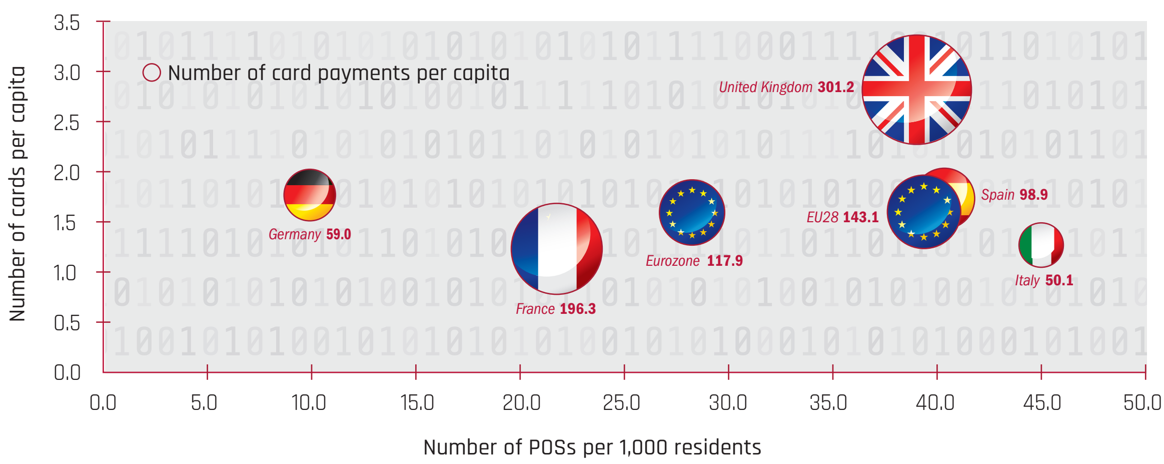
The global electronic payments market remains one of the most dynamic: electronic payment transaction volumes worldwide are expected to grow between 6% and 7% per year over the next three years.

The European market, which is more mature than others, will grow at a slower pace, between 3% and 4% per year, but higher growth is forecast for Italy (+5% CAGR 2018-2021).

As highlighted by the Global Data surveys (shown in the chart below), Italy has an extensive payment card acceptance network, but there is still a low percentage of payments made by card.

In Italy, there are roughly 45 POS terminals for every 1,000 residents: this is more than 4 times higher than in Germany. However, annual card payments per capita (50), even if up on 2016 (43), were lower not only than the average in the major European economies, but also than the average of the 19 countries of the Eurozone (118) and the 28 countries of the European Union (143).

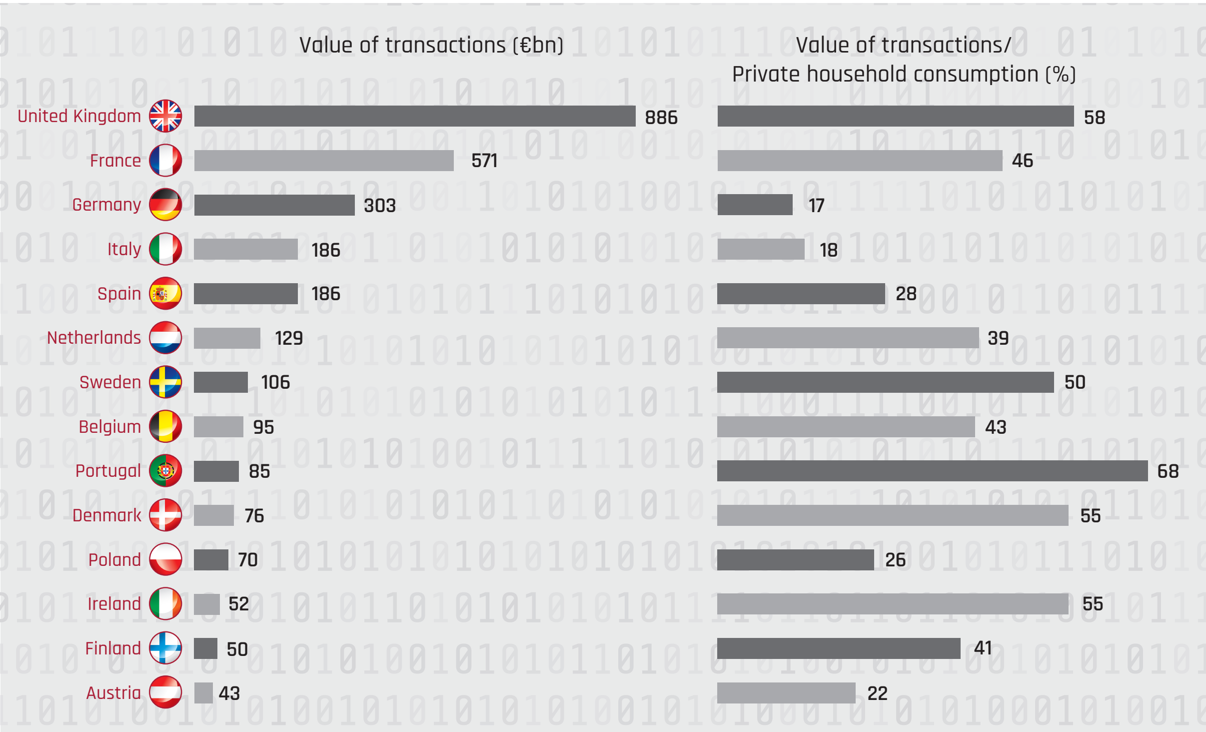
This situation reflects Italians' continued high propensity towards using cash: in 2017, it was used in 83% of payments, which is still very far from other European countries which used cash on average only 37% of the time.



Note: UE28 not including Malta and Cyprus - Source: Global Data.

The propensity towards using cash is confirmed by a comparison between Global Data and Eurostat figures, which show that the value of transactions carried out in Italy in 2017 with payment cards, totaling €186 billion, represents 18% (up compared to 17% in 2016) of private household consumption: a rather low penetration rate if compared with that of the "better" European countries such as the United Kingdom (58%), Portugal (58%), Denmark (55%) and Sweden (50%).

Transactions with payment cards / debit cards



Source: Global Data; Eurostat 2017.
Note: The value of transactions relates to transactions with debit and credit cards and does not include cash withdrawals.

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BUSINESS AND POSITIONING OF THE SIA GROUP

In 2018, the Group confirmed its position as the leading operator in the processing of electronic transactions and management of European service infrastructures, in card processing markets, payment services and systems, as well as in the market for financial intermediary solutions and the networking services area. The Group provides its services to customers in 50 countries across Europe, the Middle East, Africa and Oceania.

SIA was able to enhance the value of its distinctive characteristics, more specifically:

- proprietary technology platforms developed in-house with the most efficient, cutting-edge technologies;
- a unique track record in "zero-impact" migration for card services from the systems of the customers to SIA solutions;
- experience gained in the creation and management of infrastructure services considered as mission critical;
- excellent know-how in the most critical areas for customers regarding compliance, safety and development in standards and regulations of international markets;
- investments in the search for innovative solutions in frontier technology.

All company activities bear the hallmarks of quality, reliability, security, solidity and innovation. The SIA Group continues to consider the pursuit of excellence to be a key factor in its success in increasingly competitive markets, and at the base of the core values of the company, embraced by all staff, i.e.:

- **expertise**, since the sector in which the Group operates is complex and constantly evolving;
- **accountability** as the Group is aware of the importance and criticality of the activities that its customers assign to it;
- **reliability**, because the Group honors its commitments;
- **participation**, because the style of the Group companies is to both work as a team and provide the system with ideas, expertise and experience;
- **innovation**, as the SIA Group believes that it is possible to anticipate the new demands of the market through a steady commitment.

SIGNIFICANT EVENTS
DURING THE FINANCIAL PERIOD

The main events that occurred in 2018 are described below.

- In January, the Central Bank of Lithuania selected SIA to provide the network connection for accessing RT1, EBA Clearing's pan-European infrastructure for Instant Payments, operating since November 21, 2017. Through RT1 infrastructure, financial institutions are capable of making instant payments of up to €15,000 in less than 10 seconds, 24 hours a day, 365 days a year. Thanks to SIAnet, SIA's high-speed, low latency fiber optics network extending over 186,000 kilometers, the Central Bank of Lithuania was one of the first to join the EBA Clearing system. SIAnet's network infrastructure is designed to meet the specific needs of instant payments in terms of security, reliability, ease of integration with any application environment and compliance with the SEPA Instant Credit Transfer (SCT Inst) scheme created by the European Payments Council.
- Also in January, Perago FSE, a South African company wholly owned by SIA, specialized in designing and developing infrastructure for central banks, won the "Payments and Market Infrastructure Provider of the Year" award from the well respected British publication Central Banking, dedicated to central banks, international financial institutions, financial market infrastructure and regulations. This award, received during the Central Banking Awards 2018, recognizes examples of excellence in the sector of central banks which are operating within an increasingly interconnected global economy.
- On March 21, SIA won the call for tenders to connect ABN AMRO, one of the largest Dutch banks, to RT1, EBA Clearing's pan-European instant payment infrastructure. Thanks to SIAnet, ABN AMRO was one of the first banks to introduce instant payments.
- In March, Samsung Electronics announced that its Samsung Pay electronic payment system would be available in Italy, partly thanks to SIA's hi-tech infrastructure.
- On March 26, UBI Banca and SIA introduced Jiffy, the service developed by SIA to send and receive money in real time from a smartphone, in Iper, La grande i (Finiper Group) points of sale, to pay for purchases via App and using a QR code.
- On April 17, the SIA Shareholders' Meeting approved the 2017 financial statements as well as the distribution of an ordinary dividend of €59.9 million, corresponding to €0.35 per share. The same Shareholders' Meeting appointed Roberto Giacchi to the Board of Directors to replace Marco Siracusano, who resigned, and confirmed Giacomo Riccitelli, who had been co-opted at the Board meeting held on November 30, 2017. Roberto Giacchi resigned in February 2019, as described above in the "Executives in office" section, which should be referred to for the details.
- On April 20, the Shareholders' Meeting of Consorzio QuenIT in liquidation approved the dissolution and resulting placement in liquidation of the consortium. The services provided to Eni by the consortium will be provided by P4cards, which will rely on the direct services provided by the companies that were part of Consorzio QuenIT in liquidation.
- On May 10 the Board of Directors of SIA accepted the resignation for personal reasons of CEO Massimo Arrighetti, who remained in office until June 15.

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At the same meeting, the Board of Directors approved the assignment of powers to Deputy CEO of the company, Mr. Nicola Cordone, which became effective with Mr. Arrighetti's departure. On November 29, the SIA Board of Directors appointed Nicola Cordone as CEO of the Company, after co-opting him as director.

- Continuing along the path of international growth aiming to affirm its leadership at European level in the electronic payments sector, on May 25 SIA signed an agreement with First Data Corporation, a global leader in business technologies, to acquire First Data's activities in several Central and South-Eastern European countries. SIA's acquisition, finalized in September 2018 as mentioned above, regards card processing and production, call center and back office services relating to 13.3 million payment cards and 1.4 billion transactions, as well as the management of more than 300,000 POS terminals and 6,500 ATMs, primarily in 7 countries: Greece, Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia. The agreement also entailed the transfer of roughly 1,400 employees from First Data to SIA.
- As part of the SIA Group logistics streamlining activities, on May 28 the new offices at Via Lorenteggio 257 in Milan were inaugurated. The property, owned by Fondazione E.N.P.A.M., is around 6,000 m^2 and was leased and renovated by SIA in the first quarter of 2018. The new offices will make it possible to boost operating efficiency by creating a "SIA Campus", due to their proximity to the current office at Via Gonin 36, to support the increase in the number of employees caused by business growth as well as to optimize real estate management.
- In June, Jiffy, the service developed by SIA to pay, send and receive money in real time from a smartphone using a cell phone number, surpassed 5 million users, with more than 130 participating banks. After "Person to Person" (P2P) money transfers, which have been available since 2015, Jiffy arrived at Italian stores in 2017, allowing users to pay instantaneously and completely securely via app, even at some of the major large-scale retail chains.
- In June, ABI Lab launched operating trials on a project based on blockchain technology. The work group, consisting of participating banks and led by Abi Lab, selected the "Corda" DLT technology developed by R3 and, with the collaboration of NTT Data for application development and SIA as provider of node infrastructure, defined a new interbank reconciliation process.
- Also in June, SIA announced that it had been certified as the top Network Service Provider by the Eurosystem (ECB and Eurozone national Central Banks) to provide access to TIPS Target Instant Payment Settlement, the new pan-European service for the settlement in Central Bank money of instant payments, launched in November 2018. Through the SIA network, banks and other European Payment Service Providers can participate in the pilot phase of the TIPS service.
- At the end of June, SIA created the digital platform that makes it possible to pay for ATM urban and suburban public transport network tickets right at the turnstile using a contactless MasterCard or Visa card, easily, quickly and securely. The new payment system launched by ATM, for the first time in Italy, is also offered abroad by major industry companies, such as those in London, Moscow, Chicago, Singapore and Vancouver. This innovative service is based on SIA's technological infrastructure connecting all POS terminals, which the cards need to be waved near to open the turnstiles at the 113 subway stations in Milan's public transport network, as well as the payment circuits and the ATM system for calculating fares.
- In July, SEA, Società Esercizi Aero-portuali, entered into an agreement

with SIA and UBI Banca which makes it possible to use a smartphone to pay for parking in lots P2 and P3 at the Milan Bergamo airport, thanks to the Jiffy service which matches the cell phone number with the vehicle license plate. This is the first case of this type of service in Italy.

- On July 13, SIA took out a new €755 million loan for the acquisition mentioned previously of First Data's activities in several Central and South-Eastern European countries, which was disbursed on September 28, 2018 (also paying off the residual amount of €390 million of the previous loan).
  UniCredit, as the SIA Group's top account bank, acted as Sole Underwriter, underwriting the full amount, Global Coordinator, Initial Bookrunner, Initial Mandated Lead Arranger and Facility Agent. UniCredit also acted as Active Bookrunner for the entire syndication process, which concluded with significant participation by top banking institutions in the roles of Mandated Lead Arranger and Bookrunner: Banca IMI, Banco BPM, BNP Paribas, Monte dei Paschi di Siena and UBI Banca.
- On July 31, BANCOMAT S.p.A. presented the new digital payment service with the BANCOMAT Pay brand. Based on an agreement with SIA, BANCOMAT Pay will integrate the Jiffy service, enabling PagoBANCOMAT® cardholders to pay in stores and on e-commerce sites and send and receive money in real time from a smartphone completely securely simply by using their cell phone number. This partnership will make new payment services available to PagoBANCOMAT® cardholders, on the basis of technological solutions already created by SIA, in particular to transfer sums of money between private parties (P2P), purchase goods and services online and at the points of sale of merchants that accept PagoBANCOMAT® (P2B) and make payments to the Central and Local Public Administration (P2G) on the PagoPA platform.
- In August, ATB, Azienda Trasporti Bergamo, entered into an agreement with UBI Banca and SIA to allow for the payment of public transport passes using a smartphone, thanks to the Jiffy service which matches the user's cell phone number with their personal transport pass (b-card). In Italy, this is a completely new service.
- In September, SIA further reinforced its positioning in the Nordic countries, developing the new Real-Time Gross Settlement (RTGS) system for Danmarks Nationalbank, which connects banks, mortgage credit institutions and settlement systems.
  The advanced technology developed by SIA has replaced the previous proprietary system used by Denmark's Central Bank since 2001. The new RTGS system, which manages the transfer of Danish kroner in real time and completely securely, guarantees continuous efficiency, operating reliability, evolved functionality and simplified system maintenance.
  At the end of 2018, Denmark was the first country outside the Eurozone to join TARGET2-Securities, the single European platform for the settlement of domestic and cross-border security transactions.
- In September, SIA launched a new "Open Banking" digital platform that enables banks, fintech companies, corporate clients, SMEs and Italian and European Public Administrations to promote and accelerate the implementation of innovative payment services deriving from the introduction of the Payment Services Directive 2 (PSD2), to take advantage of new business opportunities as well as guarantee regulatory compliance. The "Open Banking Platform" is one of SIA's main strategic initiatives and aims to create an ecosystem to facilitate collaboration between banks and new market participants (TPPs or "Third Party Payment Services Providers"), thus fostering the development of advanced services for consumers and businesses alike.
  For example, the "Open Banking Platform" provides access to the information of various bank accounts, optimizes new customer onboarding

processes, cash pooling and liquidity management and allows for multi-bank placement of payment orders, rendered more secure thanks to the real-time confirmation of the account holder as well as fund availability.

- Based on an agreement between SIA and the Hera Group, since September it has been possible to pay bills by simply entering a cell phone number, without needing to enter credit card or checking account information, using the MyHera app or the Group's online services. Each customer receives a smartphone notification and with just one click can authorize the checking account transaction in real time. This initiative aims to create a better customer experience for increasingly connected users, and was carried out based on a joint project with SIA and Intesa Sanpaolo.
- On September 28, 2018, SIA finalized the acquisition of First Data's card processing business activities in several Central and South-Eastern European countries for €387 million. This agreement has enabled SIA to become the top processing and services player in the area.
- In October, Banca Popolare di Sondrio and the Crédit Agricole Italia Banking Group launched the new instant bank transfer service for their customers, individuals and businesses, using SIA's digital "EasyWay" platform which is connected directly to EBA Clearing's RT1 pan-European instant payments system.
- Since November, SIA and Intesa Sanpaolo have provided a service for making purchases in Carrefour Italy hypermarkets, markets and express stores using Jiffy: after opening the Intesa Sanpaolo Mobile app, all a customer needs to do is scan the QR code generated at the register with their smartphone.

2019-2021 STRATEGIC PLAN

On February 14, 2019, the SIA S.p.A. Board of Directors approved the new 2019-2021 Strategic Plan for the SIA Group (hereinafter, also referred to as the "Plan"). With this Plan, the Group aims to become Europe's leading Pan-European Payment & Tech player. This goal will be pursued through international growth and the development of innovative, technological and value-added payment services.

Within a payment market environment that is experiencing significant consolidation and in which new digital players are gradually gaining a foothold (tech giants, fintech companies and e-commerce players), the Group is envisioning a change of direction to become the reference tech partner in the arena of payments and other services for banks, large companies and the public administration. The Group will leverage its reliability and excellence in service delivery to strengthen its role as a mission-critical provider of payment services and infrastructure in Europe.

The main pillars of growth will be:

- Consolidation of the core business, focusing on strengthening SIA's top services in the areas of cards, payments and network services, with the acquisition of new customers (both in Italy and abroad), the cross-selling of new services and the completion of migrations for recently acquired customers;
- Positioning as the reference tech player in digital payments through considerable investments in the dissemination of solutions and platforms already in the portfolio, such as Blockchain, Instant Payments, Mobile Payments and SmartMobility, and the development of new digital solutions that leverage big data, artificial intelligence and the internet of things;
- Acceleration of the international strategy, including by playing a proactive role in the European-level consolidation process, leveraging its extensive experience arising from recent acquisitions;
- Support for the main "system initiatives", providing its contribution to the success of large-scale national initiatives such as the dissemination and increased use of the PagoPA platform, the launch of the BANCOMAT Pay circuit and the progressive development of new digital services for citizens, businesses and the public administration;
- Modernization and increased efficiency of the Group's operations (data center, applications, back office and procurement), by making recourse to technologies and ways of working aligned with market best practices (cloud computing, flexible methodologies and robotics) and collaborating with the "expanded" ecosystem of "Open Innovation" payments.

To ensure that objectives are reached, in continuity with previous plans, the Strategic Plan increasingly hinges on the development of people, including through talent management, diversity and welfare programs, with a view to further strengthening the Group's distinctive competencies.

GROUP CONSOLIDATED PERFORMANCE

The economic and financial results achieved in 2018 confirm the Group's development and solidity, in terms of profitability as well as financial position, and are due to a balanced internal and external growth policy pursued by the Group with a view to guaranteeing adequate returns on capital.

Customer turnover continues to be low: this confirms the quality of the services offered and the very high reliability of the management of mission-critical services, with levels of service availability among the highest in the industry.

Consolidated income statement

(thousands of euro)

	31/12/2018	31/12/2017	Change	%
Revenues from sales and services	614,802	567,213	47,589	8.4%
Other income and revenues	1,305	2,821	(1,516)	-53.7%
Revenues	**616,107**	**570,034**	**46,073**	**8.1%**
Purchases and services	(206,837)	(193,371)	(13,466)	7.0%
Payroll costs	(182,501)	(175,092)	(7,409)	4.2%
Other operating expenses	(25,382)	(21,746)	(3,636)	16.7%
Operating costs	**(414,720)**	**(390,209)**	**(24,511)**	**6.3%**
EBITDA	**201,387**	**179,825**	**21,562**	**12.0%**
Depreciation and write-off of tangible and intagible assets	(78,283)	(71,095)	(7,188)	10.1%
Provisions for risks	(823)	(200)	(623)	
EBIT	**122,281**	**108,530**	**13,751**	**12.7%**
Management of financial assets and liabilities	(396)	960	(1,356)	
Financial income	347	284	63	22.2%
Financial expenses	(11,977)	(9,711)	(2,266)	23.3%
Profit before income taxes	**110,255**	**100,063**	**10,192**	**10.2%**
Income taxes	(30,719)	(19,980)	(10,739)	53.7%
Net profit from continuing operations	**79,536**	**80,083**	**(547)**	**-0.7%**
Net profit from assets held for sale or discontinued operations	-	-	-	-
Profit/(loss) for the period	**79,536**	**80,083**	**(547)**	**-0.7%**
Profit/(loss) of non-controlling interests	-	-	-	-
GROUP NET PROFIT	**79,536**	**80,083**	**(547)**	**-0.7%**

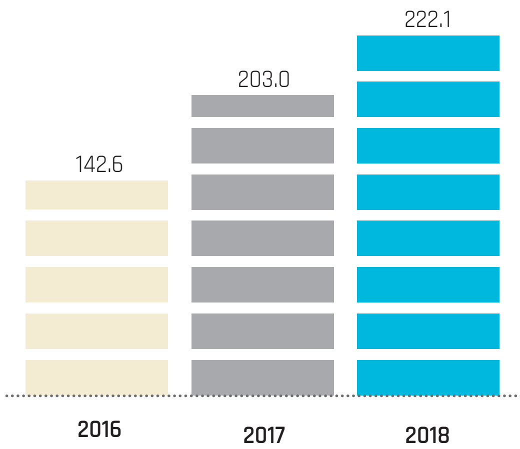
Revenues rose due to the contribution made in the final quarter of the year by the companies SIA Greece and SIA Slovakia as well as its direct subsidiaries, in addition to the organic growth of Group companies, particularly the parent company SIA and P4cards, which posted significant gains in the Cards segment, confirmed as the SIA Group's primary business area. The Payments segment, which incorporates activities linked to electronic payments other than those made with cards, and the Institutional Services Segment, which includes payment clearing and settlement as well as financial market services, had slight declines in revenues since the previous period due to the lower volumes managed. Operating expenses were up during the year due to the expanded scope of consolidation as well as the increased management of business volumes that drove internal growth.

Expenses rose for financial management due to the increase in financial leverage of the parent company SIA in order to finance the business acquisitions finalized last September. However, financial expenses remain moderate in relation to operating margins (EBITDA and EBIT).

The table on the previous page shows the tax benefit provided to the Group in 2017 based on the Patent Box agreement entered into with the Revenue Agency, valid for income generated starting in 2015.

In order to help the reading of the financial development of the Group, provide a more targeted representation of the business capacity to generate profitability on a continuous basis, and better favor a comparison with trends over time, it was decided to provide a normalized consolidated EBITDA. This additional financial measure, which is not based on the applied GAAPs and therefore potentially not strictly comparable with similar measures adopted by other companies, represents a more clearly operational view of the financial performance that can be useful to support management, in making decisions that may have future impact, and also the shareholders in their assessment process.

NORMALIZED EBITDA
(millions of euro)



The table below shows the adjustments ("normalizations") made to each expenditure item.

Normalized consolidated EBITDA

(thousands of euro)

	31/12/2016	31/12/2017	31/12/2018	Change 2018 vs 2017	%	NoteS
EBITDA	**124,876**	**179,825**	**201,387**	**21,562**	**12.0%**	
Long Term Incentive	5,365	13,630	5,659			(1)
Restructuring costs	4,540	6,209	9,148			(2)
Shareholders' contribution on mergers and acquisitions	(123)	-	-			(3)
Non-recurring advisory fees and other costs	4,844	-	5,604			(4)
Contingent revenues and expenses	(604)	-	(924)			(5)
Other non-recurring items	-	-	274			(6)
One-off costs	4,181	3,779	1,702			(7)
Other residual items	(433)	(485)	(719)			(8)
Normalized EBITDA	**142,646**	**202,958**	**222,131**	**19,173**	**9.4%**	

Notes:

(1) Monetary incentives for the management related to achievement of long-term goals (three-year Strategic Plan).

(2) Individual incentives, based on agreed plans, related to early job termination.

(3) Refund of costs from shareholders for M&A operations.

(4) Costs incurred for professional services, external and in-house, related to non-recurring events, in particular within the M&A area.

(5) Contingent assets and liabilities allocated to non-recurring components.

(6) Other non-recurring components.

(7) One-off costs for the acquisition of new customers (RFI, RFP, POC) and non-recurring expenses not related to the normal performance of the companies.

(8) This item includes: contingent assets and liabilities (-/+), capital gains and losses from the disposal of property, plant and equipment (-/+), bank expenses relating to current operations (-), discount recognized by the lessor in the first year of the head office lease agreement (+).

Reclassified consolidated statement of financial position

(thousands of euro)

		31/12/2018	31/12/2017	Change	%
Inventories		4,375	5,031	(656)	-13.0%
Trade receivables		188,764	158,301	30,463	19.2%
Trade payables		(85,397)	(81,841)	(3,556)	4.3%
Commercial working capital	A	**107,742**	**81,491**	**26,251**	**32.2%**
Other receivables	B	81,163	88,006	(6,843)	-7.8%
Other payables	C	(93,799)	(81,837)	(11,962)	14.6%
Net working capital	D=A+B+C	**95,106**	**87,660**	**7,446**	**8.5%**
Goodwill		629,269	312,483	316,786	101.4%
Intangible assets		257,672	264,334	(6,662)	-2.5%
Tangible assets		92,706	59,078	33,628	56.9%
Investments		720	758	(38)	-5.0%
Fixed assets	E	**980,367**	**636,653**	**343,714**	**54.0%**
Employees benefits		(23,145)	(20,785)	(2,360)	11.4%
Other provisions		(1,822)	(4,187)	2,365	-56.5%
Deferred tax fund		(37,770)	(47,727)	9,957	-20.9%
Provisions	F	**(62,737)**	**(72,699)**	**9,962**	**-13.7%**
Net Invested Capital	G=D+E+F	**1,012,736**	**651,614**	**361,122**	**55.4%**
Non-current financial liabilities		714,410	365,469	348,941	95.5%
Current financial liabilities		105,997	76,063	29,934	39.4%
Cash and cash equivalents		(94,652)	(61,349)	(33,303)	54.3%
Current financial assets		(1,825)	(488)	(1,337)	
Non current financial assets		(50)	(12)	(38)	
Net Financial Position	H	**723,880**	**379,683**	**344,197**	**90.7%**
Shareholders' equity including non-controlling interests	I	**288,856**	**271,931**	**16,925**	**6.2%**
NET FINANCIAL POSITION AND SHAREHOLDERS' EQUITY	**L=H+I**	**1,012,736**	**651,614**	**361,122**	**55.4%**

The main changes in balance sheet assets during the year are explained for the most part by the change in the scope of consolidation following the acquisition of SIA Greece, SIA Slovakia and the latter's direct subsidiaries. In particular, fixed assets rose due to the inclusion of the acquired companies within the scope of tangible and intangible assets, as well as the recognition of consolidated goodwill equal to the difference between the purchase price and the net assets transferred. This goodwill has not yet been allocated at the reporting date, in compliance with IFRS 3, which provides a measurement period of up to 12 months in which to complete the purchase price allocation.

The foregoing is reflected in the significant increase in the Group's net invested capital, which rose by 55% compared to the previous year.

The Group's net debt rose considerably during the year, with the net financial position up from roughly €380 million as at December 31, 2017 to around €724 million at the end of the current year. The extraordinary acquisition of the companies SIA Greece and SIA Slovakia from First Data Corporation, completed on September 28, 2018, entailed the renegotiation of the loan agreement outstanding at that date, for a residual amount of €390 million, which had been taken out to finance the acquisition of P4cards and PforCards in late 2016.

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On September 28, a new loan for a total of €775 million was disbursed by a pool of leading banks with better economic conditions than the previous one, which was fully extinguished. The new loan includes 3 lines: the first is fully amortizing and for €390 million, the second is a bullet line of €185 million and the third is a "bridge to equity" bullet line for €200 million, which must necessarily be repaid in full in the case of a Stock Exchange listing. The amortizing and bullet lines have a contractual duration of five years, while the bridge to equity line matures on May 31, 2019. The contract allows for an extension of the maturity of the last line to the same date as the other two in exchange for the payment of an extension fee. The agreement also calls for the granting of a revolving line of credit of €50 million, currently unused, also for a contractual duration of five years. All lines of credit bear interest at a floating rate (Euribor+spread) and are subject to customary conditions for transactions of this type. On December 11, 2018, hedging agreements were finalized with the banks participating in the lending pool covering the risks of fluctuation of the floating interest rates on the amortizing and bullet lines, which provide for a swap of the Euribor floating interest rate with a fixed market rate set up at the date of the contract execution.

The derivative contracts mirror the conditions and maturities of the loan, and the notional amounts of each contract correspond exactly to the shares disbursed by each bank participating in the pool on the two lines, guaranteeing complete coverage of interest rate risk.

The financing agreement provides for drawing up covenants, in the terms normally accepted for these types of transactions, based on profit level and financial indebtedness indicators, fully complied with as at the reference date.

Thanks to the positive contributions of the consolidated companies, the Group's capital has been strengthened, with the shareholders' equity as at December 31, 2018 rising by around €17 million compared to the previous period. In the course of 2018, the parent company SIA distributed dividends totaling €59,970 thousand, while in 2017 dividends of €44,549 thousand were distributed.

PERFORMANCE BY BUSINESS SEGMENT

The performance of the Group is presented here for homogeneous business segments, which correspond to an equal number of business areas in compliance with the 2019-2021 Plan:

- **Cards**, groups together the activities related to management of payments with payment / debit cards;
- **Payments**, groups together the activities related to electronic payments that do not include payment/debit cards;
- **Institutional services**, groups together the payment clearing and settlement services and those for financial market services.

The presentation of data and information by segment simplifies the reading and interpretation of the performance and allows a comparison with the performance of the main business indicators of the reference markets. This combination, representing the business segments intended as services offered in line with the management view as well as the Plan, is also enhanced by the perspective of homogeneous segments of customers, as discussed at the beginning of this document.

"Cards" segment

Cards segment issuing and acquiring transactions rose by 18.1%, leading to around 7.2 billion transactions managed. The increase is due in part to the acquisition of the First Data business activities in South-Eastern Europe in October 2018, but also to the development of the business on a like-for-like basis, where the growth was supported by the increase of transactions on the International Debit circuits (Maestro and Visa Electron/ Vpay) which confirm, by a +24.7% rise, the market trend of recent years. ATM withdrawals and purchases made on POS terminals with debit cards on the national circuits (BANCOMAT and PagoBANCOMAT) decreased by 1.7%, while credit card transactions registered 16.4% growth. Lastly, prepaid cards are seeing renewed growth of +10.1% versus 2017. Also on a like-for-like basis, the managed cards portfolio grew by 0.5%, whereas the portfolio of managed retailers showed 7.2% growth.

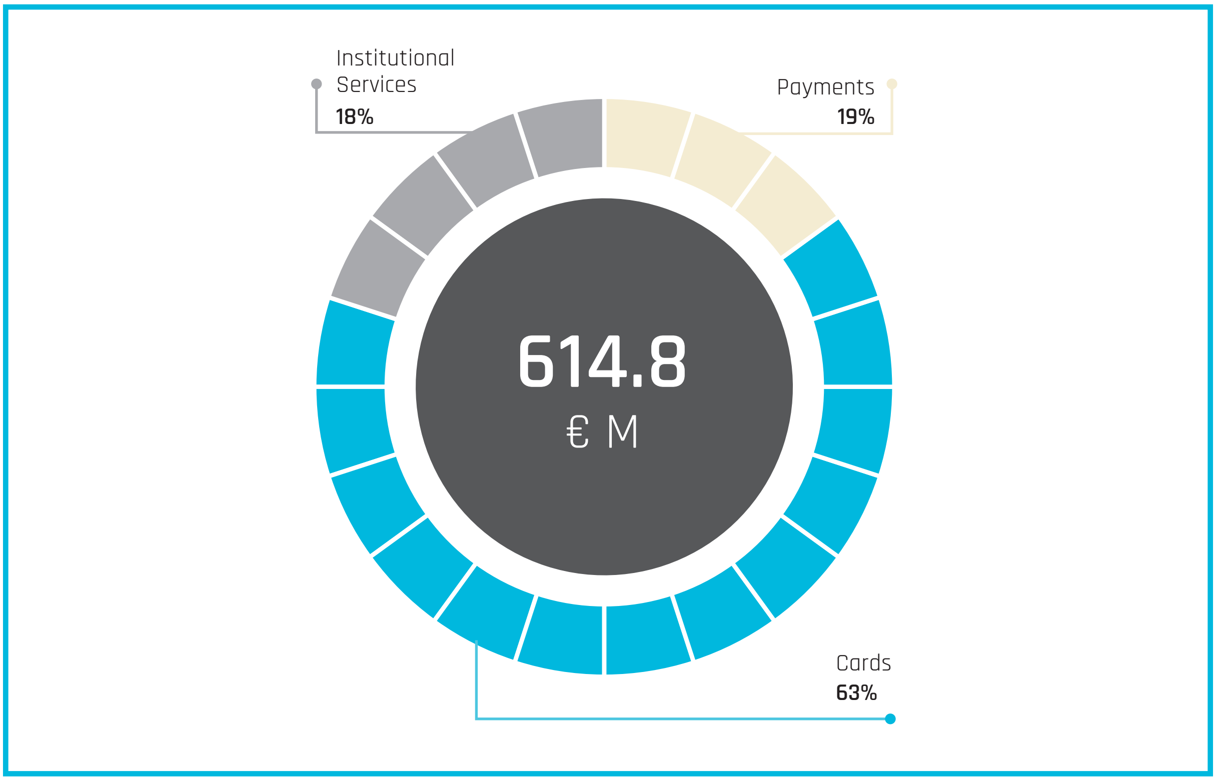
Thanks to this trend and to the renewed growth of consumer spending following a deflation period, in the cards segment, in 2017, SIA has increasingly positioned itself in the market as an "Adviser", i.e. as a reference point capable of offering turnkey solutions that are complete and customized on the basis of the needs expressed from time to time by the individual customers.

In 2018, the new PowerCard platform based on open technologies was activated for Card Processing, with the issue of the first credit cards by SIApay on behalf of third party customers. The new flexible, resilient Issuing solution with integration capabilities offered through the PowerCard platform is the result of the market experience gained by SIA over time and combined with more cost-effective and flexible infrastructure.

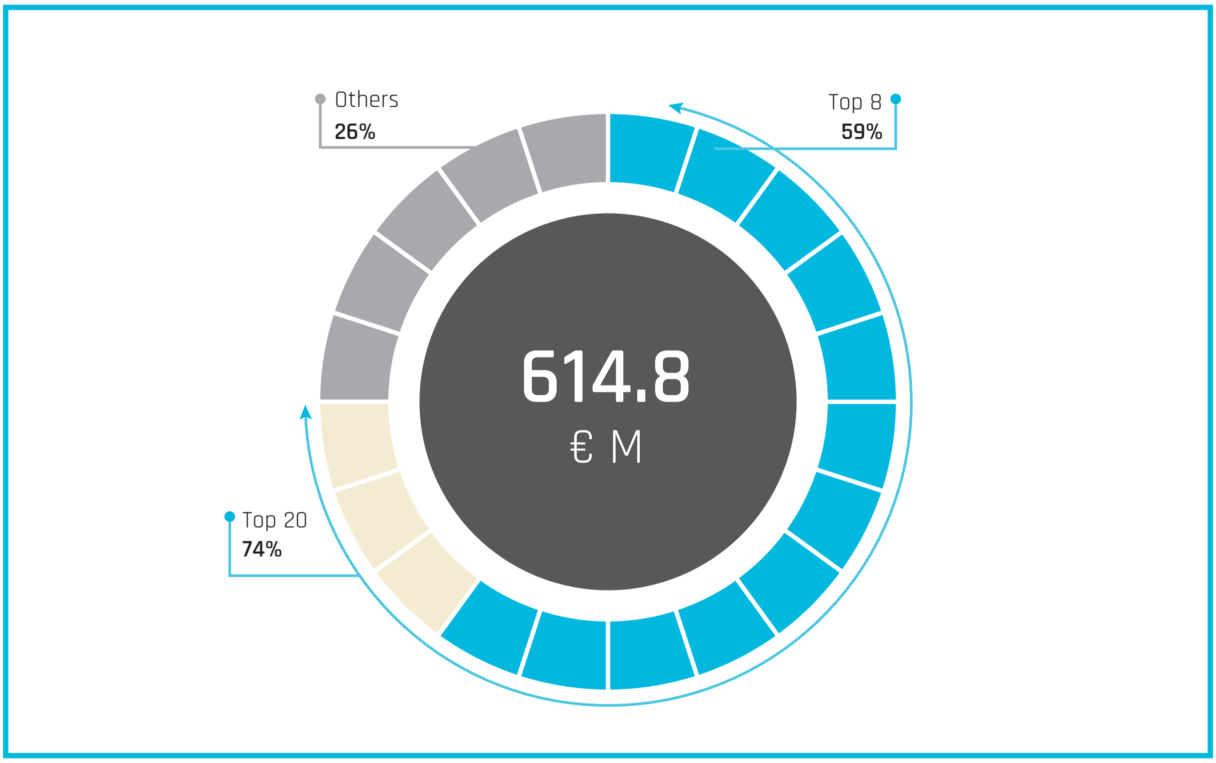
With the PowerCard platform, it is possible to:

- manage all payment card related functions;
- route transactions through an innova-

Revenues by segment



Structure of revenues by customer relevance



tive front-end to international circuits or other systems;

- manage 3DSecure e-commerce transactions.

During 2019, the first corporate customers will be granted access to that system and customers present on other platforms which accept the opportunities offered by this new solution will begin the migration process.

In line with its mission of innovation, SIA has introduced new functions on its Virtual POS in order to stand out in terms of its commercial offerings and increasingly satisfy the flexibility and customization requirements of existing customers and boost market share in segments that are not yet saturated (food, luxury and travel). The new functions available in 2018 include the introduction of new payment tools such as Amazon Pay, Apple Pay, Samsung Pay and Google Pay, which provide a better customer experience to consumers. In addition, in the capacity of Applications Center, the first phase of the BANCOMAT S.p.A. project for the digitalization of BANCOMAT cards on SamsungPay was completed.

As regards the acceptance network, alongside Alipay the WeChat payment service was also developed. In addition, the offer of terminals was enriched with the smartPOS line which benefits from the Android operating system to make value-added services and support for the extension of the customer's digital journey available to private parties and merchants alike.

The continuous updating required by the market, from compliance with international circuits to adaptations to security requirements for e-commerce transactions, as well as compliance with the PSD2 regulation, have enabled SIA to win a call for tenders at European level with one of the main European telephone operators in the market for the creation of a payment hub and multi-channel transaction management. SIA acts as the technological hub by linking the company's IT system with the various parties responsible for authorizing payment transactions and provides the company with daily accounting reporting flows.

In parallel, SIA has also further developed its technological solutions that mitigate risk on all fronts: for issuers, acquirers and merchants. In particular, in the last year merchant defense has been strengthened, integrating the anti-fraud solution directly with SIA's VPOS, which manages the specific characteristics of the product sector of certain merchants and achieves levels of excellence in the dynamic profiling of card holder purchasing behaviors.

Also within the scope of value-added services, in the last year SIA updated its value chain in the world of authentication, further developing its Access Control Server (ACS)/3D Secure solution from version 1.0 to version 2.0, with a development plan in line with the timing expected by the MasterCard and Visa circuits.

To complete the transition to version 2.0 of 3D Secure, SIA also began offering the Risk Based Authentication (RBA) solution with two variants: 1.0 and 2.0 to work in perfect symbiosis with the corresponding versions of 3D Secure. The plan for releasing RBA in version 2.0 is also aligned with the timing of the MasterCard and VISA circuits and will enable SIA's customers to improve the online purchasing user experience of their cardholders by reducing the number of strong authentication requests, replacing them with a frictionless approach and, in conclusion, favoring a decline in the shopping cart abandonment rate (also in line with the requirements of international circuits).

Continuing along the path of growth that aims to affirm its leadership at European level in the electronic payments sector, in the course of 2018 SIA signed an agreement for the acquisition of First Data's activities in Greece and in several Central European countries, primarily Croatia, the Czech

Republic, Hungary, Romania, Serbia and Slovakia, becoming the top player in processing and services in the area.

In 2017, these activities generated total revenues of roughly €100 million. SIA's acquisition regarded card processing and production, call center and back office services relating to in excess of 13 million payment cards and 1.4 billion transactions, as well as the management of more than 300,000 POS terminals and 6,500 ATMs.

As regards organic commercial development, 2018 saw the Group continue with its activities for developing its presence in Europe. In Poland, a Fintech company signed a letter of intent for the implementation of credit card issuing and acquiring services and the associate SIA Central Europe received orders for the acquisition of POS terminals from two customers. Also in Poland, a contract was signed with a payment institution for the provision of card issuing and acquiring processing services in Poland and other Eastern European countries. SIA Central Europe in Hungary received a letter of intent from an acquirer which provides POS and online payment services for the provision of acquiring services. Also in Hungary, a contract was signed with Budapest Bank for the provision of card issuing processing services. The bank's portfolio was migrated and the system was activated in October.

In Germany, the project and service contract was signed with an important regional financial institution belonging to Sparkassen-Finanzgruppe. The contract calls for the supply of credit card issuing processing services and complementary value-added services such as connectivity, business intelligence, electronic archiving, fraud prevention, the production of letters and account statements and back office activities. Also in Germany, SolarisBank, to which SIA provides issuing services, concluded the certification for Visa circuit cards, in addition to MasterCard. Lastly, an agreement was signed with a Maltese bank for the provision of credit and debit card issuing services.

During 2018, the Corporate customer segment confirmed the need for highly reliable and high performing outsourced services relating to the issue and acceptance of e-money. SIA's capacity to convey strong cybersecurity skills and support initiatives for the retail market has contributed to its acquisition of new projects with multinational telco companies that operate in the market with a multi-channel approach.

The year 2018 bore witness to the role of SIApay as an enabler of issuing and acquiring services to support captive financial institutions in the mobility sector. The end-to-end infrastructural and financial services provided by SIApay enable corporate customers to simplify the creation of new offer models. The service of the subsidiary SIApay for the management of POS terminals on commercial networks indeed saw the consolidation of the customer pool and the acquisition of a new customer for the supply of latest generation terminals (Android POS).

In the petrol area, the subsidiary P4cards strengthened its reference role at national level, confirming its partnership with the three main market players, one of which is international in scope. In this sector, the first partnerships were also launched in the area of electronic invoicing, in compliance with the most recent legislation.

In public transport, in 2018 major municipalized companies started to adopt SIA's solution based on a technological infrastructure that allows transport companies to offer quick and secure access to the means of transport and simultaneous payment for tickets using contactless bank cards or NFC smartphones. In this solution, SIA acts as the technological hub connecting the IT system of the company, the acquirer and the acceptance terminals.

The architecture created also enables other types of mobility-related services (e.g., parking lots, car sharing, fines). The solution was used more than expected, confirming its ease of use, especially in the tourism and business mobility segment. The main experience is in Milan in collaboration with the local public transport company ATM, where the service began operating in late June 2018. At the end of 2018, 2.9 million trips were paid for using this service with more than 1.8 million c-less cards.

“Payments” segment

In 2018, the payments segment saw a -2.4% decline in volumes, leading to volumes managed of 3.1 billion. Against a strong increase in volumes of Gateway services (+10.3%) and a notable rise in volumes of Mobile Payments with Jiffy (+79.3%), there was a reduction in Secure Messaging (-16.2%) and Payment Factory (-8.7%) services, while SEPA Applications Center volumes were basically stable (-0.8%).

Instant Payments represent the most significant change on the global payment scene and are expected to be the basis for the development of payment services in the next few years. In 2018 there was a slow start-up period, with a subsequent phase of acceleration: a good deal of interest on the part of banking institutions, but transaction volumes have not yet reached expectations.

In 2018, SIA, thanks to EasyWay, offered to banks a faster “go to market”, thus significantly reducing risks and investments while supporting the new EPC SCT Instant Credit Transfer scheme and integrating with the first Pan-European clearing platform for instant payments, RT1 of EBA Clearing. The SIA solution is open to all channels used by Payment Service Providers (PSP), ensures a steady service availability and provides a basic offer that may be integrated with several value-added services.

In fact, one of the elements of discontinuity introduced by instant payments regards fraud monitoring, which previously did not need to take place instantaneously for payments. The adoption of an instant anti-fraud solution supported the development of Instant Payments and the SIA EasyWay solution.

In 2018, the service of the first customer that launched the solution in November 2017 was consolidated and another four Italian credit institutions were acquired and started the service; the evolution to allow for a connection to TIPS as well is also of interest.

“SIA EasyWay” operates as a hub, simplifying the integration of Instant Payments with the internal systems of Financial Institutions while reducing the costs and times for the activation of new services. This is made possible thanks to an end-to-end service that covers the entire payment chain: from the order (order management) through all the channels used by banks and payment service providers - e.g. mobile, internet, points of sale, etc. – to management and processing of the transactions (business process) and up to the network connections (access gateway) for the purpose of helping the Financial Institutions and the PSPs in adopting and managing the SEPA instruments (such as SCT bank transfers and SDD direct debiting), the Instant Payments and more in general the new open banking scenario.

In instant payments, SIA’s offer is complemented by secure messaging services. With its proprietary network solution named SIAnet, SIA guarantees direct, secure and ultra high speed connections between participants and market infrastructure thanks to a new technology developed to guarantee extremely low latency and maximum security.

The SIAnet network was the first to allow connections between banks and EBA Clearing’s RT1 platform (November 2017) and in June 2018, it was the first to obtain the certification as a connectivity solution for the nascent Instant Payments infrastructure developed by the ECB named TIPS (TARGET Instant Payment Settlement). The commercial campaign linked to Instant Payment network solutions obtained a series of significant results: indeed, the SIAnet network was selected by a large number of national and international operators.

In 2018, the introduction of the Payments Service Directive 2 (PSD2) initiated the process of entry into the payment market of new players, including non-banking ones, called “Third Party Payment Services Providers” (TPP). In this context, the “SIA EasyWay” platform was implemented by introducing the Open Banking Platform module and in the last part of the year, it was adopted by a number of banking institutions to guarantee regulatory compliance. The first projects were also initiated in collaboration with some major TPP candidates in order to take advantage of the opportunities arising from the development of new services. Scouting activities have also continued along with the signing of agreements with fintech companies that can create, in collaboration with SIA and using EasyWay, a PSD2 compliant ecosystem that enables new businesses.

The recent introduction of the PSD2 has provided new business opportunities for companies that make their relationship with customers their main element of differentiation in the market. Within this scenario, the Group was selected by two important market players, in the utilities and retail segments, to support them in implementing projects based on digital wallet and innovative payment tools.

The key element of SIA’s value proposition was the capacity to cover the entire regulatory and planning process for the development of an offer based on innovative collection and payment instruments.

In this regard, the support of the subsidiary SIAadvisor contributed substantially to complementing the Group’s offerings and distinguishing them with respect to top customers in a range of industries. In particular, the role of preferential partner for payment and e-money institutions has been maintained, as, to complement traditional technological services, it provided operating advisory services to check regulatory requirements, define the processes required by supervisory authorities and manage administrative and control activities.

As concerns payment initiation services, the Multinetwork offer for the centralized management of interbank transactions at domestic and cross-border level continues to be well received; at the same time, the market has started to express strong interest for Instant Payments and the new services set forth in the PSD2. Gateway services between companies, banks and commercial channels have also posted consistent volume growth, particularly thanks to the contribution provided by payment services routed through the PagoPA circuit by the public administration node.

The system initiatives to improve processes between citizens/ businesses, banks and institutions include the EasySIOPE, Electronic Invoicing and EasyPA initiatives, which support the adoption of the central SIOPE+, Exchange System and PagoPA initiatives.

As concerns EasyPA, in 2018 collaboration was consolidated with important national financial operators to simplify the connection of local and central public administration entities to the PagoPA payments node, but the system is seeing slow adoption by the public administration, especially in terms of collection volumes routed through the node.

The SIA solution, EasyPA, which allows consumers and companies to make electronically all payments to the public administration and to the managers of public utility services, is a firm reference in terms of security, number of participating Entities, transactions carried out and simplicity of installation.

The offer is integrated with the new service for the automated management of F24 tax return collections through the presence of a univocal digital identification code public bodies can use to manage the entire process in an integrated manner, from the phase of issuing to that of reporting the F24s, and the public can use to make the payments due in a faster and more simplified way. This is possible through agreements with a large number of parties which in the issuing phase populate the F24 archive connected to bank channels/branches in a manner analogous to traditional Gateway (Fastbank) services to digitally recover information from the F24.

As regards the entry into force of the SIOPE+ System (which facilitates the monitoring of a complete cycle of revenues and expenses, thus forcing the public administration bodies to order collections and payments with their own treasurer or cashier exclusively through electronic payment orders issued in compliance with the AgID Electronic Orders standard), in 2017 SIA developed a new service that allows local public bodies and treasury banks to carry out a simplified and monitored management of the exchange of digital flows provided by the SIOPE+ system, from and to the Bank of Italy, manager of the system on behalf of the Ministry of Economy and Finance. In 2018, SIA successfully concluded the activation of a number of banking institutions, centralizing on behalf of the banks the A2A technical exchange with SIOPE+ and sending roughly 22 million messages and around 1 billion calls to the Bank of Italy's central systems throughout 2018. SIA has also supported more than 500 public administrations in joining the system and is continuing to support the public administrations expected to be certified in 2019 (universities and smaller entities).

As regards electronic invoicing, to facilitate merchants, companies and financial institutions that issue invoices in adapting to the new regulation which extends the electronic invoicing obligation to all parties with a VAT number based on a specific schedule, SIA has updated and integrated its payment and card solutions with digital invoicing and storage services for the main distribution network participants with regard to other interested parties.

The expansion of participation made it necessary to extend the traditional service so it can be adopted through an app-based circuit that can be integrated with the POS and operating system network: the FatturAmica circuit was created based on an app that a VAT number holder and merchant can use to initiate the issue of an invoice following a purchase. Adoption at the end of 2018 was focused on the Petrol segment to cover the requirements of those who did not intend to begin using fuel cards on January 1.

Positive steps were taken with the introduction of the new Check Image Truncation (CIT) service, started in 2016 by the Bank of Italy that allows banks to send electronic images of checks, instead of paper copies. SIA developed the new Applications Center service in continuity with the provision of the standardized procedures currently used, allowing subscribers to present checks in electronic form for payment. The CIT clearing service of the SIA Applications Center is offered with network connectivity through SIAnet for the routing of traffic and manages all flows required by the reference application standard. In 2017, a sales campaign was started for the supply of Secure Messaging services in support of the new CIT service. This procedure was activated at the end of January 2018, resulting in a significant increase in traffic volumes on the SIAnet network. The start of the new procedure required changes on all network infrastructures, both at central and at customer level.

In terms of B2C services provided through the subsidiary Ubiq, the interest of top brands (like Coca-Cola and Barilla) in the Ti Frutta initiative was confirmed; however, it has not yet met the business objectives established in the plan. The gaining of digital marketing and other skills has in any event enabled Ubiq to acquire new loyalty projects with the Brands Industry which markets products in the retail market.

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In terms of digital payments, the Jiffy service - SIA's solution that makes it possible to transfer money between individuals in real time and make payments from the user's checking account - has seen an increase in the number of participants as well as end users; 2018 closed with 150 participating Banks and 5 million registered users. Thanks to this drive, transactions rose considerably, although they still remain limited in absolute value. Acceptance network development has focused on small merchants without POS terminals and on large-scale retailers with some large players like Carrefour and IPER. In order to pay, the customer uses the Bank's App to scan a QR Code shown on the POS connected to the cash register and authorizes the transaction by entering a PIN or biometric authentication in the Bank's App or the white label Jiffy App. The payment is made in real time through the connection to the Jiffy platform and the receipt is printed.

In 2018, the first online merchant capable of offering Jiffy payments was also activated. The Jiffy button was released on the website of the Hera group, a major Italian multi-utility company.

Within this e-commerce scenario, the payment experience is very simple and fast, since the customer simply needs to enter their phone number in the merchant's website and authorize the payment on their App using a PIN or biometric authentication. If the merchant enables the saving of user data, it is not even necessary to enter a cell phone number, thus creating a "one click" user experience to complete the payment.

During 2018, SIA and BANCOMAT S.p.A. finalized a strategic agreement to create the new BANCOMAT Pay® service, released and launched on January 1, 2019. The agreement calls for SIA's provision to BANCOMAT S.p.A. of the Jiffy technology to support the digital evolution of BANCOMAT's offers. Based on this agreement, all BANCOMAT participant banks can offer the new account-based BANCOMAT Pay mobile payment service to all BANCOMAT cardholders (more than 37 million).

In the course of 2019, the banks will progressively update the brand and the contractual relationship with customers to align it with the new BANCOMAT Pay® service regulation and in the meantime, the 5 million Jiffy customers can continue to use the current service, which retains the same characteristics in terms of user experience.

The agreement relies on the synergies between Jiffy's innovative technology and the recognizability of a brand like Bancomat that is extremely widespread in Italy, to rapidly increase the use of the new payment service.

"Institutional Services" Segment

In 2018, the Institutional Services segment also confirmed the growth trend in managed volumes: transactions managed rose to 14 billion, up by roughly 6.7% over the previous year. The positive trend of volumes managed by the pan-European platform for the regulation of SEPA payments (STEP2 of EBA Clearing, of the Euro Banking Association) was confirmed; compared with 2017, the SEPA SCT bank transfers grew by 5% and the SEPA SDD collections by 3%. SIA has guaranteed excellent service levels, reaching 100% availability of the service to EBA and its customers for the sixth year running.

The strong interest by many operators in solutions guaranteeing the real-time settlement of retail payments, referred to as "instant payments", was further confirmed in 2018. This type of payment provides significant support to the increasingly widespread use of payment methods on mobile platforms as well as the development of e-commerce. In this area, in November 2017 SIA launched the first pan-European infrastructure supporting new instant payment services on behalf of EBA Clearing. The infrastructure complies with the European Payments Council (EPC) SCT Instant Credit Transfer Scheme and is in line with international standards for real-time payment messaging (ISO 20022). In 2018, the service managed 10 million transactions, guaranteeing the reachability of nearly all PSPs participating in the SEPA SCT Instant Credit Transfer scheme.

Also in 2018, the offer portfolio of solutions applicable to Central Institutions was complemented with the addition of a product for the processing of Instant Payments integrated natively with the RTGS product.

During 2018, the portfolio of customers using SIA solutions was expanded. In particular, the new RTGS and Instant Payments System were awarded by the Central Bank of Iceland and the new CDS and CMS systems (Collateral Management Systems) by the Egyptian Central bank. In addition, planning activities were started or continued for new customers as follows:

- RTGS system for the Central Bank of a European country;
- CSD Equities system for a CSD of an African country.

Lastly, SIA took part in two international tenders for solutions concerning payments issued respectively by a Central Bank in the American area (RTGS) and by a bank in the European area (Instant Payments).

The year 2018 was again characterized by SIA's continuous role as the technological partner of the LSEG group (London Stock Exchange Group), in supporting MTS and Monte Titoli with the development of new business functions and maintaining levels of excellence in the technological services provided (average availability of Monte Titoli services 100% and MTS services close to 100%). With respect to MTS, the first half of 2018 was primarily characterized by activities intended to perfect and maximize technological adaptation to the MiFID II regulations, while in the second half of the year the focus was mainly on the simplification and streamlining of methods for accessing the various markets according to approaches and technologies meant to improve and facilitate trading processes. In 2018, SIA carried out adaptation/functional and technical activities for Monte Titoli services in compliance with the Target2 Securities platform roadmap, as well as further service developments that were completed successfully with no impacts on operations.

In 2018, the new Market in Financial Instruments Directive II (MiFID II) regulations were applied throughout Europe for the purpose of consolidating the European financial market and offering increasing protection to the final investor. During the year, management and support activities continued for the Surveillance solution for Supervisory Authorities abroad. With regard to the market of financial intermediaries, the European trade development of the TODEAL technology, a leading platform for accessing the main government securities markets in Italy and abroad, and of SIA EAGLE, as an integrated technology for trade compliance of capital market transactions, were consolidated. Particular attention was paid to strengthening and expanding the SIA EAGLE monitoring range in order to also include unstructured information (in addition to the more traditional financial transactions) such as phone calls, emails and chats, which have been highly useful in identifying possible abusive behaviors with greater certainty.

In 2018, SIABookBuilding commercial development activities also continued: this is the new application for the management of the IPO process which allows financial operators worldwide to manage the various types of transactions on a single platform, by simultaneously using the data of leading info vendors, and to access advanced functions for order collection, document management, compliance activity monitoring and report generation. SIABookbuilding was also used in Italy in 2018 for several placements on the AIM market.

At the end of 2018, the offer portfolio on the Financial Ring provided connections to 44 Trading Venues, in line with the previous year. There were also further developments in the new

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housing and co-location services in the data centers of Milan, Rome, London, Frankfurt and New York where customers were offered an innovative integrated suite of technology solutions to support high frequency trading, making use of the technological proximity to the main trading platforms.

In the trading sector, SIA has integrated the new liquidity hub services and focused on innovation in the international IPO market and on the Analytics services applied to the development of the Capital Markets business. In the course of 2018 SIA completed the project for implementing the "SIA Collateral Management System" for central banks and CSDs at the Central Bank of Egypt. In the post-trading arena, scouting activities were carried out to support the new contingency service offering for access to "SIA T2S Contingency Service" settlement, taking advantage of the experience acquired with T2S. Activities were also initiated to build a collateral management platform following the assignment of European funds for innovative services.

Lastly, the position of SIA as the Network Service Provider of the European Central Bank for the access to T2S has attracted the interest of important customers, Central Banks and CSDs, which have chosen the SIAnet solution to connect to the new European platform for securities transaction settlement. The success of SIA's system has spurred the development of accessory services to the basic network service, reconfirming the interest of the financial market for multi-provider solutions.

Internationally, agreements have been signed with two leading international banks, the first for access to MTS placement services on SIA infrastructure in Italy. The second regards access to Eurex in Frankfurt and the NYSE in New York, through SIA's infrastructure in London. A major French group signed a contract for the provision of the EuroMTS Proximity service through the SIAnet network.

Agreements have been drawn up with two important banks in the United Kingdom and the United States for direct access to EBA Clearing's RT1 platform using the SIAnet network.

On the whole, the network traffic on the SIAnet infrastructure increased by 53% over the entire managed infrastructure, reaching about 120,000 GB in traffic over 1,000 kilometers of network connection with a steady 100% availability.

2018 was also the year of the activation of the new network infrastructure in support of applications with Blockchain technology. This new infrastructure, called SIAchain, offers to a number of communities of users a secure and protected operating environment for the secure management of applications developed with the most modern Blockchain technologies, thus guaranteeing a structured and shared governance environment. The improvement and simplification of the processes, the optimization of the management costs and infrastructure investments, the sharing of technological knowledge and expertise are the main elements that have led to a growing interest in the disruptive phenomenon of blockchain.

Thanks to the private SIAchain infrastructure, which is able to rely on around 570 network nodes in Europe of SIAnet - the high speed, low latency fiber optics network that extends over more than 186,000 kilometers - a series of business applications will be launched and made available in which Distributed Ledger Technology (DLT) represents an emerging innovation to meet the needs of specific communities of registered and approved members. SIA also guarantees the organization of these communities in a context of transparency, confidentiality and security.

In this respect, in the course of 2018 SIAchain was selected by ABI Lab as the platform for the production trial of the new "Spunta Banche" ("bank reconciliation") interbank procedure which will be activated in 2019 for the entire Italian banking community at the end of a full load performance certification process and the review of ABI self-regulation on the reconciliation process.

SIAchain was also selected for a specific stream of a research project financed by the European Union which aims to develop a security framework to control critical infrastructure of the European financial system. Thus, the level of security of a hypothetical Digital Cash application in Instant Payment mode on Blockchain technology will be tested on SIAchain to identify the level of security of the infrastructure supporting the application.

In Belgium, SIA has joined the group of founding members of the IATBA (International Association of Trusted Blockchain Applications), led by the European Commission; IATBA will bring together all parties concerned which are committed to transparently promoting the interoperability, governance, legal certainty and trust in services made possible by Blockchain and Distributed Ledger technologies.

In 2018, technological partnerships were strengthened with the main producers and/or distributors of Blockchain/DLT technologies, and specifically with Consorzio R3 and IBM in their capacities as distributors of Corda Enterprise and distributor of the most robust solution on the market of Hyperledger Fabric, respectively.

PERFORMANCE OF THE GROUP COMPANIES

As described above, in 2018 the Group continued along its path of external growth by acquiring all shares in the companies SIA Greece (formerly First Data Hellas) and SIA Slovakia (formerly First Data Slovakia) on September 28, 2018. The latter holds the controlling interest in the companies SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia, while SIA Greece directly controls the company DMAN in liquidation.

The contribution of those companies to the Group's consolidated results is shown only for the final quarter of 2018.

Following this business combination, the scope of consolidation includes, aside from the parent company SIA and the companies mentioned above, the foreign subsidiaries Perago FSE, PforCards and SIA Central Europe, the Italian subsidiaries Emmecom, SIAadvisor, P4cards and Consorzio QuenIT in liquidation (the latter a direct subsidiary of P4cards), SIApay and Ubiq. In the third quarter of the year, the shareholding in Ubiq increased from 96.5% to 100%. All direct and indirect subsidiaries, with the exception of Consorzio QuenIT in liquidation (55%), are fully consolidated. SIA's shareholding in SIAadvisor is 51%, but based on an option negotiated with the shareholders, for the acquisition or sale of non-controlling interests within a future, predefined time window, it is consolidated line by line, in compliance with the provisions of IFRS 10. The adequacy of the carrying amount of the controlling interests recognized in the separate financial statements of the parent company and the goodwill recognized in the separate and consolidated financial statements following the business combinations in accordance with international accounting standard IAS 36, is checked at least yearly, and in any case, any time there is a sign that an asset may have suffered impairment (for the details, please refer to the accounting policies described in the Notes to the Consolidated Financial Statements for the year ended as at December 31, 2018). For all the items subject to impairment testing, the results confirmed the balance sheet figures, except for the amounts recognized in the separate financial statements of SIA S.p.A. for the companies Perago FSE and Ubiq, and the consolidated goodwill relating to Ubiq, for which it was necessary to reduce the recognized value.

Below is a summary presentation of the economic results for each Group company, as set forth in their consolidation reporting packages as at December 31, 2018 approved by their respective directors.

SIA S.p.A.

SIA, in addition to managing the holding activities of the Group, is also the main operating company in terms of both volumes and range of services to the customers. SIA, in the capacity of holding company, provides the companies of the Group with technological and administrative outsourced services, in addition to logistics services on the basis of contracts negotiated at normal market conditions.

In 2018, SIA recorded an increase in revenues, due to very positive performance in the Cards segment and a slight downturn in the Payments and Institutional Services segments.

Costs are aligned with the previous period and as a result the company increased its operating margins. During the period, the company benefitted from dividends recognized by a number of Group companies and, in particular, by P4cards (€25 million), which led to a significant increase in net income compared to the previous year. In 2018, revenues amounted to €411.9 million (€403.4 in 2017), the EBIT amounted to €97.4 million (€88.5 million in 2017) and net income stood at €84.6 million (€63.4 in 2017). At the end of the year, shareholders' equity was €273.9 million, including the profit for the period. For further details, see the separate financial statements of SIA as at December 31, 2018.

Emmecom S.r.l.

The company, with registered office in Turin, is 100% held by SIA S.p.A. and specializes in fixed, mobile and satellite telecommunications. Established in 2000, Emmecom integrates high-quality services from the main phone service providers, developing solutions for selected target customers, offering optimization of spending, certainty of savings (benchmark, reporting, consulting on fees) and completeness of the service (phone, internet access, value-added services, mobile phones).

In 2018, revenues amounted to €16.5 million (€15.4 in 2017), the EBIT amounted to €2.0 million (€1.6 million in 2017) and net income stood at €1.4 million (€1.0 in 2017). At the end of the year, shareholders' equity was €3.2 million.

Perago FSE Ltd

The company, with registered office in Pretoria (South African Republic) develops systems for Central Banks (including RTGS, CSD, Instant Payments) adopted by several Institutions worldwide for the automatic management of interbank payment transactions and management of government securities.

In 2018, revenues amounted to €4.6 million (6.1 million in 2017), the EBIT was negative at €3.9 million (positive €0.5 million in 2017) and the net loss was €4.0 million (net income of €0.8 million in 2017). The share capital amounted to 30,000 rand (corresponding to €2,000 as at December 31, 2018) and shareholders' equity at the end of the year was a negative €2.3 million. Pursuant to Par. 9, Art. 2427 of the Italian Civil Code, the parent company has stated its willingness to support the development of the company by meeting the related financial requirements. Based on the impairment test carried out at December 31, 2018, the carrying amount of the equity investment was written down by €458 thousand in the Separate Financial Statements of SIA S.p.A.

P4cards S.r.l.

The company, with registered office in Verona, was acquired on December 31, 2016 from UBIS, a company of the UniCredit Group. The operation was finalized with the acquisition of 100% of the shares of the company, to which, at the same time, UBIS transferred the processing of payment cards and the management of POS Terminals and ATMs in Italy and Germany. P4cards has also agreed to provide UBIS, by outsourcing for a period of ten years, processing services for the transactions carried out with debit, credit and prepaid cards and for the management of the POSs and ATMs of the UniCredit Group.

In 2018, revenues amounted to

€151.3 million (€135.0 in 2017), the EBIT amounted to €41.8 million (€38.8 million in 2017) and net income stood at €30.8 million (€28.3 million in 2017). Shareholders' equity is €83.8 million, including the profit for the period.

Consorzio QuenIT in liquidation

The equity investment in the company, which has its registered office in Verona, is held by P4cards and it has therefore been included in the consolidation perimeter of SIA at December 31, 2016 following the acquisition of P4cards from UBIS. P4cards's shareholding in Consorzio QuenIT in liquidation is 55%; the remaining shares are held by Infogroup Informatica e Servizi Telematici S.C.p.A. and Ingenico Italia S.p.A. The consortium was established to provide the services requested in a specific call for tenders issued by Eni S.p.A. On April 20, 2018, the Meeting of consortium members approved the dissolution and resulting placement under liquidation of the consortium, as the services will be provided to Eni directly by P4cards, making use of the products and services provided by Infogroup and Ingenico. During the period, the consortium recognized revenues of €705 thousand and it closed the period with a result for the year of zero (due to consortium activities) and shareholders' equity of €10 thousand. The carrying amount of the company in P4cards is €5.5 thousand.

PforCards GmbH

The company has its registered office in Vienna and was bought on December 31, 2016 from UBIS Austria, a company of the UniCredit Group, as part of the acquisition from the UniCredit Group of the processing activities related to payment cards and the management of the POS and ATM terminals located in Italy, Germany and Austria. The operation was finalized with the acquisition of all the shares of the company.

In 2018, revenues amounted to €3.5 million (€3.1 in 2017), the EBIT was negative at €1.1 million (€1.2 million in 2017) and the net loss stood at €1.2 million (net loss of €1.2 million in 2017). Shareholders' equity is €2.7 million.

SIA Central Europe Zrt.

The company, wholly owned by SIA, which bought it in 2007, has its registered office in Budapest (Hungary). It has a share capital of 177 million Hungarian forints (equal to approximately €551,000 as at December 31, 2018) and shareholders' equity, including profit for the year, equal to €6.5 million. SIA Central Europe, a payment system and payment card processing leader in Hungary, mainly provides financial institutions, corporations, and issuers and acquirers of payment cards with management services for ATM and POS terminals, transaction switching, fraud monitoring and other payment system services. In keeping with SIA's three-year Strategic Plan, SIA Central Europe's aim is to consolidate and expand the Group's presence in Hungary and across its key operating areas (Austria, Poland, Romania, Slovakia, the Czech Republic, Slovenia and Croatia) by offering innovative and competitive technological systems in the payments sector, for financial and corporate institutions, in compliance with European legislative requirements (SEPA, PSD, etc.).

Since 2012, SIA Central Europe has operated as a commercial hub for all services offered by the SIA Group in Hungary and in Central European countries.

In 2018, revenues amounted to €12.4 million (€11.1 million in 2017) and EBIT to €2.5 million (€2.1 million in 2017). The year ended with a net profit of €2.3 million (€1.9 million in 2017).

SIApay S.r.l.

This company, a wholly owned direct subsidiary of SIA, has its registered office in Milan. Established in 2009 and operating since 2010, in 2011 SIApay was authorized by the Bank of Italy and included in the Register of Payment Institutions.

The shareholders' equity as at December 31, 2018, which includes a share premium reserve of €600,000, was €8.3 million, including profit for the year. In 2018, revenues amounted to €12.8 million (€10.0 million in 2017), EBIT to €0.9 million (€1.2 million in 2017) and net profit to €0.5 million (€0.7 million in 2017).

SIA Slovakia, s.r.o.

This company has its registered office in Bratislava (Slovak Republic) and, along with its direct subsidiaries, provides issuing and acquiring services throughout Central and Eastern Europe. Its main services regard the management of roughly 50 thousand POS devices and around 4 thousand ATMs and card transaction processing, directly serving 50 customers and over 4 thousand merchants across 12 countries.

In the last quarter of 2018, following the acquisition by SIA in September 2018, revenues amounted to €10.3 million, the EBIT amounted to €4.4 million and net income stood at €3.5 million. At the end of the year, shareholders' equity was €21.6 million.

SIA Slovakia's direct subsidiaries are:

- **SIA Croatia d.o.o,** which has its registered office in Zagreb, and earned revenues of €570 thousand during the quarter, closing with shareholders' equity of €230 thousand.
- **SIA Romania Payment Technologies S.r.l.**, which has its registered office in Bucharest, and earned revenues of €19 thousand during the quarter, closing with shareholders' equity of €355 thousand.
- **SIA RS d.o.o.** Beograd, which has its registered office in Belgrade, and earned revenues of €550 thousand during the quarter, closing with shareholders' equity of €192 thousand.
- **SIA Hungary Kft.**, which has its registered office in Budapest, and earned revenues of €442 thousand during the quarter, closing with shareholders' equity of €1,095 thousand.
- **SIA Czech Republic, s.r.o**, which has its registered office in Prague, and earned revenues of €47 thousand during the quarter, closing with shareholders' equity of €158 thousand.

New SIA Greece S.A.

This company, which has its registered office in Athens (Greece), provides a complete set of payment and high value-added services throughout the payments value chain. The company, which has around 1,000 employees, manages 280 thousand POSs and 3 thousand ATMs in addition to offering card production and customization services (1.6 million customized cards) and managing back office and call center services (approximately 8.8 million calls managed). Its services reach 7 different countries in Eastern and Southern Europe. Its direct subsidiary is DMAN in liquidation.

In the last quarter of the year, revenues amounted to €13.3 million, the EBIT basically reached the break-even point and net income stood at €0.3 million. At the end of the year, shareholders' equity was €48.4 million. DMAN in liquidation closed the year with shareholders' equity of €415 thousand.

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Ubiq S.r.l.

This company, with registered office in Parma, is wholly owned following the acquisition in 2018 of the remaining shares (3.5%) from the non-controlling shareholders. Ubiq, a start-up founded in 2012 from a spin-off of Parma University, specializes in the design and development of innovative technology solutions for the promotion of branded products, in which it operates with the “Ti Frutta” App: consumers who purchase the products promoted online by the “Ti Frutta” App at any point of sale receive a discount in proportion to the amount spent. This acquisition is part of SIA’s strategy to grow as a technologically advanced company in the area of digital payments, also by acquiring innovative companies and distributing added-value services through mobile phones.

In the first half of 2018, the parent company SIA acquired the remaining shares (3.5%) from the non-controlling shareholders for a total of €120 thousand and made a payment of €850 thousand to cover accumulated losses. In 2018, revenue amounted to €0.5 million (0.7 million in 2017), EBIT was a negative €1.5 million (-€2.2 million in 2017) and there was a net loss of €1.2 million (-€1.8 million in 2017). At the end of the year, shareholders’ equity was €0.5 million. Pursuant to Par. 9, Art. 2427 of the Italian Civil Code, the parent company has stated its willingness to support the development of the company by meeting the related financial requirements. As at December 31, 2018, the impairment test was performed including the company within the Loyalty and Big Data business line, identified as a Cash Generating Unit (CGU). The test resulted in the recognition of an impairment loss of €2,828 thousand in the separate financial statements of SIA and of €1,402 thousand in the consolidated financial statements.

SIAadvisor S.r.l.

The company, with registered office in Rome, was acquired on January 13, 2016, with the acquisition of 51% of the share capital. On December 1, 2018, it changed its name from LM Enterprise S.r.l. to SIAadvisor S.r.l. The company is, however, fully consolidated, since it is believed that the outstanding derivative instruments (to be exercised until December 31, 2021) give SIA immediate access to SIAadvisor’s profits. Established in 2011, the Company specializes in providing consulting on Marketing & Sales, IT/ Operations and Organization.

Due to its close collaboration with the company, it is possible to meet the demand by SIA customers for support, implementation and development of their business strategy, providing specialist skills on innovative issues and creating potential market synergies.

In 2018, revenues amounted to €4.1 million (€2.7 million in 2017), EBIT to €1.0 million (€0.8 million in 2017) and net income to €0.7 million (€0.5 million in 2017). Shareholders’ equity at the end of the year was €2.3 million.

Associated companies

In the reporting period, also following the parent company's reduction of its shareholding, it was deemed that the Group is no longer capable of exercising significant influence over the company Trustlink Ltd, which was therefore reclassified to non-current financial assets. The only company over which the Group exercises significant influence is:

ATS S.p.A.

In December 2000, SIA acquired a 30% stake in ATS S.p.A., which has a share capital of €120 thousand. The company is a software developer, primarily for the banking and financial sector, and has been SIA's qualified partner for many years now. Its data for 2018 were not yet available at the date of approval of this document. The company closed the last three years with shareholders' equity of around €2.5 million and net income between €50 thousand and €80 thousand. For 2018, no significant changes are expected compared to previous years.

TECHNOLOGY AND INNOVATION

To effectively oversee activities and communications with customers, after the launch of the Production Control unit in 2017, with the mission of centralizing all service information from and to customers in the Cards area and making it multi-channel, in 2018 its purview was expanded to include payment services and customers.

In 2018, the P4cards services of Fraud Management, Acquiring Authorization, POS Terminal Manager, ATM Terminal Manager and Fuel Authorization were activated on the target platform in SIA. The launch of these services coincided with the introduction of new latest generation open converged platforms, selected for their high performance and reliability.

In 2018, the geographical Active/Active architecture also continued to be extended to open platforms, and after the RT1 EBA Instant Payment platform, Security Machine and Digital Couponing on Big Data services were activated, which were also able to fully benefit from the new geographical infrastructure.

This allows the Group to implement a selective Disaster Recovery policy by Technological Platform, Service or Customer as well as to reduce recovery time in the case of physical disaster at one of the two operations sites for the selected open platforms.

Lastly, the new open Issuing platform was activated in late 2018 with the issue of the first cards.

In 2018, migration to the new LAN was completed, allowing for high speed access (up to 100 Gbs) and supporting Active/Active solutions between the Milan operations sites.

The SIAchain 1.0 infrastructure was designed and activated based on the Corda blockchain solution used for the business use cases, including ABI Lab's Bank Reconciliation.

During 2018, migration to the SIA corporate network of the P4cards Romania and SIA Central Europe Budapest offices was completed. Following the activation in 2017 of the Instant Messaging network infrastructure (FEMS XS) which guaranteed SIAnet customers access to EBA's Instant Payments service, in 2018 the solution was further developed to ensure compatibility with the Eurosystem's Instant Payments solution (TIPS), obtaining the relative certification, and also interconnecting the two EBA and Eurosystem Instant Payment systems.

In the course of 2018, Italian system banks also completed the activation of the Check Image Truncation application based on the SIAnet network solution, enabling banks to transmit only images of checks to replace the previous service which required sending paper checks in the mail.

Cybersecurity

In response to increasing cyber threats in the financial sector, in 2018 initiatives continued to strengthen and consolidate security controls deployed with previous years' programs, also to apply them in compliance with the regulatory requirements that have arisen in the meantime.

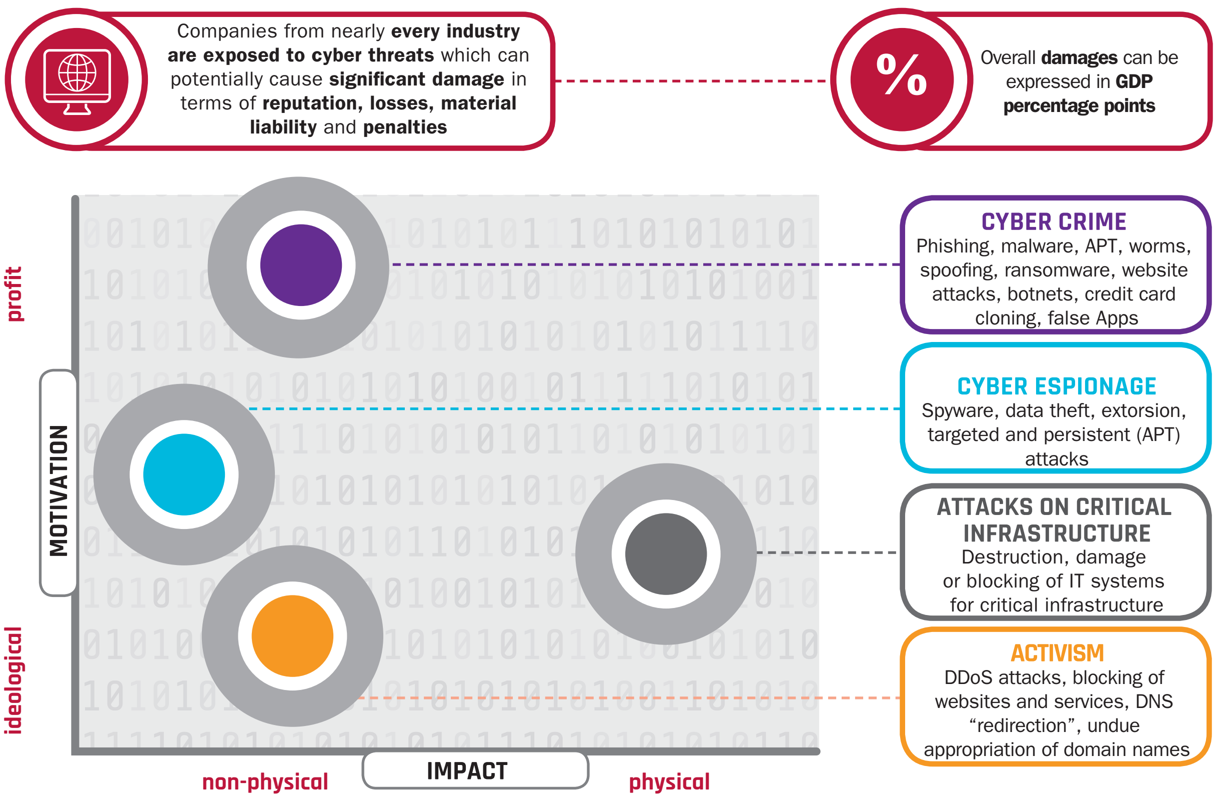
One of the most significant is the new European regulation on the protection of personal data, which made it necessary to adapt technical measures and operating processes in line with the relative provisions while also keeping in mind customer needs.

Other important factors this year included: the relevance in terms of security of the main business initiatives; active participation in customer relationships on cyber matters; the numerous new threat scenarios and important regulatory updates (e.g., Guidance on cyber resilience for financial market infrastructures). Within the scope of a financial ecosystem, external collaborations continued with the active participation in CERT Finanziario Italiano (cooperative initiative between banking and financial operators for the cyber resilience of the financial system) and participation in exercises at European level.

Lastly, security controls were strengthened considerably thanks to numerous technological implementations. From the technological perspective, security controls were reinforced through the implementation of initiatives on a range of fronts: *Identity and Access Governance, Privileged Access Management, Technical Compliance Monitoring, Information Sharing, Behavioral Analysis, Security Testing and Remediation.*

Finally, to boost the effectiveness of security initiatives, Security Awareness Computer-Based Training services were activated, focusing on improving the skills of company employees by also addressing aspects from the personal sphere (such as the use of social media), with a view to transferring best practices for the protection of company data.

The variable nature of cyber risk



RISK MANAGEMENT

The SIA Group acknowledges its own exposure to risks, which are heterogeneous and changeable over time, as well as the significant effects that these risks could have on its own operations, those of its customers, its payment system, the financial community and citizens in general.

The Group works to address the risks that could have negative impacts on the services provided, the products sold to customers and the events that could negatively affect the achievement of company results.

The SIA Group intends to combat and reduce to a minimum its operational, financial, compliance and reputational risks. It acts on customer business, cybersecurity, fraud management and business continuity processes. It pays attention to suppliers/partners and the security of people.

This objective is adopted by the group companies according to a principle of proportionality. Companies consider their specific operating characteristics, especially for financial risks and for those linked to customers and suppliers. SIA verifies compliance with that objective.

In its capacity as an eligible infrastructure for payment systems and financial markets, SIA is monitored by the Bank of Italy and the European Central Bank and has an Internal Control and Risk Management System, with which it prevents and contains the threats and vulnerabilities that can arise, thereby compromising its ability to extend its services. At least once every year, the Board of Directors is updated on the Risk Management System and on the SIA Group's risk target.

Risk management process

SIA senior management, aware of the type, nature and size of the risk to which the company is exposed, supports this process and defines the risk targets.

Developed on the basis of the international standard ISO 31000 and with account taken of the relevant instructions issued by the Bank of Italy, the SIA risk management process:

- was updated in accordance with the new version of the ISO 31000:2018 standard
- aims to pursue the objectives and protect the values of the company
- is an integral part of the organizational systems and company processes, the initiatives currently being defined and the services provided
- addresses conditions of uncertainty and threats and is a component of the corporate decision-making processes
- is pursued systematically, in a structured, swift and fully documented manner
- considers the human factors, perceptions and cultural aspects that could facilitate notifications regarding risks and impact assessments
- is periodically reviewed to ensure that it corresponds with the corporate objectives overall.

From the organizational perspective, SIA is organized with three lines of defense which call for:

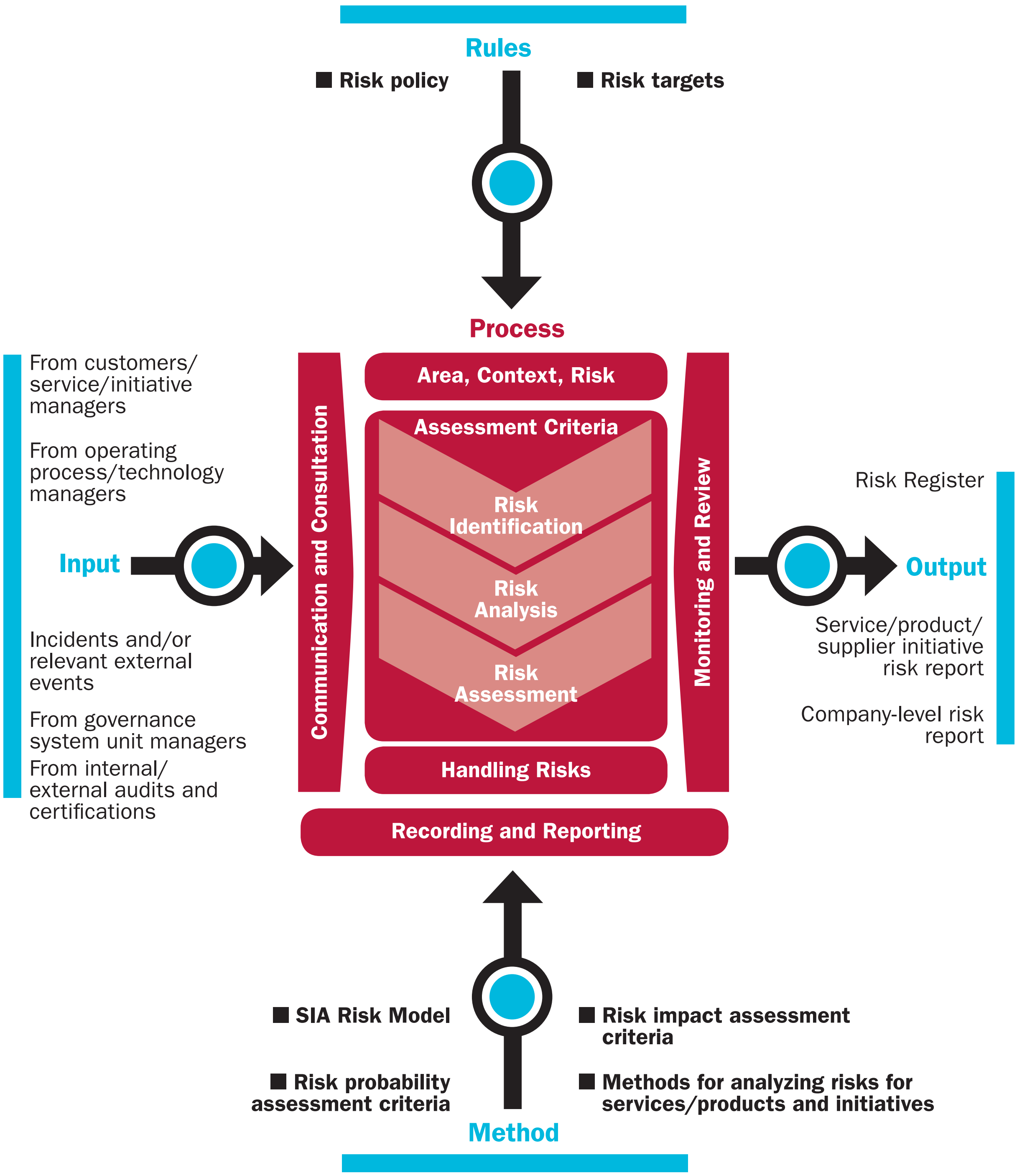
- company organizational structures which identify, govern and control the risks within their respective areas of competence
- the Risk Governance department, which is responsible for second-level risk control and the governance of compliance, business continuity and privacy systems. This Department reports to the Chief Financial Officer, part of the CEO's staff
- the Internal Audit Department, which

ensures third-level control over corporate risks and operates independently, reporting to the Chairman's Office.

SIA also relies on:

› a "Risk Committee", chaired by the Chief Executive Officer with the main persons that report directly to the CEO and the Directors as participants, which assists the Board of Directors in the risk governance process
› a "Risk Team" composed of "risk contacts" who operate in their particular areas of competence, the purpose of which is to supervise and monitor identification and analyses of risks and the plans identified for the handling of such risks.

The risk management process in the SIA Group



Main activities in 2018

The main activities in 2018 at Group level were:

- updating the risk target and risk policy;
- monitoring the risks associated with the most significant business initiatives;
- updating the service and product risk profile;
- monitoring IT, technological and security risks;
- evaluating the contractual risk that the SIA Group faces vis a vis its own customers and suppliers;
- reinforcing the risk culture with the appropriate training solutions.

Information on the main risks is provided below.

Operating risk of new initiatives

The SIA Group is strongly committed to developing new initiatives and technological solutions, to respond promptly to the demands of customers and anticipate their developments.

The SIA Group manages the risks arising from new initiatives by assessing the impact of the new solutions from their very first stages (by-design).

Dedicated tools are used to identify and assess risks, including special DPIAs (Data Protection Impact Assessments) introduced in 2018 for specific initiatives that entail personal data processing risks.

Operating risk in the services provided

SIA continues to monitor the risks associated with its activated services. It uses a risk analysis checklist for the services provided, developed based on discussions within risk culture programs. This instrument is applied to evaluate the services with the greatest risk, those potentially causing systemic risks and those subject to compliance restrictions.

The Group Companies, particularly SIApay, P4cards, PforCards and Perago FSE, have also carried out significant actions to standardize the methods used to evaluate and deal with service risks.

It should also be noted that the ISO 9001 Quality Controls conducted on services were also risk-oriented.

Technological risks

SIA has monitored the risks inherent in new technologies, adopted within the various segments in SIA, including the new open technology processing platforms for issuing and acquiring, mobile payment systems for contact list payments via smart phones, instant payments and services based on Business Analytics.

The control of the changes and the transfer thereof to the production environment are carefully monitored to avoid effects on the services provided. The test procedures and the test environments are monitored to minimize implementation risk.

The changes in the technology environment and the corresponding investments are carefully planned and managed.

SIA monitors the services and the technologies acquired from third parties, selecting suppliers according to rigorous criteria and asking that they comply with its operating procedures, as well as monitoring the levels of the services acquired.

Operating risks for suppliers and partners

SIA has a supplier risk management process and criteria to identify suppliers to be subjected to analysis and risk assessments.

Risk assessments are performed on suppliers identified by SIA and the subsidiaries, followed by on-site visits in certain cases.

Compliance risks

The SIA Group is subject to international and local standards in the various segments of its operations.

SIA is subject to the surveillance of the European Central Bank, pursuant to the European Central Bank Regulation No. 795/2014, July 3, 2014, which sets the requirements for payment systems of systemic relevance.

SIA must also comply with Art. 146 of the Consolidated Banking Law, which regulates the surveillance of the payment systems and focuses on operators of payment systems or of instrumental, technological or network infrastructures.

On the basis of this article, SIA, as the operator of trading and/or clearing systems with registered office and/or headquarters in Italy, is subject to the measure containing provisions on retail payment system surveillance, issued by the Director of the Bank of Italy on September 18, 2012. This measure defines the obligations of operators of retail Payment Systems with regard to organization, risks, Supervisory Authority disclosures and connections with other payment systems.

With regard to the Cards segment, as a card processor, SIA must comply with the regulations of international and domestic circuits.

SIApay, as a Payment Institution, is subject to the provisions of Italian Legislative Decree 11/2010 and thus to the supervision of the Bank of Italy.

P4cards and SIA Central Europe are required to comply with the regulations applicable to international and domestic circuits.

As a telephone operator, Emmecom is subject to specific regulations. The SIA Compliance department, which is part of the Risk Governance structure, ensures compliance with these legal provisions and, in general, promotes awareness of the law, regulations, provisions and operating standards within the industry.

Compliance with regulations within SIA is also ensured by appropriate certifications obtained from qualified operators.

Operational security and cybersecurity risks

The financial sector is characterized by the interdependence of its information, information systems and computer networks and it is increasingly exposed to cyber type threats due to the relevance of the data handled and the critical character of the sector for the economy. The onset of a threat to the data processed may have a significant impact on SIA's services and customers, and therefore affect the profits and reputation of the company.

SIA intends to meet customer and institutional expectations with regard to security and the protection of critical infrastructure and, thus, to provide the best response to cybersecurity threats in line with the directives for Financial Market Infrastructure (FMI) defined to improve resilience in the face of cyber threats.

During the year in which the new European regulation on privacy entered into force, careful attention was paid to adjusting technical measures and operating processes in line with the relative provisions and taking into account customer requirements.

As mentioned previously in the chapter "Technology and security of services", SIA has set up a well-structured series of operating controls and security countermeasures at the organizational, logical and physical level, the application of which is aligned with business policies and at the same time suitable for the risk assessments regarding privacy, integrity and the availability of information.

The initiatives launched were organized along the following lines:

- ensuring prevention of cyber attacks according to a "defense in depth" approach through the distribution of security measures across various layers so as to allow for a protection measure to be covered by a subsequent line of defense;
- increasing the efficiency and speed of identifying and responding to security threats through the analysis and use of information obtained from technical probes and external information sharing sources;
- harmonizing coverage within the group with the alignment of protection procedures and measures.

The initiatives of mitigation of security and cybersecurity risks were developed in the context of an Information Security Management System (ISMS), pursuant to the ISO/IEC 27001 standard, and are certified by qualified third parties.

Business continuity risks

Business continuity risks are inherent in the type of services that SIA provides to its customers. In order to combat those risks, SIA has always used a Business Continuity Management System, consisting of internal rules, organizational processes, redundant and resilient infrastructure and structured logistical solutions to react to events that could threaten its capacity to provide the services.

SIA's Business Continuity Management System works to guarantee the restoration of services in the case of operating crises or critical issues with large-scale impacts, in compliance with the contracts signed with customers, and is compliant with the provisions issued by Control Authorities/Bodies at the level of the European (ECB) and Italian (Bank of Italy) financial system with respect to business continuity, as SIA provides services for retail payment systems and for financial markets considered essential and of systemic importance for the financial systems.

Dedicated structures ensure the adequacy of the system through an ongoing assessment of business continuity requirements. They carry out risk assessment and Business Impact Analysis activities, support the business and operating structures to ensure the compliance of technology, organization and documentation solutions, prepare organizational and technical tests, and provide classroom training.

SIA's Business Continuity Management System was developed in line with the best practices specified by the ISO22301 standard and is certified by qualified third parties.

Among the relevant regulations on continuity and resilience issued by the financial community:

- the "Guidelines on business continuity for financial market infrastructures" with registered office and/or headquarters in Italy and the "CODISE Application Guide," issued by the Bank of Italy in May 2014; these provisions strengthen the systemic vision of the impact of operating risks, including those concerning cybersecurity;
- the "Principles for financial market infrastructures" – document of the Technical Committee of the International Organization of Securities Commissions (IOSCO);
- the "Guidance on Cyber resilience in Financial Market Infrastructure (FMI)", document of the Committee on Payments and Market Infrastructures (CPMI).

Financial risks

Pursuant to Art. 2428, paragraph 2, point 6-bis of the Italian Civil Code, and in accordance with the provisions of IFRS 7, qualitative information on the financial risks that the Group is exposed to is provided below. The quantitative information on financial risk is instead provided in the section of the Notes "Policy for the management of financial risks".

SIA is exposed to the types of financial risk described below.

Exchange rate risk. The majority of the Group companies operate mainly in the euro area, and therefore it is not significantly exposed to exchange rate risks. The parent company SIA monitors the strategic plans, the revenue and cost mix and the customers of the companies that operate with currencies other than the euro (in particular Perago FSE and SIA Central Europe), also with reference to exchange rate trends, to prevent unforeseen fluctuations from impacting the results and the carrying amounts of the equity investments which, if they occurred, could result in losses being identified during impairment testing.

Credit risk. The Group companies operate primarily with well-known customers of high standing, many of whom from the financial sector. Before acquiring a new customer, if there is any doubt on the actual standing of the counterparty, a special assessment of its financial solidity is carried out. With reference to credit collection, procedures have been established to monitor expected cash flows and to carry out any necessary recovery action; they are mainly aimed at facilitating the process of invoice validation at the sales counterparties to speed up collection. The Group also signed an agreement with an external legal firm, in regard to some problem receivables. However, the risk of losses on receivables is not believed to be very significant, also on the basis of past experience.

Liquidity risk. The company business model and the operating management implemented have shown, over the years, an ability to generate positive cash flows, even during economic crises, both cyclical and structural.

Also in 2018, the company generated consistently positive operating cash flows, as shown by the statement of cash flows. The Net Financial Position (i.e., the difference between total financial liabilities and liquid assets) was positive as a result of the loan obtained from a bank pool to fund the strategic acquisitions for external growth concluded in this and the previous year. In the light of the results of the 2019-2021 Strategic Plan and the simulations carried out to assess the sustainability of the debt, no liquidity risks has been identified so far, also taking into account the €100 million revolving credit line agreed with some of the lending banks to fund potential temporary cash imbalances, as well as the credit lines already obtained from the main banks with which the company works. Most of the liquidity lies with SIA and P4cards, which follow extremely prudent criteria in terms of investment categories and duration.

Interest rate risk. The company invests the liquid assets available in current bank accounts and bank deposits, with fixed or variable rate returns. Interest rate fluctuations may influence returns on investments, impacting financial income, but not in a substantial or significant manner in terms of amount. The only significant financial debts of the Group, aside from the loan mentioned in the previous section, are related to the financial leases, normally at variable interest rates. As regards the bank loan provided to the parent company SIA, to avoid possible negative effects arising from future interest rate fluctuations, in December 2018 a hedging transaction was negotiated with the same lending banks through "IRS" (Interest Rate Swap) derivatives, classifiable as an accounting hedge pursuant to IAS 39, which swaps the floating rate on the loan with a fixed market rate set up when the contract

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was entered into. Please refer to the relevant section of the Notes, "Policy for the management of financial risks," for further quantitative information.

Health, safety and environment risk

SIA conducts regular and systematic prevention and control actions to ensure health in the workplace, also according to what is set forth in legislation on the matter.

Specifically:

- it keeps the powers, delegations and appointments with respect to occupational health and safety updated;
- it updates the Risk Assessment Document (DVR);
- it ensures that the Occupational Health and Safety Management System is implemented;
- it carries out the health surveillance program;
- it updates work-related stress risk assessments;
- it handles the compulsory training plan pursuant to Italian Legislative Decree 81/08;
- it continuously monitors accident and occupational illness trends;
- it ensures the effectiveness of the emergency response team (NIE) and conducts evacuation drills;

With regard to the risks connected to the occurrence of events that could impact the environment or the health of residents in the areas influenced by its activities, the SIA Group did not cause any damage to the environment for which it was declared at fault, nor was it subject to sanctions or penalties for environmental crimes or damage.

It should also be noted that the SIA Group also pays particular attention to the aspect that governs administrative, safety and environmental responsibility with respect to the risk of committing offences, as defined by Italian Legislative Decree 231/01.

Reputational risks

Service interruption, or a lower quality of the services provided, can affect the reputation of the company and of its customers.

Therefore, the SIA structure in charge of external relations and communications monitors on an ongoing basis the presence, visibility and image of SIA on the main information and communication channels, such as traditional media, press agencies, the web, and social media.

Risk reporting

With regard to risk reporting activities, during the year:

- there were systematic contacts with the companies of the Group on risk management;
- continuous contacts continued between risk management, the business and technological, operating and staff structures with meetings for in-depth discussion, dedicated risk teams and Risk Committee meetings;
- the discussion with the Internal Audit Department (third-level control) was launched, with systematic information flows and regular meetings;

CONTROL FUNCTIONS

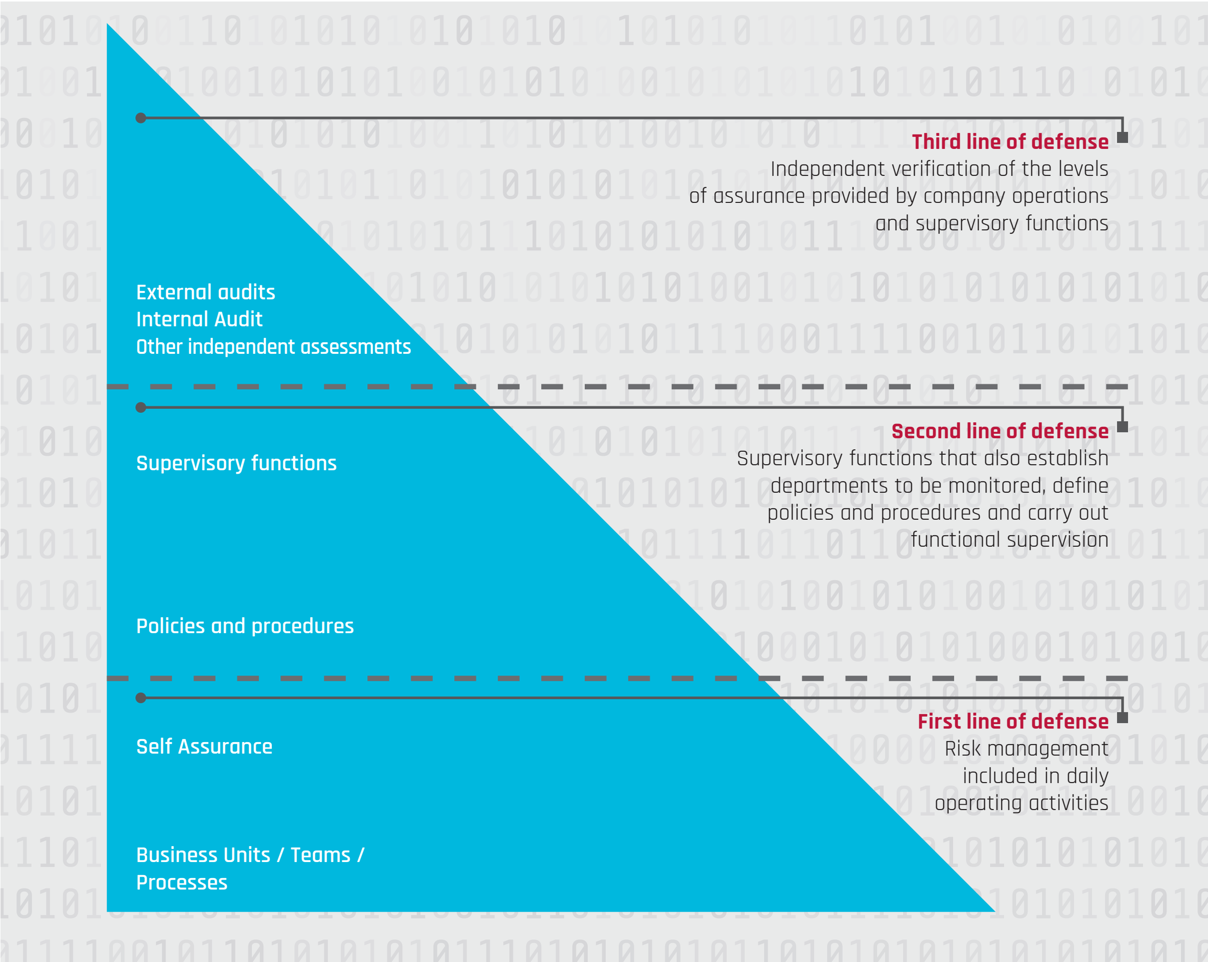
The design of the controls in SIA is articulated on multiple levels and based on line controls, aimed at ensuring the correct execution of transactions. These controls pertain to the operating structures and are incorporated in the design of the processes and the internal procedures.

Special functions carry out the "second-level" controls, aimed at monitoring and managing the risk, in particular operating risk, which includes compliance risk (see special section of this Report).

A role of special relevance in SIA's Internal Controls and Risk Management System is given to the Compliance function, which operates within the Risk Governance structure, to ensure the respect of the legal and regulatory provisions and, more in general, to promote the knowledge of laws, regulations, legal provisions and industry standards.

The third-level controls are carried out within SIA by the Internal Audit Department, which provides objective and independent "assurance" and consulting services, aimed at adding value and improving the operation of the organization.

Internal control system - Three lines of defense



In particular, Internal Auditing helps the company to reach its objectives through a professional and systematic approach, aimed at assessing and improving the effectiveness of the control, risk management and governance processes of the company.

The Control System is completed with the bodies in top positions: the Board of Statutory Auditors, which represents the apex of the System of Supervision, the Board of Directors, which is the body with strategic oversight, and the Supervisory Body pursuant to Italian Legislative Decree No. 231/01 (its functions carried out within SIA by the Board of Statutory Auditors), called to monitor the effectiveness of the organization models adopted to prevent the risks of committing an offense.

SIA's Internal Audit Department, which reports directly to the Chairman, informs the Board of Directors about the Internal Control and Risk Management System evaluated while carrying out the Audit Plan and, at the same time, informs the Chairman of the Board of Directors, the Board of Statutory Auditors and the 231 Supervisory Body about the results of each audit. Within the scope of relations with other control entities and functions, Internal Audit performs systematic activities of coordination with the Risk Governance Department and the Independent Auditing Firm, as well as with the auditing departments of the subsidiaries, in compliance with the auditing guidelines approved by SIA.

In addition, on request, it provides support for specific assessments to the Board of Statutory Auditors and the 231 Supervisory Body. The Internal Audit Department is the point of contact between the Supervisory Authorities and the company with respect to internal control matters, and monitors the information flows between SIA and the Bank of Italy on retail payments and operational continuity.

The activities scheduled for 2018 in the 2018-2020 Audit Plan approved by the Board of Directors on March 8, 2018 were completed as planned. In the course of the year, a leading independent operator also conducted a Quality Assurance Review of SIA's Internal Audit function, five years on from the previous review, as recommended by international professional standards. In 2018, the Internal Audit Department also provided support in audit activities performed by customers and other external parties and provided contractual and organizational opinions.

Lastly, Internal Audit monitored activities carried out by the second level control function and initiated the appropriate follow-up initiatives.

HUMAN RESOURCES ORGANIZATION

The Group has 3,465 employees, with 3,403 FTEs (full time equivalents), marking a 69% increase over the previous year. This increase includes the acquisition from First Data of card processing and production, back office and call center services in Greece, Slovakia, Croatia, the Czech Republic, Hungary, Romania, Serbia and Croatia, finalized on October 1, 2018. Not including this operation, the growth rate was 4%.

The average age of employees is 42 years; women represent 43% of the workforce.

In 2018 there was turnover in the SIA Group's leadership: following the resignation of the former CEO Massimo Arrighetti on June 14, Nicola Cordone took over first as Deputy CEO and then, based on the Board resolution of November 29, as CEO.

In May, the process of transferring all activities linked to company product and service application development to the Business Divisions was completed. In the same month, within the Risk Governance Department, the Data Protection Officer (DPO) was appointed in implementation of the European GDPR directive on privacy.

In terms of organizational changes, in July the organizational structure of the Human Resources & Organization Department was changed and in October the Service Line Payments Department was created with a view to increasing the focus on payment product and service design and development activities.

During the year, the usual attention was paid to work-life balance and, with regard to topics such as flexibility and digital skills, "agile working" was introduced for more than 150 people at the new Milan Lorenteggio office.

The year 2018 saw many meetings with the trade unions, with the closure of the Supplementary Agreement of P4cards and the Labor Agreement of P4cards Romania.

There were also frequent technical and negotiation meetings held by work groups relating to activities in the Call Center and Smart Working at the new Milan Lorenteggio building, which are still active to date.

In terms of instrument management, the digitalization of administrative processes and integration with the payroll provider continue in order to reduce and simplify payroll activities. In the last part of the year, a project was launched to migrate personnel administration tools to the Zeta Service provider, which integrates all of the group's Italian companies within a single platform (SIA, SIApay, P4cards, Emmecom and SIAadvisor).

The Talentia application was extended to all of the Group's HR functions, to centralize and unify the management of the main core HR processes (administration, selection, training, compensation and job rotation), also including SIA Greece, SIA Slovakia and its subsidiaries, which were involved in a significant migration from the HR applications previously managed by First Data.

With respect to company document review initiatives, in 2018 an intense plan was activated for the renewal of the governance, business and commercial process system, focused on three main pillars: updating and general translation of the existing system, the creation of policies and procedures valid for the entire SIA Group and the introduction of new directives on various topics such as privacy and the processing of legal data, communications and social media, asset management, capacity management, calls for tender, smart working and background checks. In particular, the capacity management process aims to allow for effective planning and management of company resources in accordance with the Business Plan, the budget/forecast and the Procurement Plan.

The work groups responsible for preparing an integrated system of processes for the SIA Group will continue throughout 2019.

TREASURY SHARES

The company did not make purchases and/or sales of treasury shares and therefore no treasury shares were held in its portfolio at the end of the year.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Aside from the approval of the Group's Strategic Plan for the 2019-2021 three-year period (described in the dedicated section above), the significant events subsequent to the end of the financial year, which did not entail any adjustments to the financial statement balances, included:

- On February 7, 2019, the Municipality of Bari announced that it had launched a project in collaboration with SIA based on blockchain technology, which aims to digitalize the surety policy management process. This is the first trial in Italy involving the use of Distributed Ledger Technology (DLT) in the public administration in the area of sureties, which will enable the Municipality of Bari to dematerialize the issuing process by banks, financial intermediaries and insurance companies and uniquely and irrevocably certify those guarantees. This innovative project will contribute, inter alia, to reducing the time required to manage the various phases, eliminate human error and also prevent fraud on the part of unqualified individuals, linked to the submission of false documents.
- On February 20, 2019, Payments Canada announced that it had selected SIA to create the new national system for payments of significant amounts, named Lynx. In April 2017, Payments Canada had announced the short list of companies invited to participate in the call for tenders for Lynx and, at the end of the process, it selected SIA (the decision is subject to negotiation of the final agreement and regulatory authorizations).

In accordance with IAS 10, the date on which the financial statements were authorized for publication by the Board of Directors was March 13, 2019.

BUSINESS OUTLOOK

2019 appears to be an especially critical year for the Group's reference sector. The digitalization of the services, which has been going on for some years, is no longer a development option but a requirement to ensure the sustainability of the business.

Despite this, the competitive pressure by new entrants and the financial crisis have made customers very selective in their investments. The payment systems are no longer part of the core business of the customers, but are in any case a key component of the digitalization of customer relations. In this context, even large groups are moving to outsource the management of their payment systems, transferring the corresponding activities or companies. The investments in innovation are therefore carried out by third parties, which must ensure a high level of innovation as well as a competitive price.

The markets in which the Group operates continue to be characterized by consolidation at the international level. In this context, SIA plans to play an important role in the consolidation process, by promoting international partnerships aimed at establishing a network of excellence.

Against this background, SIA has an important role as an operator that can respond to banks' requirements with its own technology infrastructures, offering a high level of operating efficiency. SIA confirms its capacity of innovation and continues to excel at creating innovative systems to allow customers to enhance their services with distinctive products, improving their relationships with end users.

With respect to the results expected for 2019, the Group will continue to pursue its profitability targets, trying to achieve greater synergies between the companies operating on the market and a greater internationalization of its revenues, increasing sales abroad thanks to the geographical presence of the companies of the Group.

With regard to internal operations, the Group will continue to focus on improving efficiency in terms of both costs and operations.

PROPOSED ALLOCATION OF PROFIT (LOSS) FOR THE YEAR

After presenting the separate financial statements of SIA S.p.A. for the year ended December 31, 2018, we submit to shareholders the proposal for the allocation of the net income reported by SIA S.p.A., equal to €84,641,251.

We remind shareholders that the company aims at increasing and stabilizing its profitability over time. On the basis of the prospects described in the 2019 Budget and in the three-year 2019-2021 Strategic Plan, as well as the economic and financial performance, which shows the current and prospective strength of the company, and taking into account, last but not least, the financial debt deriving from the M&A activities carried out in 2018, we propose to distribute an ordinary 2018 dividend of €0.35 to each of the 171,343,227 shares, for a total of €59,970,129.45.

After distribution of the dividend, Shareholders' Equity would be equal to €213,969,365.

We propose that no allocation be made to the legal reserve, since the legal limits, as set forth in Art. 2430 of the Italian Civil Code, have already been achieved.

We propose that net income be allocated as follows:

To legal reserve as stated by the law	0
Dividend of € 0.35 per share	59,970,129
Retained earnings	24,671,122
	84,641,251

If the distribution of the dividend is resolved as above, the Shareholders' Equity of SIA S.p.A. will be as follows:

Share capital	22,274,620
Legal reserve	4,454,924
Share premium reserve	5,316,654
Other reserves	79,408,534
Valuation reserve	(-5,452,804)
Retained earnings	107,967,437
	213,969,365

SIA S.p.A.
The Chairman of the Board of Directors
Mr. Giuliano Asperti

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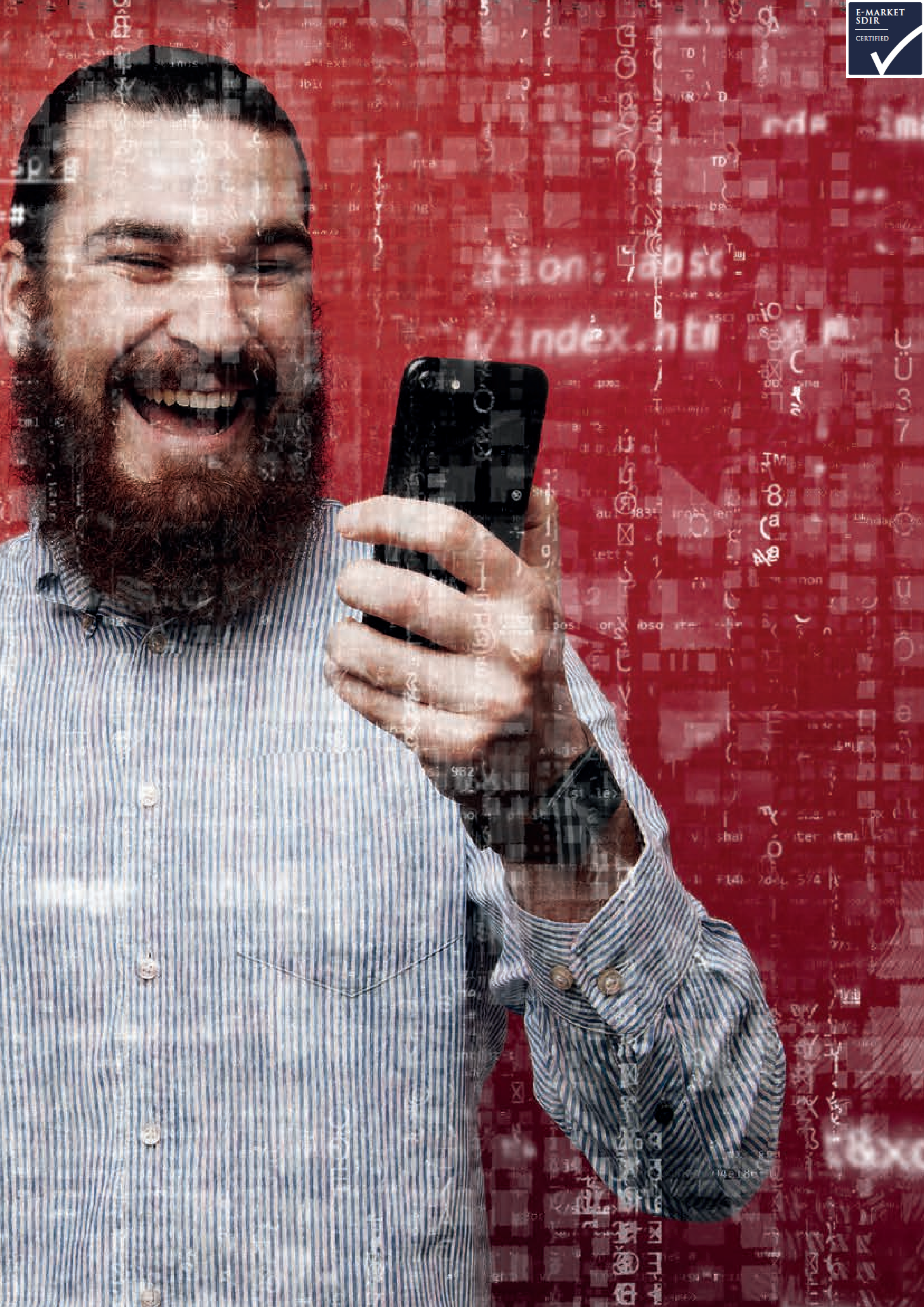
CONSOLIDATED FINANCIAL STATEMENTS OF THE SIA GROUP AS AT DECEMBER 31, 2018



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheet Assets

TOTAL ASSETS *(thousands of euro)*					
	Note	31/12/2018	31/12/2017	Change	%
Plant and machinery	1	61,645	51,239	10,406	20.3%
Industrial and commercial equipment	1	1,464	2,439	(975)	-40.0%
Land and buildings	1	23,978	1	23,977	
Other assets	1	1,616	1,417	199	14.0%
Construnction in progress and advances	1	4,003	3,982	21	0.5%
Tangible assets		**92,706**	**59,078**	**33,628**	**56.9%**
Goodwill	2	629,269	312,483	316,786	101.4%
Other intangible assets	2	229,908	255,964	(26,056)	-10.2%
Intangible assets in progress and advances	2	27,764	8,370	19,394	
Intangible assets		**886,941**	**576,817**	**310,124**	**53.8%**
Investments	3	720	758	(38)	-5.0%
Non current financial assets	4	50	12	38	
Non current trade receivables	5	6	6	-	-
Other non current assets	6	4,102	788	3,314	
Deferred tax assets	7	10,646	6,322	4,324	68.4%
Total non current assets		**995,171**	**643,781**	**351,390**	**54.6%**
Inventories	8	4,375	5,031	(656)	-13.0%
Current financial receivables	9	1,703	-	1,703	
Current financial assets	10	122	488	(366)	-75.0%
Total current tax assets	11	39,375	48,728	(9,353)	-19.2%
Current trade receivables	12	188,757	158,295	30,462	19.2%
Other current assets	13	37,687	38,490	(803)	-2.1%
Cash and cash equivalents	14	94,652	61,349	33,303	54.3%
Total current assets		**366,671**	**312,381**	**54,290**	**17.4%**
TOTAL ASSETS		**1,361,842**	**956,162**	**405,680**	**42.4%**

Consolidated Balance Sheet Liabilities and Shareholders' Equity

TOTAL LIABILITIES AND EQUITY *(thousands of euro)*					
	Note	31/12/2018	31/12/2017	Change	%
Capital stock	15	22,275	22,275	-	-
Share premium reserve	15	5,317	5,317	-	-
Reserves	15	187,921	167,824	20,097	12.0%
Valuation reserve	15	(6,198)	(3,573)	(2,625)	73.5%
Profit/(loss) for the period attributable to the Group	15	79,536	80,083	(547)	-0.7%
GROUP SHAREHOLDERS' EQUITY		**288,851**	**271,926**	**16,925**	**6.2%**
Profit/(loss) attributable to non-controlling interests		-	-	-	-
Non-controlling interests reserves	15	5	5	-	-
Non-controlling interests		**5**	**5**	**-**	**-**
TOTAL NET EQUITY		**288,856**	**271,931**	**16,925**	**6.2%**
Non current financial payables	16	709,178	364,535	344,643	94.5%
Non current financial liabilities	17	5,231	934	4,297	
Employees benefits	18	23,145	20,785	2,360	11.4%
Deferred tax liabilities	19	48,416	54,049	(5,633)	-10.4%
Provisions for risks	20	1,823	4,187	(2,364)	-56.5%
Other non current liabilities	21	9,928	6	9,922	
Total non current liabilities		**797,721**	**444,496**	**353,225**	**79.5%**
Current financial payables	22	105,997	73,946	32,051	43.3%
Current financial liabilities	23	-	2,117	(2,117)	-100.0%
Current tax liabilities	24	4,922	1,298	3,624	
Trade payables - current	25	85,397	81,841	3,556	4.3%
Other current liabilities	26	78,949	80,533	(1,584)	-2.0%
Total current liabilities		**275,265**	**239,735**	**35,530**	**14.8%**
TOTAL LIABILITIES		**1,072,986**	**684,231**	**388,755**	**56.8%**
TOTAL LIABILITIES AND EQUITY		**1,361,842**	**956,162**	**405,680**	**42.4%**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

INCOME STATEMENT *(thousands of euro)*	Note	31/12/2018	31/12/2017	Change	%
Revenues from sales and services	27	614,802	567,213	47,589	8.4%
Other revenue and income	28	3,191	2,469	722	29.2%
Changes in inventories third parties	29	(1,886)	352	(2,238)	
Costs for raw materials, supplies, consumables and goods	30	(13,750)	(12,195)	(1,555)	12.8%
Service costs	31	(193,087)	(181,176)	(11,911)	6.6%
Payroll costs	32	(182,501)	(175,092)	(7,409)	4.2%
Other operating expenses	33	(25,382)	(21,746)	(3,636)	16.7%
EBITDA		**201,387**	**179,825**	**21,562**	**12.0%**
Depreciations	34	(73,101)	(64,264)	(8,837)	13.8%
Adjustments to tangible and intangible assets	34	(3,962)	(461)	(3,501)	
Impairment of trade receivables	35	(1,220)	(6,370)	5,150	-80.8%
Provision for risks	36	(823)	(200)	(623)	
Operating Income		**122,281**	**108,530**	**13,751**	**12.7%**
Profit/loss on financial assets and liabilities management	37	(396)	960	(1,356)	
Management/negotiation of financial assets and liabilities	37	**(396)**	**960**	**(1,356)**	
Financial income	38	**347**	**284**	**63**	**22.2%**
Interest expenses	39	(11,385)	(9,042)	(2,343)	25.9%
Bank charges	39	(592)	(669)	77	-11.5%
Financial expenses		**(11,977)**	**(9,711)**	**(2,266)**	**23.3%**
Profit/(loss) before income taxes		**110,255**	**100,063**	**10,192**	**10.2%**
Current taxes	40	(37,854)	(30,726)	(7,128)	23.2%
Prepaid/deferred tax	40	7,801	4,400	3,401	77.3%
Taxes from previous years	40	(666)	6,346	(7,012)	
Income taxes		**(30,719)**	**(19,980)**	**(10,739)**	**53.7%**
Net profit from continuing operations		**79,536**	**80,083**	**(547)**	**-0.7%**
Net profit from assets held for sale or discontinued operations		-	-	-	-
Profit/(loss) for the period		**79,536**	**80,083**	**(547)**	**-0.7%**
Profit/(loss) attributable to non-controlling interests		**-**	**-**	**-**	**-**
Profit/(loss) for the period attributable to the Group		**79,536**	**80,083**	**(547)**	**-0.7%**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME *(thousands of euro)*	Note	31/12/2018	31/12/2017	Change	%
Profit/(loss) for the period		**79,536**	**80,083**	**(547)**	**-0.7%**
Defined-benefit schemes	15	(639)	887	(1,526)	
Other items of comprehensive income, net of taxes without reversal to P&L		**(639)**	**887**	**(1,526)**	
Exchange rates differences	15	(236)	(29)	(207)	
Cash flow hedges	15	(1,750)	(617)	(1,133)	
Other items of comprehensive income, net of taxes with reversal to P&L		**(1,986)**	**(646)**	**(1,340)**	
Total other items of comprehensive income, net of tax		**(2,625)**	**241**	**(2,866)**	
Total net comprehensive income		**76,911**	**80,324**	**(3,413)**	**-4.2%**
Net comprehensive income attributable to non-controlling interests		-	-	-	-
Group net comprehensive income		**76,911**	**80,324**	**(3,413)**	**-4.2%**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY IN 2017 *(thousands of euro)*	Share capital	Share premium reserves	Reserves	Valuation reserves	Group net profit/(loss)	Shareholders' equity	Non-controlling interests	Total shareholders' equity
Opening balances	22,275	5,317	140,351	(2,323)	70,354	235,974	5	**235,979**
Change in opening balances			1,596	(1,491)		**105**	-	**105**
Actuarial gain/(losses)			*1,491*	*(1,491)*		-	-	-
Others			*105*			-	-	-
Opening balances as of 01/01/2017	**22,275**	**5,317**	**141,947**	**(3,814)**	**70,354**	**236,079**	**5**	**236,084**
Allocation of profit			70,354		(70,354)	-	-	-
Distribution of dividends			(44,549)			(44,549)	-	(44,549)
Changes of the period			72	241	80,083	80,396	-	80,396
Exchange rate differences				*(29)*		*(29)*	-	*(29)*
Cash flow hedging				*(617)*		*(617)*	-	*(617)*
Actuarial gain/(losses)				*887*		*887*	-	*887*
Capital increases			*70*			*70*	-	*70*
Rounding			*2*			*2*	-	*2*
Result for the period					*80,083*	*80,083*	-	*80,083*
Closing balances as of 31/12/2017	**22,275**	**5,317**	**167,824**	**(3,573)**	**80,083**	**271,926**	**5**	**271,931**

On April 18, 2017, the Shareholders' Meeting of SIA S.p.A. approved the allocation of the profit from 2016 to a dividend of €44,549,239 and retained earnings for €25,264,686. In terms of changes in opening balances, the valuation reserve of the company P4cards was included in other reserves as at December 31, 2016.

CHANGES IN SHAREHOLDERS' EQUITY IN 2018 *(thousands of euro)*								
	Share capital	Share premium reserves	Reserves	Valuation reserves	Group net profit/(loss)	Shareholders' equity	Non-controlling interests	Total shareholders' equity
Opening balances	22,275	5,317	167,824	(3,573)	80,083	271,926	5	**271,931**
Change in opening balances			(16)			(16)	-	(16)
Opening balances as of 01/01/2018	**22,275**	**5,317**	**167,808**	**(3,573)**	**80,083**	**271,910**	**5**	**271,915**
Allocation of profit			80,083		(80,083)	-	-	-
Distribution of dividends			(59,970)			(59,970)	-	(59,970)
Changes of the period				(2,625)	79,536	76,911	-	76,911
Exchange rate differences				*(236)*		*(236)*	-	*(236)*
Cash flow hedging				*(1,750)*		*(1,750)*	-	*(1,750)*
Actuarial gain/(losses)				*(639)*		*(639)*	-	*(639)*
Result for the period					*79,536*	*79,536*	-	*79,536*
Closing balances as of 31/12/2018	**22,275**	**5,317**	**187,921**	**(6,198)**	**79,536**	**288,851**	**5**	**288,856**

On April 17, 2018, the Shareholders' Meeting of SIA S.p.A. approved the allocation of the profit from 2017 to a dividend of €59,970,129 and retained earnings for €3,474,758.

CONSOLIDATED CASH FLOW STATEMENT - INDIRECT METHOD

CASH FLOW STATEMENT *(thousands of euro)*		
	31/12/2018	31/12/2017
Profit/(loss) before taxes	110,255	100,063
Income taxes	(30,719)	(19,980)
Depreciation and write-off of fixed assets	23,024	19,913
Depreciation and write-off of fixed assets	54,039	44,812
Provisions for employees	5,665	7,450
Provision for risks	823	200
Change in trade receivables	(30,462)	(6,695)
Change in trade payables	3,556	30,483
Change in inventories	656	(1,553)
Change in provisions for employees	(3,305)	(11,440)
Change in current and deferred tax assets and liabilities	3,020	6,508
Change in provisions for risks	(3,187)	540
Changes in other assets and liabilities	5,827	6,123
Cash flow generated/absorbed by operating activities	**139,192**	**176,424**
Net investments in tangible assets	(17,672)	(33,492)
Net investments in intangible assets	(34,381)	(34,199)
Change in tangible assets as a result of business combinations	(38,980)	-
Change in intangible assets as a result of business combinations	(12,996)	-
Cash flow generated/absorbed by operating investment activities	*(104,029)*	*(67,691)*
Change in intangible assets as a result of purchase price allocation	-	(51,865)
Change in goodwill	(316,786)	-
Change in investments	38	-
Cash flow generated/absorbed by investment activities	**(420,777)**	**(119,556)**
Change in reserves	(2,640)	418
Distribution of dividends	(59,971)	(44,549)
Change in financial receivables	(1,703)	-
Change in financial payables	376,694	(24,887)
Change in financial liabilities	2,180	(102)
Change in financial assets	328	19
Cash flow generated/absorbed by funding activities	**314,888**	**(69,101)**
Change in cash and cash equivalents	**33,303**	**(12,233)**
Cash and cash equivalents at the beginning of the period	61,349	73,582
Change in cash and cash equivalents	33,303	(12,233)
Cash and cash equivalents at the end of the period	**94,652**	**61,349**

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NOTES

Statement of compliance with international accounting standards

The Consolidated Financial Statements as at December 31, 2018 of the SIA Group include the Consolidated Management Report and the Consolidated Financial Statements and were drafted in compliance with the International Financial Reporting Standards ("IFRS") endorsed by the European Commission and in force as of the date of approval of this document. "IFRS" refers to all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).

The international accounting standards were also applied by making reference to the "Systematic Framework for the Preparation and Presentation of Financial Statements" and no exemptions to IAS/IFRS were applied.

In particular, the Consolidated Financial Statements include the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the relative Notes and the relative comparative information, and are accompanied by the Consolidated Management Report.

The SIA Group's Consolidated Financial Statements were audited by the Independent Auditing Firm PricewaterhouseCoopers S.p.A., in execution of the shareholders' resolution of April 15, 2016, which assigned the engagement until the approval of the Financial Statements as at December 31, 2018.

General accounting principles

The Consolidated Financial Statements of the SIA Group consist of the compulsory accounting statements set forth in IAS 1, i.e., the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement, as well as the Notes and are accompanied by the Consolidated Management Report.

The Group has presented the statement of profit and loss by nature of expense, while in the statement of financial position the assets and liabilities are broken down between current and non-current.

An asset is classified as current when:

- it is expected that the asset will be realized, or is held for sale or use, in the normal course of the operating cycle;
- it is held with the primary intent of trading it;
- it is expected to be realized within twelve months of year-end close;
- it consists of cash and cash equivalents (unless it is prohibited to trade it or use it to extinguish a liability for at least twelve months after year-end close).

All other assets are classified as non-current. In particular, IAS 1 includes tangible assets, intangible assets and financial assets that are long-term in nature under non-current assets. A liability is classified as current when:

- it is expected to be extinguished in the normal operating cycle;
- it is held with the primary intent of trading it;
- it will be extinguished within twelve months of year-end close;
- there is no unconditional right to defer its settlement for at least twelve

months after year-end close. The clauses of a liability which could, as decided by the counterparty, give rise to its extinction through the issue of equity instruments, do not impact its classification.

All other liabilities are classified by the company as non-current. The operating cycle is the time between the acquisition of assets for the production process and their realization in cash and cash equivalents. When the normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

The cash flow statement is drafted according to the indirect method.

The reporting currency is the euro and the information reported in these Financial Statements, if not specified otherwise, is expressed in euro. The financial position, cash flows, profit and loss, notes and explanatory tables are in thousands of euro.

The Financial Statements were drafted clearly and provide a true and fair view of the financial position, profit and loss for the year, change in shareholders' equity and cash flows. If the information required by the international accounting standards is insufficient to provide a true and fair, relevant, reliable, comparable and comprehensible view, the Notes provide the necessary additional information.

The Consolidated Financial Statements were drafted on a going concern basis, according to the accrual basis of accounting, in compliance with the principle of relevance and significance of information, with the prevalence of substance over form, and with a view to favoring consistency with future presentations.

The assets and liabilities and costs and revenues are not offset unless this is permitted or required by the international accounting standards. If an asset or liability element falls under multiple items of the balance sheet, the Notes specify, if this is necessary to understand the Financial Statements, that it relates to items other than that in which it is recognized.

Items of a different nature or purpose were presented separately provided they were not deemed irrelevant.

In application of IFRS, the preparation of the Financial Statements requires making use of significant estimates based on forecasts and assumptions with capital, financial and economic effects on the financial statement values and the relative disclosures.

The Financial Statement items for which the use of estimates and assumptions is most significant regard the quantification of provisions for risks, the definition of the share of depreciation of tangible assets and the amortization of intangible assets with a finite useful life, the measurement of intangible assets with an indefinite useful life, goodwill and equity investments, the measurement of receivables and the relative bad debt provision, the measurement of employee benefits and the quantification of deferred taxation. The estimates and assumptions are reviewed periodically and the effects of every change are reflected in the income statement if it concerns only that period. If the revision concerns both current and future periods, the change is recognized in the period in which the revision is made and in the relative future periods.

Consolidation criteria and methodology

The scope of consolidation changed during the period as a result of the acquisition as of September 28, 2018 of controlling interests in the companies SIA Greece (formerly First Data Hellas) and SIA Slovakia (formerly First Data Slovakia). The latter holds the controlling interest in the companies SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia, while SIA Greece directly controls the company DMAN in liquidation. The contribution of those companies to the Group's consolidated results is shown only for the final quarter of 2018. Following this extraordinary operation, the scope of consolidation includes, aside from the parent company SIA and the companies mentioned above, the foreign subsidiaries Perago FSE, PforCards and SIA Central Europe, the Italian subsidiaries Emmecom, SIAadvisor, P4cards and Consorzio QuenIT in liquidation (the latter a direct subsidiary of P4cards), SIApay and Ubiq.

In the third quarter of the year, the shareholding in Ubiq increased from 96.5% to 100%.

All direct and indirect subsidiaries, with the exception of Consorzio QuenIT in liquidation (55%), are fully consolidated. SIA's shareholding in SIAadvisor is 51%, but based on an option negotiated with the shareholders, for the acquisition or sale of non-controlling interests within a future, predefined time window, it is consolidated line by line, in compliance with the provisions of IFRS 10. The table below provides a summary of the main information concerning the scope of consolidation as at December 31, 2018, unless specified otherwise:

(thousands of euro)

	Share capital	EQUITY	Result for the period	Last year result	Ownership interest
Subsidiaries					
Perago FSE (*)	2	(2,265)	(3,963)	782	100%
SIApay	600	8,312	529	715	100%
SIA Central Europe	551	6,489	2,279	1,857	100%
Emmecom	40	3,170	1,441	962	100%
Ubiq	173	486	(1,164)	(1,783)	100%
SIAadvisor	10	2,326	715	530	51%
P4cards	49,240	83,835	30,786	28,269	100%
PforCards	35	2,740	(1,180)	(1,177)	100%
Consorzio QuenIT in liquidation	10	10	-	-	55%
SIA Slovakia	4,906	21,593	3,458	-	100%
SIA Greece	43,852	48,411	267	-	100%
SIA Croatia	3	230	29	-	100%
SIA Romania	92	355	1	-	100%
SIA Serbia	-	192	(13)	-	100%
SIA Hungary	886	1,095	8	-	100%
SIA Czech Republic	139	158	13	-	100%
DMAN in liquidation	1,308	415	(1)	-	100%
Associates					
ATS (**)	120	2,527	82	25	30%

(*) Pursuant to Par. 9, Art. 2427 of the Italian Civil Code, the parent company has stated its willingness to support the development of the company by meeting the related financial requirements.
(**) The data refer to the year 2017.

As regards consolidation methodologies, equity investments in subsidiaries are consolidated line by line, while interests over which the Group exercises significant influence are measured at equity. The adequacy of the goodwill and equity investment carrying amounts in accordance with international accounting standard IAS 36 is checked at least yearly, and in any case, any time there is a sign that an asset may have suffered impairment. If there are trigger events, IAS 36 also requires impairment tests to be carried out for other intangible assets besides goodwill.

Line-by-line method

Equity investments in subsidiaries are consolidated line-by-line. In line with the provisions of IFRS 10, the concept of control goes beyond the majority interest in the share capital of the investee and is considered to exist when an entity is exposed to variable returns, or has rights to such returns, deriving from its relationship with the subsidiary and at the same time has the ability to impact such returns by exercising its power over that entity.

Full consolidation entails the "line-by-line" aggregation of the balance sheet and income statement items found in the subsidiaries' financial statements. To that end, the following adjustments are made:

(a) the carrying amount of the equity investments held by the parent company and the corresponding part of shareholders' equity are eliminated;

(b) the portion of shareholders' equity and profit or loss for the year pertaining to non-controlling interests is shown separately.

The results of the adjustments mentioned above are shown, if positive, - after any allocation to the subsidiary's asset or liability items - as goodwill in the item "Intangible assets" at the date of initial consolidation if the relative requirements are met. If such differences are negative, they are normally recognized in the income statement.

Intra-group balances and transactions, including revenues, costs and dividends, are eliminated in full.

The economic results of a subsidiary acquired in the course of the year are included in the Consolidated Financial Statements as of the date of acquisition of control. Likewise, the economic results of a subsidiary sold are included in the Consolidated Financial Statements until the date on which control is no longer held.

The financial statements used in preparing the Consolidated Financial Statements are prepared as of the same date.

The Consolidated Financial Statements were drafted using uniform accounting standards for similar operations and events.

If a subsidiary uses accounting standards other than those adopted in the Consolidated Financial Statements for similar operations and events in similar circumstances, adjustments are made to the financial statements for the consolidation of the income statement and balance sheet balances.

Equity Method

Equity investments in companies over which the Group exercises significant influence or has joint control, as defined by IAS 28, are measured at equity. According to this method, the equity investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profits or losses of the investee after the acquisition date. The share pertaining to the investor of the investee's profit (loss) for the period is recognized in the investor's income statement. The dividends received from an investee reduce the carrying amount of the equity investment; adjustments in the carrying amount may also be necessary if the investor's share in the investee is modified following changes in the investee's shareholders' equity not recognized in the income statement.

These modifications include changes deriving from the revaluation of property, plant and equipment and differences from the translation of items in foreign currency. The share of those changes is recognized directly in its shareholders' equity.

The consolidating company stops using the equity method on the date on which it stops exercising significant influence or joint control over the investee and accounts for that equity investment under "Current financial assets" or "Non-current financial assets", according to the logic set forth above, starting from that date, provided the associate or jointly controlled company does not become a subsidiary.

The balance sheets and income statements of the Group companies operating in areas outside the Eurozone are translated into euro by applying the current exchange rates at the date of year-end close to the balance sheet asset and liability items and the average exchange rates for the year to the income statement items.

Exchange differences from the translation of the financial statements of these companies, deriving from the application of other exchange rates for assets and liabilities and for the income statement, are recognized in the shareholders' equity item "Valutation reserves". All exchange differences are reversed to the income statement in the year in which the equity investment is disposed of.

Accounting standards and valuation criteria

The criteria adopted with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the revenue recognition criteria, are described below. The accounting standards applied are the same as those applied for the financial statements as at December 31, 2017 with the exception of IFRS 9 and IFRS 15, which have been applied since January 1, 2018. The impacts of the application of IFRS 9 and IFRS 15 are described in the *"IFRS accounting standards, amendments and interpretations applied as of January 1, 2018"* section below and in the sections of the Notes relating to the items concerned.

Financial assets and financial receivables

Financial assets at fair value through profit or loss

This category includes financial assets other than those classified under "Financial assets at fair value through other comprehensive income" or "Financial assets at amortized cost". In particular, the item includes:

- financial assets held for trading, essentially represented by debt and equity instruments and the positive value of derivative contracts held for trading;
- financial assets that must be measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income.

This item also includes derivative contracts not classifiable as hedges, which are recognized as assets if the fair value is positive and as liabilities if the fair value is negative.

Financial assets are initially recognized at the settlement date for debt and equity instruments and at the subscription date for derivative contracts. On initial recognition, financial assets at fair value through profit or loss are recognized at fair value without considering transaction costs or proceeds directly attributable to the instrument.

At subsequent reporting dates, they are measured at fair value and valuation effects are recognized in the income statement. Financial assets are derecognized only if the disposal entails the substantial transfer of all risks and rewards connected to such assets. On the other hand, if a significant portion of the risks and rewards relating to the transferred financial assets is retained, they continue to be recognized in the financial statements even though the ownership of the assets themselves has actually been legally transferred.

Financial assets at fair value through other comprehensive income (FVOCI)

This category includes equity investments not qualified as investments in subsidiaries, associates and companies subject to joint control, which are not held for trading, for which the option for designation at fair value through other comprehensive income has been exercised. On initial recognition, the assets are recognized at fair value, inclusive of transaction costs or proceeds directly attributable to the instrument. Subsequent to initial recognition, non-controlling equity investments are measured at fair value and the amounts recognized as an offsetting entry of shareholders' equity (Statement of comprehensive income) should not be subsequently transferred to the income statement, even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is represented by the relative dividends.

For the equity instruments included in this category which are not listed in an active market, the cost approach is used as an estimate of fair value only on a residual basis and in limited circumstances, i.e., when all measurement methods previously referred to do not apply, or if there is a broad range of possible fair value measurements, within which cost represents the most significant estimate. Financial assets are derecognized only if the disposal entails the substantial transfer of all risks and rewards connected to such assets. On the other hand, if a significant portion of the risks and rewards relating to the transferred financial assets is retained, they continue to be recognized in the financial statements even though the ownership of the assets themselves has actually been legally transferred.

Financial receivables and financial assets at amortized cost

This category includes financial assets (particularly loans and debt instruments) which satisfy both of the following conditions:

- the financial asset is held according to a hold-to-collect business model, and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest on the principal amount outstanding ("SPPI test" passed).

On initial recognition, the assets are recognized at fair value, inclusive of transaction costs or proceeds directly attributable to the instrument. Subsequent to initial recognition, the financial assets in question are measured at amortized cost, using the effective interest rate method. The amortized cost method is not used for assets - valued at historical cost - whose short duration makes the effect of discounting negligible, for those without a defined maturity and for revocable loans.

Financial assets are derecognized only if the disposal entails the substantial transfer of all risks and rewards connected to such assets. On the other hand, if a significant portion of the risks and rewards relating to the transferred financial assets is retained, they continue to be recognized in the financial statements even though the ownership of the assets themselves has actually been legally transferred.

Hedging

The SIA Group relies on the possibility, set forth during the introduction of IFRS 9, to continue to apply the provisions of IAS 39 on hedge accounting for all types of hedges. Hedging transactions aim to neutralize the economic effects on a specific element or group of elements (the hedged item) with reference to a given risk, through opposite economic effects on a different element or group of elements (hedging instrument). IAS 39 provides the possibility of designating the following three hedging relationships:

› fair value hedge (FVH);
› cash flow hedge (CFH);
› net investment hedge (NIH).

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the hedging strategy and the methods that will be used to verify its prospective and retrospective effectiveness.

The type of relationship is designated at the start of the relationship and is evaluated on the basis of a continuity approach; thus, on a prospective basis it must remain highly effective for all reference periods for which it was designated. Hedge effectiveness is assessed at each annual or interim reporting date. A hedge is deemed highly effective if at the start of the hedge and in subsequent periods it is expected to be highly effective and if its retrospective results (the relationship between changes in value of the hedged item and those of the hedging derivative) are included within a defined interval (80% - 125%).

If the assessments do not confirm the effectiveness of the hedge, as of that moment the contract is no longer accounted for as a hedging transaction and the hedging derivative contract is reclassified to trading instruments. The hedging relationship is also terminated when

› the derivative expires, is sold, rescinded or exercised;
› the hedged item is sold, expires or is reimbursed;
› it is no longer highly likely that the hedged future transaction will be carried out.

Tangible assets

The categories of assets included in tangible assets, irrespective of how they are held, are shown in the table below, which also specifies the depreciation criteria applied:

CATEGORY	SUB-CLASSES	AMORTISATION RATE
Land and buildings	Land for functional use	-
	Land held as an investment	-
	Civil/industrial use buildings for functional use	3%
	Civil/industrial use buildings held as an investment	3%
Plants and machinery	Electric installations	10%
	Data centre installations	15%
	Air conditioning installations	15%
	Alarm and security installations	30%
	Fire prevention installations	15%
	Telephone and communication installations	25%
	Hardware	25%
	Equipment	15%
Equipment	Manufacturing equipment	12%
	Electrical machinery	12%
	Commercial equipment	12%
	Various equipment	12%
Other assets	Office equipment	12%
	Office machines	12%
	Furniture	12%
	Furnishings	12%
	Vehicles	25%

Costs for renovating unowned properties ("leasehold improvements") are capitalized considering the fact that for the term of the rental agreement the using company has control over the assets and can obtain future economic benefits from them. These renovation costs are classified under "Other non-current assets" and the relative depreciation (determined on the basis of a period not exceeding the term of the rental agreement) in the item "Other operating expenses". This category does not include assets that can be clearly identified and separated.

Property, plant and equipment are accounted for under tangible assets only when the following conditions are all satisfied:

- it is likely that the future economic benefits of the asset will be enjoyed by the company;
- the cost can be reliably determined.

Tangible assets are initially measured at cost, defined as the monetary or equivalent amount paid or the fair value of other consideration provided to acquire an asset at the moment of acquisition or replacement. After initial recognition, tangible assets are measured with the cost method, net of depreciation previously accounted for and any accumulated impairment, on the basis of which the cost of the tangible asset generally remains unchanged until it is derecognized.

Tangible assets are depreciated on a straight-line basis throughout their useful lives, and depreciation is recognized on an accrual basis. As an operating practice, depreciation is calculated starting from the first day of the month in which the asset is available for use.

At the end of every year, the company checks if there have been significant changes in the expected characteristics of the economic benefits arising from capitalized assets and, in that case, modifies the depreciation method, which is considered a change in estimate according to the provisions of IAS 8.

Furthermore, at the end of each year, the company checks whether tangible assets measured according to the cost method have suffered from impairment and any loss identified is recognized in the income statement. The value of the tangible asset is cancelled in full when it is disposed of or when the company does not expect to obtain any economic benefit from its disposal.

Assets acquired through a finance lease

A finance lease is a lease that substantially transfers all risks and rewards arising from ownership of the asset and whose ownership right may also not be transferred at the end of the agreement, while a lease is classified as operating if it does not substantially transfer all risks and rewards arising from ownership.

In compliance with IAS 17, finance lease transactions are recognized as assets and liabilities in the balance sheet at values equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments due, each determined at the start of the lease.

The amount recognized as an asset also includes any initial direct costs of the lessee, consistent with regulatory instructions, namely commissions, fees and legal expenses, or those costs that are certain and immediately determinable at the moment of initial recognition of the lease.

If there is no explicit contractual provision on the lease's implicit interest rate, the marginal rate of financing of the lessee is determined through a quote, from another counterparty, for the lease of the same asset for the same term. If this is unfeasible, for example because the leased asset has a number of customizations, the marginal rate of financing is determined on the basis of the rate of financing for a loan with a similar term and guarantees necessary to acquire the asset.

To allocate the financial cost during the term of the lease, the interest component is allocated on a straight-line basis throughout the term of the lease. The depreciation method used for leased depreciable assets is consistent with that adopted for owned depreciable assets, and the depreciation to be recognized is calculated in accordance with IAS 16 and IAS 38, depending on the nature of the leased asset.

The sum of an asset's depreciation and the financial cost for the year is rarely equivalent to the lease payments due for the year, and thus it is not accurate to merely recognize the lease payments in the income statement as a cost. Therefore, it is unlikely that the asset and the relative liability will have the same value after the lease begins.

Consistent with the provisions already referred to with reference to tangible and intangible assets, leased assets are periodically tested for impairment in accordance with IAS 36.

Finance leases that expire and are renewed for a limited period of time are accounted for in accordance with the methods set forth for operating leases, therefore by recognizing the payments for an operating lease as a cost on a straight-line basis throughout the term of the lease

Intangible assets

An intangible asset is an asset which simultaneously satisfies the following conditions:
- it is identifiable;
- it is non-monetary;
- it has no physical consistency;
- it is under the control of the company drafting the Financial Statements;
- it is expected to generate future economic benefits for the company.

If an asset does not satisfy the above requirements to be defined as an intangible asset, the expense incurred to acquire the asset or to generate it internally is accounted for as a cost when it is incurred. However, if the asset in question is acquired in the course of a business combination, it is part of the goodwill recognized when the acquisition takes place.

Intangible assets are initially recognized at cost.

The cost of intangible assets acquired externally includes the purchase price and any directly attributable cost. The main types of intangible assets acquired separately include software acquired from third parties or under user licenses. On the other hand, costs for assets acquired under a lease with a short useful life that entail the depletion of economic benefits within no more than the term of the contract are recognized in the income statement. Intangible assets acquired through business combinations are initially recognized at cost, corresponding to the fair value at the acquisition date. An intangible asset is recognized separately from goodwill if the fair value can be determined reliably, irrespective of whether the asset was recognized by the acquired company prior to the business combination: in particular, there is a presumption of reliable measurability of the fair value unless the asset derives from legal or contractual rights and is not separable, or is separable but there is no evidence of similar transactions in the past. Goodwill generated internally is not recognized as an asset, like intangible assets deriving from research (or from the research phase of an internal project).

An intangible asset deriving from development or the development phase of an internal project is recognized if it can be demonstrated that the following conditions are met:
- the technical feasibility of completing the intangible asset so as to be available for use or for sale;
- the intention to complete the intangible asset to use it or sell it;
- the capacity to use or sell the intangible asset;
- the method in which the intangible asset is capable of generating future economic benefits and in particular the existence of a market for the product of the intangible asset or for the intangible asset itself or, if it will be used for internal purposes, its utility;
- the availability of adequate technical, financial and other resources to complete the development and for the use or sale of the asset;
- the capacity to reliably evaluate the cost attributable to the intangible asset during its development.

The main types of internally generated intangible assets are represented by software projects. The following are considered directly attributable and capitalizable costs, incurred to put the asset in normal operating conditions:
- costs for materials and services used or consumed to generate the intangible asset;
- taxes to register a legal right;
- the amortization of patents and licenses used to create the intangible asset;
- financial charges;
- the cost of personnel assigned and planned for the development of the project;
- the fees paid to outside consultants for services received directly on the project already started and identified.

Intangible assets are measured using the cost method in accordance with one of the two different criteria set forth in IAS 38 (cost model and revaluation model).

With the cost model, after initial recognition an intangible asset must be recognized in the Financial Statements at cost net of accumulated amortization and any accumulated impairment losses.

At each reporting date, an assessment is conducted to identify any indicators of impairment. In the presence of such an indicator, in compliance with IAS 36, the asset's recoverable amount is determined and compared with the carrying amount in an impairment test.

For intangible assets with a finite useful life, amortization is calculated starting from the first day of the month in which the asset is available for use, on a straight-line basis.

The table below shows the amortization rates adopted by the SIA Group for the main classes of intangible assets:

Category	Sub-classes	Ammortisation rate
Separately acquired intangible assets	Patents and other industrial rights Trademarks Software licenses	33% 33% 33%
Internally generated intangible assets	Internally developed software projects	33%
Intangible assets acquired through business combinations	Other	10%

Intangible assets that are infrastructural in nature and are particularly strategically significant, or linked to contracts with a duration exceeding three years, are examined on a case-by-case basis to evaluate their proper technical/economic useful life, which in exceptional cases may be greater than three years.

Intangible assets with an indefinite useful life and those which are not yet available for use are not amortized but, in accordance with IAS 36, they are tested for impairment.

The impairment test is conducted at least once per year, and in any event any time there is an indication that an intangible asset may have suffered from impairment. Within the Group, the only intangible asset with an indefinite useful life is the goodwill arising following business combinations.

The intangible assets acquired through business combinations are monitored annually to identify any impairment or review the amortization rates.

Intangible assets are derecognized when they are disposed of or when no future economic benefit is expected to derive from their disposal. The gain or loss generated from the derecognition of an intangible asset is recognized in the income statement under "Profit (loss) on disposal of assets" when the asset is derecognized.

In determining the disposal date, the provisions set forth in IFRS 15 for the recognition of revenues from the sale of assets and in IAS 17 for disposals carried out through sale and lease back transactions apply.

Equity investments

Equity instruments qualified as equity investments have as their common denominator the acquisition of a more or less significant part of the governance power of the investee company and are broken down into:
- subsidiaries;
- companies subject to joint control;
- associates.

Investments in subsidiaries, associates and joint ventures are recognized at the date of acquisition of the shareholding, which is assumed to coincide with the date on which the control, significant influence or joint control, respectively, is acquired. In addition, this is the reference date in business combinations for the measurement of the fair value of the assets and liabilities acquired and, thus, goodwill.

Investments in subsidiaries, joint ventures and associates are initially recognized at cost. In accordance with the cost method, every time the accounts are closed an assessment is conducted to verify whether an asset has suffered from a loss in value, resulting in the need to adjust the carrying amount of the equity investment (impairment). Equity investments are derecognized when the contractual rights to the cash flows deriving from the assets expire or when the equity investment is sold, substantially transferring all of its risks and rewards.

Business combinations and impairment testing

A business combination is a operation or other event whereby an acquirer obtains control over one or more business activities. Based on IFRS 3, all business combinations are accounted for by applying the acquisition method, which considers a business combination from the perspective of the acquirer and, as a result, presumes that an acquirer must be identified in every business combination. The acquisition date is the date on which the acquirer obtains control over the other businesses or business activities subject to the combination. On the acquisition date, Financial Statements of the acquired company must be available for the consolidation of the results and the measurement of the fair value of the assets and liabilities acquired, including goodwill, to be completed within up to 12 months. If reliable financial statements are unavailable at that date, the Group assumes as the acquisition date - for these purposes - the first day of the quarter immediately subsequent to the actual acquisition date or, if closer, the last day of the quarter prior to that date.

The assets acquired and liabilities assumed are measured by the acquiring company at their fair value at the acquisition date, on the basis of the definition provided by IFRS 13.

Goodwill is a business asset that represents the sum of future benefits deriving from all assets acquired as part of the business combination which are not individually identifiable and measurable separately one from the other. At the acquisition date, it is measured as the difference between the fair value of the identifiable net assets of the business acquired and the sum of the following components:
- the consideration transferred, generally measured at fair value;
- the amount relating to non-controlling interests;
- the fair value at the acquisition date of the interests already held by the acquirer prior to the business combination.

If the fair value of the identifiable net assets exceeds the aggregate consisting of the consideration transferred, the non-controlling interests and the fair value of all interests already held previously, the difference is recognized immediately as a gain in the income statement, as this is considered negative goodwill.

The adequacy of the goodwill carrying amount recognized following business combinations, in accordance with international accounting standard IAS 36, is checked at least yearly, and in any case, any time there is a sign that an asset may have suffered impairment.

Goodwill is always tested for impairment within a cash-generating unit (CGU) or a group of CGUs, as goodwill does not generate cash flows independently from other assets. For goodwill in the consolidated financial statements of the SIA Group arising from the recognition of equity investments at a value higher than the applicable shareholders' equity, the impairment test is performed by estimating the recoverable amount of the legal entity to which the goodwill has been allocated. In other words, for the impairment test, the cash-generating unit with which goodwill is associated is the legal entity from which it was generated. For the remaining goodwill not associable with a single legal entity and/or arising from business combinations (such as mergers by incorporation), the impairment test is carried out by identifying the cash-generating units representing the business with which the above-mentioned goodwill should be associated. If the high degree of integration of activities makes it difficult to identify the level at which to perform the test, a single CGU is identified representing the entire entity as a whole, deeming that the goodwill recognized in the Financial Statements must be tested on the basis of the value drivers referring to the entity as a whole.

The impairment test on equity investments in subsidiaries is carried out on the individual legal entities, consistent with IAS 36, as it is deemed that they have autonomous cash-flow generation capabilities. If the high degree of integration of the activities does not make it possible to perform the test at individual legal entity level, the impairment test is carried out at the level of the CGU identified in the consolidated financial statements, as only at that level is it possible to determine the recoverable amount of the same CGU.

An asset has suffered from impairment when its carrying amount exceeds its recoverable amount. To determine the recoverable amount, reference is made to the higher of value in use and the net realizable value, or the sale price net of selling costs.

To perform the impairment test on goodwill and equity investments, forecast data approved by the parent company's Board of Directors and by the competent corporate bodies of the subsidiaries are used. The discounting rate used is the rate gross of taxes that reflects current market valuations of the time value of money and the specific risks of the asset for which estimates of future cash flows have not been adjusted. That rate is estimated based on the implicit rate used for similar assets in deals currently present in the market or the weighted average cost of capital of a listed company which has a single asset (or portfolio of assets) similar to the asset considered in terms of service and risks. When the rate of a specific asset cannot be identified directly in the market, the business makes use of other techniques to estimate its discounting rate (taking into consideration, for example, the following rates: the weighted average cost of capital for the entity determined by making use of valuation techniques such as the Capital Asset Pricing Model (CAPM); the marginal rate of financing of the business; other financing rates identifiable in the market).

Impairment is recognized if the recoverable amount of the unit (group of units) is lower than the carrying amount of the unit (group of units). Impairment is allocated first and foremost as a reduction from the carrying amount of any goodwill allocated to the CGU or group of CGUs and then to the other assets of the unit (group of units) in proportion with the carrying amount of each asset making up the unit (group of units).

Sensitivity analyses are also carried out to capture additional elements supporting the reasonableness of the results obtained from the estimates of values which, by their very nature, contain ineliminable degrees of uncertainty, in order to verify the sensitivity of the results obtained in the impairment test to changes in certain estimation parameters and other underlying assumptions. As set forth in IAS 36, an impairment loss recognized on goodwill cannot be eliminated in later years.

If the reasons for the impairment loss on an equity investment no longer apply following an event taking place subsequent to the recognition of impairment, a write-back is recognized in the income statement.

In addition, dedicated sensitivity analyses are performed as part of the impairment testing.

Please refer to the applicable sections in the Notes to the financial statements for more details on the measurement criteria, the rules applied and the results for the individual items.

Inventories

Inventories are assets:

- held for sale in the normal course of business;
- used in production processes for sale;
- in the form of materials or supplies of assets to be used in the production process or the provision of services.

In the specific case of the company, inventories of finished goods and goods for resale essentially refer to terminals and microprocessor cards acquired from third parties and intended for sale to meet obligations arising from contracts with customers.

Inventories are recognized and measured at the lower of cost and net realizable value.

In compliance with IAS 2, to determine the cost of inventories, the weighted average cost formula is used on an annual basis, unless there are anomalous price fluctuations such as to have a distortive effect.

The net realizable value of inventories is determined by making reference to the estimated sale price in the normal course of business net of estimated completion costs as well as those estimated costs necessary to make the sale, inferable from contracts already concluded for the provision of services or from the most recent prices for analogous transactions already carried out recently, provided they are documented.

When the net realizable value is lower than cost, the excess is immediately written down in the income statement. The write-down should be made on the basis of an assessment carried out item by item, and therefore it is not deemed appropriate to write down inventories on the basis of their classification or because they are part of a particular operating segment.

Trade receivables

Trade receivables from the provision of services are recognized according to the terms set forth in the contract with the customer on the basis of the provisions of IFRS 15 and classified based on the nature of the debtor and/or the due date of the receivable (this definition also includes invoices to be issued for services already provided). In addition, as trade receivables are generally short-term and do not require the payment of interest, the amortized cost is not calculated and they are accounted for on the basis of the nominal value reported on the invoices issued or in the contracts entered into with customers: this also applies for trade receivables with a contractual duration of more than 12 months, unless the effect is particularly significant.

This is due to the fact that the amount of short-term receivables is very similar applying the historical cost method or the amortized cost method, and the impact of discounting would therefore be negligible. Trade receivables are tested for impairment on the basis of the provisions of IFRS 9 at least every six months. IFRS 9 paragraph 5.5.15 allows for a simplified approach to be used to determine lifetime expected credit losses on trade receivables using for example a "provision matrix" (IFRS 9, par. B5.5.35) which specifies write-down percentages on the basis of days overdue. The Group's policy for measuring trade receivables requires dividing customers into overdue time bands to apply the appropriate percentage of write-downs on the basis of historical experience, to be applied to the various categories of customers taking into account expected losses. If there is information on the creditworthiness of counterparties significantly impacting the possibility of recovering the receivable, the Group performs specific assessments of open positions. Receivables are derecognized when the contractual rights to their cash flows expire. Trade receivables are derecognized only to the extent of those uncollectable exposures for which following recovery activities an agreement has been reached with the customer.

Cash and cash equivalents

Cash and cash equivalents are recognized at nominal value.

Other cash equivalents represent short-term, highly liquid financial investments that are readily convertible into known cash values subject to irrelevant risk of changes in value, which have an original maturity or maturity at the time of acquisition of no more than 3 months.

Employee benefits

Employee benefits include benefits provided to employees or their dependents, may be settled by means of payments (or through the provision of goods and services) made directly to the employee, spouse, children or other dependents or third parties, such as insurance companies, and are broken down into short-term benefits, benefits due to employees for the termination of the employment relationship and post-employment benefits.

Short-term benefits, which also include incentive programs such as yearly bonuses, MBO programs and one-off renewals of national collective labor agreements, are accounted for as liabilities (cost provision) after deducting any amount already paid and as a cost, unless any other IFRS requires or allows for the inclusion of benefits in the cost of an asset (for example, the cost of personnel employed in developing intangible assets generated internally).

The category of benefits for the termination of the employment relationship includes early retirement incentive plans, arising in the case of voluntary resignations that entail the participation of the employee or a group of employees in union agreements for the activation of "solidarity funds", and lay-off plans, which take place in the case of the termination of the employment relationship based on the unilateral decision of the company. The company recognizes the cost of those benefits as a liability in the Financial Statements at the most immediate date between the moment at which the company can no longer withdraw the offer of such benefits and the moment at which the company recognizes the costs of a restructuring that falls within the scope of IAS 37.

Early retirement provisions are reviewed at least every six months.

Post-employment benefit plans are broken down into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans primarily include:

- supplementary retirement funds that require the contribution of a defined amount on the part of the company;
- the employee severance indemnity ("TFR") provision, limited to amounts accruing as of 1 January 2007 for companies with more than 50 employees, irrespective of the allocation option chosen by the employee;

- the shares of employee severance indemnity accruing as of 1 January 2007 and allocated to a supplementary retirement plan, for companies with fewer than 50 employees;
- supplementary health care funds.

Defined benefit plans instead include:

- the share of employee severance indemnity accruing until 31 December 2006 for all companies, as well as the shares accruing as of 1 January 2007 and not allocated to a supplementary retirement plan for companies with fewer than 50 employees;
- supplementary retirement plans the conditions of which require the payment to participants of a defined benefit;
- seniority bonuses, which require an extraordinary payment to the employee upon reaching a certain level of seniority with the company.

In defined contribution plans, the obligation of the company drafting the Financial Statements is determined on the basis of the contributions due for that year, and therefore the valuation of the obligation does not require actuarial assumptions and there is no possibility of actuarial gains or losses.

Actuarial assumptions are however required to account for the value of the obligation for defined benefit plans. That valuation is assigned to an external actuary and is carried out every year. For discounting purposes, the company uses the projected unit credit method, which makes a projection of future outlays on the basis of statistical historical analyses and the demographic curve and the financial discounting of such flows on the basis of a market interest rate. Actuarial gains and losses are recognized as an offsetting entry to shareholders' equity (in the valuation reserve) as required by IAS 19.

Provisions for risks, contingent assets and liabilities

Provisions are different from other liabilities as there is no certainty with respect to their due date or the amount of the future expenditure required to fulfil the obligation. Therefore, provisions are shown separately from trade payables and allocations made for presumed payables.

A liability or provision is accounted for when:

- there is a current legal or implicit obligation as a result of past events;
- it is likely that the use of resources capable of generating economic benefits will be necessary to fulfil the obligation;
- the amount of the obligation can be reliably estimated.

Provisions require the use of estimates. In extremely rare circumstances in which a reliable estimate cannot be made, the item in question is deemed a liability that cannot be reliably determined, which is therefore described in the notes to the financial statements as a contingent liability.

To account for the expense, provisions are recognized if there is uncertainty as to the due date or the amount of cash flows necessary to fulfil the obligation, or other liabilities are recognized, in particular trade payables or allocations for presumed payables.

An allocation is made to the provisions for risks in an amount representing the best possible estimate of the expense required to settle the relative obligation existing at the reporting date and takes into consideration the risks and uncertainties inevitably surrounding many events and circumstances. The amount of the provision reflects any future events that may impact the amount required to extinguish an obligation if there is sufficient objective evidence that they will take place.

Once the best possible estimate of the expenditure necessary to settle the relative obligation existing at the reporting date is determined, the present value of the provision is determined, if the effect of the present value of money is a relevant aspect.

The components deriving from the effects of discounting are reported within the same item used for the recognition of the contingent liability.

Contingent assets are uncertain assets which cannot be accounted for in the financial statements, but are rather described in a dedicated disclosure.

Payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost. Payables to banks and other lenders are initially recognized at fair value, net of directly attributable accessory costs, and they are subsequently measured at amortized cost, applying the effective interest rate approach. If there is a change in the estimate of expected cash flows, the value of liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the effective internal rate determined initially. Payables to banks and other lenders are classified under current liabilities, unless the Group has an unconditional right to defer their payment for at least twelve months after the reporting date.

Payables to banks and other lenders are derecognized when they are extinguished and when the Group has transferred all risks and expenses relating to the instrument.

Revenues and costs

Sale of products and provision of services

Revenues from the sale of products and the provision of services are recognized only when all of the following conditions are met:

- the contract with the customer has been identified - to identify a contract, the parties need to have approved the contract (in writing or in compliance with other customary commercial practices) and must have committed to fulfilling their respective obligations;
- the performance obligations contained in the contract have been identified - the goods and services to be transferred must be identified;
- the price has been determined - the consideration and the payment methods must be defined;
- the price has been allocated to the individual performance obligations contained in the contract - if a contract calls for the delivery/supply of multiple goods or services, the agreed consideration must be allocated to the individual goods/services;
- the performance obligations set forth in the contract have been satisfied - goods and services must be effectively transferred to the customer.

Revenues are recognized when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer. The asset is transferred when (or as) the customer acquires control over it. The consideration set forth in the contract with the customer may include fixed amounts, variable amounts or both.

The consideration relating to one-off contributions to activate the related services is recognized as revenues when the goods or services are provided.

The variable components represented by penalties to be paid to the customer in the case of service disruption are recognized when their payment is deemed likely.

The variable components relating to the invoicing of transactions exceeding a threshold are included in the consideration only when the adjustment is applied if they are not easy to estimate at the start of the year, as they are sensitive to factors outside the control of the supplier.

In the case of a consideration negotiated with the customer on the basis of brackets, an assessment is made based on historical and forecast data of the expected final bracket, so as to include the variable component in the initial amount recognized.

Project activities

For long-term orders, such as software development for customers, the margin on the order is recognized in the course of the development (over time) according to contractual and/or project milestones, if established and recognized by the customer, if one of the following conditions is met:

- the customer simultaneously receives and uses the benefits arising from the service as it is provided;
- the service creates or improves the asset that the customer controls as the asset is created or improved;
- the asset produced has no alternative uses and the entity is entitled to be paid for the work carried out until that time.

If the project is not developed specifically for the customer, or if there are no milestones established, the costs relating to the order are suspended if it is possible to demonstrate that they can be recovered. The revenues will be recognized only upon completion and acceptance by the customer of the order (point in time).

The costs incurred for the development and any additional consideration deemed likely and prudently measured must be suspended in the item "Inventories and construction contracts" in current assets with an offsetting entry in the income statement item "Change in inventories and construction contracts".

Interest income and dividends

Interest income is recognized using the effective interest rate approach. Dividends are recognized in the income statement when the right arises to receive the established dividend, or following the shareholders' resolution of the subsidiary, associate or joint venture.

Costs

Costs are recognized in the Income Statement on an accrual basis; the costs relating to obtaining and fulfilling contracts with customers are recognized in the Income Statement in the periods in which the relative revenues are accounted for.

Income tax

Current taxes for the year and previous years are recognized as liabilities to the extent to which they have not been paid. Current tax assets and liabilities for the current and previous years must be determined at the value expected to be recovered or paid to the tax authorities, respectively, by applying the tax rates and tax legislation in force or substantially issued at the reporting date.

Deferred taxes are broken down into:

- deferred tax liabilities: these are the amounts of income taxes due in future years referring to taxable temporary differences;
- deferred tax assets: these are the amounts of income taxes recoverable in future years referring to deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward.

To calculate the amount of deferred tax assets and liabilities, the tax rate is applied to the taxable or deductible temporary differences identified, or to the unused tax losses and unused tax credits.

At each reporting date, a new assessment is performed on deferred tax assets not recognized in the Financial Statements as well as deferred tax assets recognized in the Financial Statements in order to verify whether it is likely that the deferred tax assets will be recovered. This verification is carried out through the probability test, with reference to the forecasts set forth in company plans.

For presentation in the Financial Statements, the items recognized on consolidation which at the time of recognition for the same phenomenon are offsettable, are offset in the consolidated financial statements.

The Group companies proceed with offsetting only with reference to temporary differences which, aside from meeting the above requirements, refer to a defined period of cancellation and the same year of cancellation. As a result, in years in which deductible temporary differences are higher than taxable temporary differences, the relative prepaid taxes are recognized as assets in the statement of financial position under deferred tax assets;

on the other hand, in years in which taxable temporary differences are higher than deductible temporary differences, the relative deferred taxes are recognized as liabilities in the statement of financial position under deferred tax liabilities.

For all Italian companies (with the exception of Consorzio QuenIT in liquidation), the Group has adopted "domestic tax consolidation", with reference to corporate income tax (IRES), which enables groups of companies to offset their income, or determine a single tax base to an extent corresponding to the algebraic sum of the tax bases of each of the participating Group companies, which are included for their entire amount, irrespective of the consolidating company's stake in them. Based on this option, the Group companies that participate in domestic tax consolidation determine their own tax burden and the corresponding taxable income is transferred to the parent company (likewise in the case of tax losses of the consolidated companies, if there is consolidated income during the year or a high likelihood of future taxable income). Thus, the consolidating company recognizes the payable for its own individual income taxes and for the individual income taxes of the subsidiaries participating in the domestic tax consolidation scheme in the item "Current tax liabilities" net of advances paid, or if the latter are higher than the balance of current liabilities, the net balance is shown in the item "Current tax assets". As an offsetting entry to items transferred by the subsidiaries, there is a payable (receivable) with respect to the subsidiaries, classified under "Other current assets" and "Other current liabilities". The item "Income taxes" includes the cost relating to the taxable income of the consolidating company. This scheme lasts for three years and is renewable automatically. It is currently in place until between 2019 and 2021.

Disclosure on fair value

With respect to the assets and liabilities recognized in the statement of financial position, IFRS 13 requires those values to be classified on the basis of a hierarchy which reflects the significance of the inputs used in determining the fair value. The classification of the fair value of financial instruments is reported below on the basis of the following hierarchical levels:

- **Level 1:** fair value determined with reference to (unadjusted) listed prices in active markets for identical financial instruments. Thus, in Level 1 emphasis is placed on the determination of the following elements: (a) the primary market of the asset or liability or, in the absence of a primary market, the most advantageous market of the asset or liability; (b) the possibility for the entity to carry out a transaction with the asset or the liability at the price of that market on the valuation date.
- **Level 2:** fair value determined with valuation techniques with reference to variables observable in active markets. The inputs for this level include: (a) listed prices for similar assets or liabilities in active markets; (b) listed prices for identical or similar assets or liabilities in inactive markets; (c) data other than listed prices observable for the asset or liability, for example: interest rates and yield

curves observable at commonly quoted intervals, implicit volatilities, credit spreads or inputs corroborated by the market.

- **Level 3:** fair value determined with valuation techniques with reference to variables not observable in the market.

Please refer to the “Disclosure on fair value” section for details on the breakdown of assets and liabilities measured by the Group at fair value based on the levels of the hierarchy.

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

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

- **IFRS 15 –** Revenue from Contracts with Customers (published on May 28, 2014 and supplemented with additional clarifications published on April 12, 2016) which replaced IAS 18 - Revenue and IAS 11 - Construction contracts, as well as the interpretations IFRIC 13 - Customer Loyalty Programs, 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. The standard establishes a new model for recognizing revenues, which applies to all contracts entered into with customers with the exception of those that fall within the scope of application of other IAS/IFRS such as leases, insurance agreements and financial instruments.
  The basic steps for accounting for revenues according to the new model are:
  – identify the contract with the customer;
  – identify the performance obligations set forth in the contract;
  – determine the price;
  – allocate the price to the performance obligations set forth in the contract;
  – recognize revenues when the entity satisfies each of the performance obligations.

The Group conducted a detailed analysis of contracts with customers, the nature of the revenues earned and the various types of agreed consideration. Particular attention was paid to analyzing the consideration relating to one-off contributions for the activation of services, the variable components present in contractual agreements and the consideration negotiated with customers on the basis of brackets.

Project activities carried out by the company for customers were also subject to particular attention, especially with reference to the recognition of the profit margin on orders according to the methods specified by the standard, i.e., over time or point in time.

The analyses carried out showed that the accounting treatment of the main types of revenues from contracts with customers was already aligned with the provisions of the new standard and, as a result, there were no significant accounting impacts.

- **IFRS 9 –** Financial Instruments (published on July 24, 2014). This standard introduces new criteria for the classification and measurement of financial assets and liabilities (along with the measurement of unsubstantial changes in financial liabilities). With reference to the impairment model, the new standard requires credit losses to be estimated on the basis of the expected losses model (and not the incurred losses model used by IAS 39) using supportable information available without unreasonable expense or effort which include historical, current and forecast data. Lastly, the new standard introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, change in the methods of accounting for forward contracts and options when included in a hedge accounting relationship and changes to effectiveness testing).

The new standard was applied as of January 1, 2018. The SIA Group has defined business models that identify the purpose for which the financial instruments are held. Taking into account the Group's operating segments, no critical issues or difficulties arose in linking the business models identified to the specific business model categories defined by IFRS 9, listed below:

- *"A business model whose objective is to hold assets in order to collect contractual cash flows"* (IFRS 9 par. B4.1.2C - B4.1.4) -> held to collect;
- *"A business model whose objective is achieved by both collecting contractual cash flows and selling assets"* (IFRS 9 par. B4.1.4A -B4.1.4C) -> held to collect and sell;
- Other business models (IFRS 9 par. B4.1.5-B4.1.6).

In addition, again for the classification of financial assets, for some categories of assets, as required by the standard, the Group verified that the contractual cash flows consist solely of payment of principal and interest on the principal amount outstanding (IFRS 9 B4.1.7-B4.119 - "SPPI test").

The summary table below defines the purposes for which financial instruments are held within the Group, identifying the reference business models and evaluating if the instrument generates structured/complex cash flows (which do not correspond to payments of principal and interest on the principal amount outstanding).

FINANCIAL INSTRUMENT	PURPOSE OF HOLDING	BUSINESS MODEL	VALUATION CRITERIA
Equity instrument	Medium/long term investment	Equity instrument	Fair value
Financial receivables	Hedging	Held to collect	Amortized cost
Trade receivables	Collection	Held to collect	Amortized cost
Cash	Short term investment	Held to collect	Amortized cost

Given the nature of the financial instruments shown in the table above measured at amortized cost - consider that the financial receivables within the Group relate to transfers of liquidity between the parent company and the subsidiaries, remunerated at market conditions (Euribor + spread) - the SPPI test was passed. The "Accounting standards and valuation criteria" section above describes the methods for recognizing financial instruments. With reference to the methods for presenting the effects of initial application of the standard, the company has decided to apply the option set forth in paragraph 7.2.15 of IFRS 9 and paragraphs E1 and E2 of IFRS 1 "First-Time Adoption of International Financial Reporting Standards", according to which - without prejudice to the retrospective application of the new measurement and presentation rules required by the standard - it is not necessary to restate the comparative data on a like-for-like basis in the financial statements in which the new standard is first adopted.

No impacts were identified on the method for recognizing financial instruments such so as to require recognition of a first time adoption reserve as at January 1, 2018, following the transition from the provisions of IAS 39 to those of IFRS 9. Please refer to the items in the Notes for a description of the measurements made for the financial instruments listed in the table above.

› Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on December 8, 2016, which partially supplements pre-existing standards. The majority of the amendments were applied as of January 1, 2018. The adoption of these amendments had no effects on the consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet applicable and not adopted early as at December 31, 2018

- On January 13, 2016, the IASB published **IFRS 16** – Leases, which is meant to replace IAS 17 – Leases, as well as 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 an approach based on control (right of use) of an asset to distinguish lease contracts from contracts for the provision of services, identifying as discriminating factors: the identification of the asset, the right to substitute it, the right to substantially obtain all economic benefits deriving from the use of the asset and, lastly, the right to direct the use of the asset underlying the contract. The standard establishes a single model for the recognition and measurement of lease agreements for the lessee, which requires the recognition of the asset subject to the lease, including operating, in the assets with a financial payable as an offsetting entry. To the contrary, the standard does not include significant amendments for lessors. The standard applies as of January 1, 2019, but early application is permitted.

The Group has completed the project for the preliminary assessment of potential impacts arising from the application of the new standard at the transition date (January 1, 2019). The process of implementing the standard is expected to be completed in the first half of 2019. The company has decided to apply the standard retrospectively, however recognizing the cumulative effect deriving from the application of the standard in shareholders' equity as at January 1, 2019 (IFRS 16, paragraph C5(b)). In particular, in relation to lease agreements previously classified as operating, the company will account for:

a) a financial liability, equal to the present value of residual future payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract;
b) a right of use equal to the value of the financial liability at the transition date, net of any prepayments and accrued expenses/deferred income and accrued liabilities referring to the lease and recognized in the balance sheet at the closing date of these financial statements.

The Group intends to make use of the exemption provided by IFRS 16 paragraph *5(a)* in relation to short-term leases and the exemption provided by IFRS 16 paragraph *5(b)* as concerns lease agreements with a low-value underlying asset (i.e., the assets underlying the lease agreement are not worth more than €5,000 when new). The contracts for which the exemption was applied primarily fall within the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Fixtures and furnishings.

For these contracts, the introduction of IFRS 16 will not entail the recognition of the financial liability of the lease and the relative right of use, but the lease payments will be recognized in the income statement on a straight-line basis for the term of the respective contracts.

The Group is completing analyses for the definition of some accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate.

- On June 7, 2017, the IASB published the interpretation document **IFRIC 23** – Uncertainty over Income Tax Treatments. This document deals with uncertainties regarding the tax treatment to be adopted for income taxes in the case of uncertainties in determining tax liabilities or assets. The new interpretation applies as of January 1, 2019, but early application is permitted. The directors do not expect the adoption of this interpretation to have a significant effect on the consolidated financial statements.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

At the date of these Financial Statements, the competent bodies of the European Union have not yet concluded the endorsement process necessary to adopt the amendments and standards described below, which could have an impact on the Group's consolidated financial statements.

- Amendment to **IAS 28 "Long-term Interests in Associates and Joint Ventures"** (published on October 12, 2017)". This document clarifies the need to apply IFRS 9, including the requirements linked to impairment, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment applies as of January 1, 2019, but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the consolidated financial statements.
- Document **"Annual Improvements to IFRSs 2015-2017 Cycle"**, published on December 12, 2017, which incorporates amendments to several standards as part of the annual improvement process. The amendments apply as of January 1, 2019, but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the consolidated financial statements.
- Amendment to IAS 19 **"Plan Amendment, Curtailment or Settlement"** (published on February 7, 2018). The document clarifies how an entity should recognize an amendment of a defined benefit plan. The amendments apply as of January 1, 2019, but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the consolidated financial statements.

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NOTES TO THE BALANCE SHEET ITEMS

ASSETS

Non-current assets

1. Tangible assets

(thousands of euro)

	31/12/2018			31/12/2017			Change 2018 Vs 2017
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	
Plant and machinery	251,683	(200,661)	51,022	156,797	(120,910)	35,887	15,135
Leased plant and machinery	46,406	(35,783)	10,623	45,129	(29,777)	15,352	(4,729)
Industrial and commercial equipment	3,539	(2,075)	1,464	7,096	(4,657)	2,439	(975)
Land and buildings	40,891	(16,913)	23,978	148	(147)	1	23,977
Other assets	18,154	(16,538)	1,616	8,591	(7,174)	1,417	199
Construction in progress and advances	4,003	-	4,003	3,982	-	3,982	21
Total	**364,676**	**(271,970)**	**92,706**	**221,743**	**(162,665)**	**59,078**	**33,628**

CHANGES IN TANGIBLE ASSETS *(thousands of euro)*

Gross amount	31/12/2017	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2018
Plant and equipment - Gross	156,797	(290)	17,589	(1,254)	-	78,841	251,683
Leased plant and equipment - Gross	45,129	-	1,277	-	-	-	46,406
Equipment - Gross	7,096	31	220	(52)	-	(3,756)	3,539
Land	-	-	-	-	-	2,472	2,472
Buildings - Gross	148	-	31	(151)	-	38,391	38,419
Other assets - Gross	8,591	29	1,247	(902)	-	9,189	18,154
Construction in progress and advances	3,982	13	2,555	(5,469)	-	2,922	4,003
Total	**221,743**	**(217)**	**22,919**	**(7,828)**	**-**	**128,059**	**364,676**

Depreciation fund	31/12/2017	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2018
Plant and equipment - Fund	(120,910)	235	(15,825)	1,199	-	(65,360)	(200,661)
Leased plant and equipment - Fund	(29,777)	-	(6,006)	-	-	-	(35,783)
Equipment - Fund	(4,657)	(56)	(109)	52	-	2,695	(2,075)
Buildings - Fund	(147)	-	(290)	150	-	(16,626)	(16,913)
Other assets - Fund	(7,174)	(30)	(785)	882	(8)	(9,423)	(16,538)
Total	**(162,665)**	**149**	**(23,015)**	**2,283**	**(8)**	**(88,714)**	**(271,970)**
Total	**59,078**						**92,706**

The changes in this item were caused by the inclusion within the scope of consolidation of the companies SIA Greece and SIA Slovakia. In particular, as at December 31, 2018, SIA Greece has tangible assets for a net value of €29,887 thousand, of which €18,701 referring to three owned properties in which the company's operating activities are carried out. SIA Slovakia's contribution to this item at the reporting date was €7,799 thousand (net value), of which €5,277 linked to an owned property where operating activities are carried out.

2. Intangible assets

(thousands of euro)

	31/12/2018			31/12/2017			Change 2018 Vs 2017
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	
Goodwill	**631,440**	(2,171)	**629,269**	**314,654**	(2,171)	**312,483**	**316,786**
Internally generated assets	356,528	(319,348)	37,180	299,046	(257,207)	41,839	(4,659)
Software licences	140,513	(121,324)	19,189	127,024	(107,480)	19,544	(355)
Intangible assets (others)	310,398	(136,859)	173,539	217,103	(22,522)	194,581	(21,042)
Other intangible assets	**807,439**	(577,531)	**229,908**	**643,173**	(387,209)	**255,964**	**(26,056)**
Intangible assets in progress and advances	**27,764**	-	**27,764**	**8,370**	-	**8,370**	**19,394**
Total	**1,466,643**	**(579,702)**	**886,941**	**966,197**	**(389,380)**	**576,817**	**310,124**

CHANGES IN INTANGIBLE ASSETS *(thousands of euro)*

Gross amount	31/12/2017	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2018
Goodwill	314,654	-	318,188	-	(1,402)	-	631,440
Internally generated assets	299,046	(910)	6,466	(1,311)	-	53,237	356,528
Software licences	127,024	(198)	6,780	(3,998)	-	10,905	140,513
Intangible assets (others)	217,103	-	51	(4,155)	-	97,399	310,398
Intangible assets in progress and advances	8,370	-	22,977	(3,583)	-	-	27,764
Total	**966,197**	**(1,108)**	**354,462**	**(13,047)**	**(1,402)**	**161,541**	**1,466,643**

Depreciation fund	31/12/2017	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2018
Goodwill	(2,171)	-	-	-	-	-	(2,171)
Internally generated assets	(257,207)	657	(21,293)	1,310	(2,521)	(40,294)	(319,348)
Software licences	(107,480)	193	(7,252)	3,971	-	(10,756)	(121,324)
Intangible assets (others)	(22,522)		(21,541)	4,106	-	(96,902)	(136,859)
Total	**(389,380)**	**850**	**(50,086)**	**9,387**	**(2,521)**	**(147,952)**	**(579,702)**
TOTAL	**576,817**						**886,941**

Increases during the period related to the expansion of the scope of consolidation as well as the recognition of goodwill on a provisional basis, equal to the difference from the consolidation of companies following the business combination of SIA Greece and SIA Slovakia and the direct subsidiaries.

In compliance with IFRS 3, such goodwill will be allocated to the CGUs identified at the end of the purchase price allocation process, which the standard indicates must be completed within a twelve-month measurement period.

Summary of changes in tangible and intangible assets

CHANGES IN TANGIBLE ASSETS *(thousands of euro)*								
Net amount	**31/12/2017**	**Exchange differences**	**Increase**	**Decrease**	**Depreciation**	**Impairment**	**Other changes**	**31/12/2018**
Plant and equipment	51,239	(55)	18,866	(55)	(21,831)	-	13,481	61,645
Industrial and commercial equipment	2,439	(25)	220	-	(109)	-	(1,060)	1,464
Land and buildings	1	-	31	(1)	(290)	-	24,237	23,978
Other assets	1,417	(1)	1,247	(20)	(785)	(8)	(235)	1,614
Construction in progress and advances	3,982	13	2,555	(5,469)	-	-	2,922	4,003
Total	**59,078**	**(68)**	**22,919**	**(5,545)**	**(23,015)**	**(8)**	**39,345**	**92,706**

CHANGES IN INTANGIBLE ASSETS *(thousands of euro)*								
Net amount	**31/12/2017**	**Exchange differences**	**Increase**	**Decrease**	**Depreciation**	**Impairment**	**Other changes**	**31/12/2018**
Goodwill	312,483	-	318,188	-	-	(1,402)	-	629,269
Internally generated assets	41,839	(253)	6,466	(1)	(21,293)	(2,521)	12,943	37,180
Software Licences	19,544	(5)	6,780	(27)	(7,252)	-	149	19,189
Intangible assets (others)	194,581	-	51	(49)	(21,541)	-	497	173,539
Intangible assets in progress and advances	8,370	-	22,977	(3,583)	-	-	-	27,764
Total	**576,817**	**(258)**	**354,462**	**(3,660)**	**(50,086)**	**(3,923)**	**13,589**	**886,941**

There are no assets securing liabilities. Tangible and intangible assets are initially recognized at cost and subsequently depreciated and amortized on the basis of their remaining useful life (except for goodwill).

Goodwill impairment test

Purpose and subject of the impairment test

IAS 36 establishes the criteria to be applied to verify whether the carrying amount of assets recognized in the financial statements is recoverable through their use or, alternatively, sale, by performing an impairment test. In particular, the impairment test must be carried out at least once a year for the goodwill arising from a business combination. For goodwill in the consolidated financial statements of the SIA Group arising from the recognition of equity investments at a value higher than the applicable shareholders' equity, the impairment test was performed by estimating the recoverable amount of the legal entity to which the goodwill has been allocated. In other words, for the impairment test, the cash-generating unit with which goodwill is associated is the legal entity from which it was generated.

The exception to this rule is the two subsidiaries acquired at the end of 2016, P4cards and PforCards, which for valuation purposes are considered to be a single cash-generating unit, and the subsidiary Ubiq which was valued within the "Loyalty and Big Data" service line, as the strategic development plans were prepared with a view to integrating all of Ubiq's activities within the parent company SIA.

The CGUs tested for impairment were therefore:

- P4cards, referring to the cash flows deriving from SIA's equity investments in P4cards S.r.l. and in PforCards GmbH, to which the consolidated goodwill recognized during the business combination of the same equity investments was allocated;
- SIA Central Europe, referring to the cash flows deriving from SIA's equity investment in SIA Central Europe Zrt., to which the consolidated goodwill recognized during the business combination of the same equity investment was allocated;
- Emmecom, referring to the cash flows deriving from SIA's equity investment in Emmecom S.r.l., to which the consolidated goodwill recognized during the business combination of the same equity investment was allocated;
- SIAadvisor, referring to the cash flows deriving from SIA's equity investment in SIAadvisor S.r.l., to which the consolidated goodwill recognized during the business combination of the same equity investment was allocated;

and the Loyalty and Big Data service line, to which the consolidated goodwill recognized during the business combination of SIA's equity investment in Ubiq S.r.l. was allocated.

The goodwill recognized in the Consolidated Financial Statements relating to companies that were merged by incorporation into SIA in previous years was tested for impairment considering SIA as a whole as the CGU, as the strong degree of integration of the business activities makes it difficult to identify a CGU at a lower level - see the dedicated paragraph below.

Please note that there is no consolidated goodwill relating to the companies Perago FSE or SIApay. Therefore, they were assessed only for the purposes of the separate financial statements. In compliance with the provisions of IAS 36, the impairment test was not carried out on the goodwill not yet allocated at the reporting date, as elements or further information that could have adjusted the market acquisition price between independent parties were not identified.

Reference data and documentation

The reference date for the performance of the tests is December 31, 2018; the relative estimates are based on the data from the 2018 draft Financial Statements and the income and cash flow projections formulated by the management of the investee companies for the 2019-2021 period. Market information is current information available at the reference date of the estimates; furthermore, sensitivity analyses were also performed on the test results.

The key parameters used for the Italian CGUs are those listed below, unless specified otherwise:

- The risk-free rate is differentiated between the analytical period and terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Italian risk-free rates with respect to current ones.
- The execution premium is 4%.
- The "g" growth rate is estimated as the average of the inflation rates forecast for Italy in the long term (time horizon 2018-2023) and is equal to 1.58%.
- The resulting WACC is 10.8% in the Plan period and 12.0% on the terminal value.

Valuation criteria and rules applied

To estimate the "recoverable amount", reference was made to the notion of "value in use". Value in use is estimated on the basis of the management's forecasts of the cash flows that can be generated by the CGU in question from SIA's perspective. The values in use from impairment testing were therefore compared with the value of goodwill recognized in the Consolidated Financial Statements. Pursuant to IAS 36, the baseline used for the estimate of the value in use was the unlevered financial method, applied with an "asset side" approach.

For the foreign CGUs, the value in use is calculated based on cash flows expressed in local currency, discounted on the basis of a discount rate expressing the risks connected to that currency and then converted into euro at the spot exchange rate on the reference date of the estimate.

The discount rate used for the assessments is equal to the weighted average cost of capital (WACC), which weights the cost of own capital and financial debt, calculated as a nominal rate and net of taxes. A parameter associated with the execution risks incorporated within the plans, named "specific risk premium" was also used, differentiated by individual company and highlighted in the analysis of the results of the individual equity investments.

RESULTS

P4CARDS CGU

The Plan of the companies P4cards and PforCards calls for further growth in turnover and profit margins, including in the plan years (2019-2021) subsequent to 2018.

Key parameters

The risk-free rate is differentiated between the analytical period and the terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Italian risk-free rates with respect to current ones.

The execution premium is 1% only for the terminal period, primarily considering the substantial stability of the business based on a significant long-term contract already entered into.

The "g" growth rate is estimated as the average of the inflation rates forecast for Italy in the long term (time horizon 2018-2023) and is equal to 1.58%.

The resulting WACC is 6.8% in the Plan period and 8.7% on the terminal value.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is higher than the carrying amount recognized in the consolidated financial statements and therefore there is no need for any write-downs.

SIA CENTRAL EUROPE CGU

The 2019-2021 Plan of SIA Central Europe appears to be challenging from the perspective of revenue growth; however, in the early years of the plan the EBITDA margin is essentially in line with the historical figure and that of this past year, while considerable growth is expected in 2021

Key parameters

The risk-free rate is differentiated between the analytical period and the terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Hungarian risk-free rates with respect to current ones.

The execution premium is 4%.

The long-term "g" growth rate is estimated in two stages: for the first (5 years), it is equal to the average of the Hungarian GDP growth rate (5.7%) and that of the Eurozone countries (3.5%); for the second stage, it is equal to expected long-term inflation in Hungary (3%).

The resulting WACC is 11.4% in the Plan period and 14.5% on the terminal value.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount (converted into euro at the exchange rate on December 31, 2018) is higher than the carrying amounts recognized in the consolidated financial statements and therefore there is no need for any write-downs.

EMMECOM CGU

Emmecom's 2019-2021 Plan calls for substantial stability in revenues and a decline in profitability in the first years of the plan compared to the year that just ended, but with a slight recovery in subsequent years.

Key parameters

The risk-free rate is differentiated between the analytical period and the terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Italian risk-free rates with respect to current ones.

The execution premium is 4%.

The "g" growth rate is estimated as the average of the inflation rates forecast for Italy in the long term (time horizon 2018-2023) and is equal to 1.58%.

The resulting WACC is 10.8% in the Plan period and 12.0% on the terminal value.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is higher than the carrying amounts recognized in the consolidated financial statements and therefore there is no need for any write-downs.

SIAADVISOR CGU

SIAadvisor's 2019-2021 Plan contains considerable revenue growth forecasts, while maintaining a good level of profit margins.

Key parameters

The risk-free rate is differentiated between the analytical period and the terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Italian risk-free rates with respect to current ones.

The execution premium is 4%.

The "g" growth rate is estimated as the average of the inflation rates forecast for Italy in the long term (time horizon 2018-2023) and is equal to 1.58%.

The resulting WACC is 10.8% in the Plan period and 12.0% on the terminal value.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is higher than the carrying amount of the assets, and therefore there is no need for any write-downs. The value of the goodwill allocated to the SIAadvisor CGU is €1.7 million. The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is higher than the amounts recognized in the consolidated financial statements and therefore there is no need for any write-downs. A stress test was also carried out to verify the stability of the carrying amount in light of separate and joint changes in the terminal cash flow discount rate (up to +1.0%) and the terminal EBITDA flow (up to -10.0%). The sensitivity analysis easily confirms the carrying amount, as the value in use is always higher.

LOYALTY AND BIG DATA CGU

This CGU, established within SIA in 2018, has three-year projections that initially take into account the launch of activities and thus forecast a negative EBITDA; however, based on its growth prospects, it is deemed that profit margins will be able to stabilize beginning from the last year of the plan.

This CGU also includes the subsidiary Ubiq S.r.l., with a view to leveraging the software originally developed for Loyalty services.

Key parameters

The risk-free rate is differentiated between the analytical period and the terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Italian risk-free rates with respect to current ones.

The execution premium is 4%.

The "g" growth rate is estimated as the average of the inflation rates forecast for Italy in the long term (time horizon 2018-2023) and is equal to 1.58%.

The resulting WACC is 10.8% in the Plan period and 12.0% on the terminal value.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is €2.5 million and therefore a write-down of €1.4 million was recognized in the consolidated financial statements.

Goodwill relating to RA Computer and SiNSYS (companies merged by incorporation into SIA)

The goodwill recognized in the Consolidated Financial Statements relating to companies that were merged by incorporation into SIA in previous years (SiNSYS on January 1, 2013 and RA Computer on January 1, 2015), with a carrying amount of €8 million, was tested for impairment considering SIA as a whole as the CGU. In continuity with the financial statements of previous years, as well as taking into account the recent strategic plan for the 2019-2021 three-year period approved by the SIA Board of Directors in February 2019, the value of the above-mentioned CGU is considerably higher than the carrying amount of the goodwill in question.

The table below summarizes the values of goodwill recognized in the consolidated financial statements as at December 31, 2018 and allocated to the CGUs identified, following adjustments made during previous impairment testing, as described above.

(thousands of euro)

	Business combination	Goodwill as of 31/12/2018
CGU		
SIA	SiNSYS S.A.	7,486
	Ra Computer S.r.l.	523
Perago	Perago FSE Ltd	-
SIApay	SIApay S.r.l.	-
SIA Central Europe	SIA Central Europe Zrt	9,945
Emmecom	Emmecom S.r.l.	3,275
Loyalty and Big Data	Ubiq S.r.l.	2,482
SIAadvisor	SIAadvisor S.r.l.	1,732
P4cards	P4cards S.r.l.	284,029
	PforCards GMBH	1,608
Total allocated goodwill		**311,080**
Non allocated goodwill	SIA Slovakia	216,431
	SIA Greece	101,758
Total non allocated goodwill		**318,189**
TOTAL GOODWILL		**629,269**

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3. Equity investments

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Subsidiaries	720	758	(38)
Total	**720**	**758**	**(38)**

The net carrying amount of the equity investments is €720 thousand, down compared to the previous year due to the reclassification of Trustlink to non-controlling equity investments ("Financial assets at fair value through other comprehensive income"). The remaining amount relates to the associated company ATS.

4. Non-current financial assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Financial assets at fair value through other comprehensive income - non current	50	12	38
Total	**50**	**12**	**38**

These amount to €50 thousand and correspond to the carrying amount of the non-controlling interests of the parent company SIA in MIP Politecnico di Milano and Trustlink, reclassified from "Equity investments" as noted above.

5. Non-current trade receivables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Trade receivables from customers	6	6	-
Total	**6**	**6**	**-**

6. Other non-current assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Leasehold improvements	4,102	788	3,314
Total	**4,102**	**788**	**3,314**

This item refers to improvements on properties leased by the Group companies where they carry out their business. It rose compared to the previous period due to work performed on a new operating office of the parent company SIA.

7. Deferred tax assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Deferred tax assets	10,646	6,322	4,324
Total	**10,646**	**6,322**	**4,324**

This item shows taxes incurred in periods prior to that of accrual and consists of:

- prepaid taxes equal to the difference between the depreciation of tangible assets for accounting and tax purposes;
- prepaid taxes recognized on actuarial components on defined benefit plans for employees, recognized in the valuation reserve;
- other temporary differences arising in calculating current taxes between accounting and tax values.

The increase is due primarily to the change in the scope of consolidation, in particular the amounts recognized by SIA Greece.

Current assets

8. Inventories

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Finished products and raw materials	2,548	860	1,688
Work in progress - current	1,827	4,171	(2,344)
Total	**4,375**	**5,031**	**(656)**

The item inventories refers for the most part to stocks of credit/debit cards and telephone PINs of the subsidiary company P4cards, which rose due to increases in customer resale volumes and therefore the need to acquire more inventory. The item construction contracts declined since during the period a good part of the software projects developed on behalf of third parties ended.

9. Current financial receivables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Other financial receivables	1,703	-	1,703
Total	**1,703**	**-**	**1,703**

These amounts refer to adjustments in several balance sheet items of the recently acquired companies, SIA Greece and SIA Slovakia, which will be settled in the course of 2019 during the price adjustment process set forth in the contract with the selling counterparty.

10. Current financial assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Financial assets measured at fair value through profit or loss - current	-	353	(353)
Financial assets measured at fair value at amortised cost - current	122	135	(13)
Total	**122**	**488**	**(366)**

This item declined as a result of the expiry in September 2018 of the period for exercising the call option granted and sold by the executives of SIA and its Belgian branch, as part of a reserved capital increase approved by the Shareholders' Meeting on July 23, 2015, without that option being exercised.

11. Current tax assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Other tax assets	38,922	38,840	82
Current tax assets - IRES	13	8,233	(8,220)
Current tax assets - IRAP	-	1,655	(1,655)
Foreign tax assets	440	-	440
Total	**39,375**	**48,728**	**(9,353)**

This item includes the payment made by the parent company SIA of substitute tax totaling €35.8 million to redeem the goodwill generated in the consolidated financial statements following the acquisition of P4cards. The benefits of this redemption will be seen as of 2019 and therefore the advance paid was suspended in current tax assets, in line with the application document released by the Italian Accounting Standard Authority for entities that apply international accounting standards. The item declined compared to the previous year as the payables for the year were higher than advances paid and therefore the net balance has been reclassified to "Current tax liabilities".

12. Current trade receivables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Trade receivables - current	194,375	160,459	33,916
Bad debt provision	(5,618)	(2,164)	(3,454)
Total	**188,757**	**158,295**	**30,462**

Trade receivables increased compared to the previous period due to the inclusion within the scope of consolidation of the credit balances of SIA Greece and SIA Slovakia, as well as the postponed settlement in January 2019 of credit positions of the company P4cards with respect to a top customer, for which a number of debt positions were also open at year-end, offset by a decline in credit exposures of the parent company SIA due to positive collection trends.

Given the short-term nature of trade receivables, the Group believes that the carrying amounts, net of any bad debt provision, represent a good approximation of fair value.

The following tables show the changes in the bad debt provision and the breakdown in trade receivables by overdue time brackets.

CHANGES IN BAD DEBT PROVISION *(thousands of euro)*

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Opening balance	**(2,164)**	**(1,595)**	**(569)**
Increase	(4,057)	(582)	(3,475)
Decrease	600	13	587
Exchange rate differences	3	-	3
Closing balance	**(5,618)**	**(2,164)**	**(3,454)**

RECEIVABLES PAST DUE BY TIME RANGES *(thousands of euro)*

	1 to 90 days	90 to 180 days	> 180 days	Total
Trade receivables	24,533	3,319	7,888	35,740
Total	**24,533**	**3,319**	**7,888**	**35,740**

With respect to overdue amounts, there are no particularly critical issues, and a precise analysis has been conducted on the individual positions which led to an adjustment in the bad debt provision to bring it into line with the risks identified, in accordance with the Group's internal policies.

13. Other current assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Security deposits	1,008	866	142
Prepayments to suppliers	1,792	475	1,317
Receivables from employees	360	113	247
Other activities	6,138	9,339	(3,201)
Tax receivables	2,659	2,032	627
Prepayments and accrued expenses	25,730	25,665	65
Total	**37,687**	**38,490**	**(803)**

The value of prepayments remains consistent and aligned with the previous period due to the high amounts invoiced in advance by top tech suppliers to the parent company SIA in relation to software leases (acquisition of buckets of transactions) and hardware and software maintenance.

14. Cash and cash equivalents

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Cash in hand	15	18	(3)
Bank accounts and deposits	94,624	61,328	33,296
Other cash and cash equivalents	13	3	10
Total	**94,652**	**61,349**	**33,303**

As highlighted in the cash flow statement, in the year 2018 investment activities absorbed significant cash flows which were generated by operating and funding activities. The positive results achieved by the parent company SIA and by the various Group companies led to a year-end close with cash levels significantly higher than in the previous period.

LIABILITIES AND SHAREHOLDERS' EQUITY

15. Shareholders' equity

Share capital

The share capital of SIA S.p.A. amounts to €22,275 thousand, broken down into 171,343,227 ordinary shares with a nominal value of €0.13 each.

Share premium reserve

This amounts to €5,317 thousand and did not change during the year.

Reserves

They amount to €187,921 thousand (€167,824 thousand as at December 31, 2017).

Valuation reserve

It was negative in the amount of €6,198 thousand (negative €3,573 thousand as at December 31, 2017).

Statement of reconciliation between Shareholders' equity and profit (loss) for the year of SIA and Consolidated shareholders' equity attributable to the Group and profit (loss) attributable to the Group

(thousands of euro)

	Shareholders' equity as of 31/12/2018	Profit/(loss) for 2018	Shareholders' equity as of 31/12/2018	Profit/(loss) for 2017
SIA S.p.A.	273,939	84,641	251,578	63,445
Shareholders' equity and results for the period attributable to the Group	177,552	33,205	103,598	30,155
Shareholders' equity and results for the period attributable to non-controlling interests	(5)	-	(5)	-
Subsidiaries carrying amount elimination	(913,394)	-	(527,129)	-
Intra-group dividends elimination	-	(28,456)	-	(1,558)
Allocated goodwill	311,080	-	307,020	-
Non-allocated goodwill	318,189	-	-	-
Intangible assets recognised as a result of purchase price allocation processes	124,013	(15,501)	139,514	(15,501)
Other consolidation adjustments	(2,523)	5,647	(2,650)	3,542
SIA Group	**288,851**	**79,536**	**271,926**	**80,083**

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Non-current liabilities

16. Non-current financial payables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Bank loans - non current	695,860	354,855	341,005
Other non current payables	13,318	9,680	3,638
Total	**709,178**	**364,535**	**344,643**

Non-current bank debt refers primarily to the long-term portion of loans disbursed to the company SIA for acquisition operations carried out at the end of 2016 (P4cards and PforCards) and in 2018 (SIA Greece and SIA Slovakia). For further details, please refer to the "Group consolidated performance" section of the 2018 management report.

Other non-current financial payables consist of the component due in more than twelve months of payables relating to finance lease agreements for the acquisition of technological infrastructure. The amount increased after P4cards entered into a sale and lease-back agreement on its POSs with a leading leasing company.

17. Non-current financial liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Other non current financial liabilities	2,117	78	2,039
Hedging derivatives - non current	3,114	856	2,258
Total	**5,231**	**934**	**4,297**

The item "Other non-current financial liabilities" refers to the present value of the liability recognized for the acquisition of the non-controlling interests in the company SIAadvisor, recognized in the Consolidated Financial Statements based on the provisions of paragraph 33 of IAS 32 due to the presence of "puttable instruments". The option was renewed for another three years, and therefore it was reclassified from "Other current financial liabilities". The item non-current hedging derivatives refers to the negative fair value of the derivative contracts entered into in December 2018 by the parent company to cover interest rate risk on the outstanding bank loan with the same lending banks. The derivative instrument swaps the floating rate on the loan with a fixed market rate set up when the contract was entered into.

18. Provisions for employee benefits

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Employee benefits	23,145	20,785	2,360
Total	**23,145**	**20,785**	**2,360**

Employee benefits refer to the provision for severance indemnity for employees of the Group's Italian companies, and the pension funds required by union agreements for the foreign companies and branches. This item increased due to the consolidation of the company SIA Greece.

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19. Deferred tax liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Deferred tax liabilities	48,416	54,049	(5,633)
Total	**48,416**	**54,049**	**(5,633)**

This amount refers almost in its entirety to the balance of deferred tax liabilities recognized on the basis of the provisions of IAS 12 following the recognition of intangible assets during the P4cards purchase price allocation process. The reduction during the year is due to the tax repercussions of the amortization process on the item recognized.

20. Provisions for risks

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Provisions for risks	1,823	4,187	(2,364)
Total	**1,823**	**4,187**	**(2,364)**

CHANGES OF THE PERIOD *(thousands of euro)*				
	Charges for employees	Tax disputes	Other provisions	Total
Balances as of 31/12/2017				
Opening balance	3,458	240	489	**4,187**
Reclassifications				
Reclassifications	-		-	**-**
Increase				
Provisions of the period	-	-	823	**823**
Consolidation area change	-		99	**99**
Decrease				
Utilisation of the period	(3,128)	-	(158)	**(3,286)**
Balances as of 31/12/2017				
CLOSING BALANCE	**330**	**240**	**1,253**	**1,823**

The decline in expenses for personnel was due to the fact that the amounts recognized - referring to outlays expected for the employee solidarity fund of the parent company SIA - became certain over the course of the year. In addition, at the reporting date it was no longer possible for employees to request access to this fund, and therefore no further allocations were made. The item other provisions includes likely provisions relating to requests for indemnification and/or compensation from customers and values relating to seniority bonuses to be recognized to employees based on the company's supplementary agreement. These values were adjusted based on payments made during the year and expert actuarial estimates.

21. Other non-current liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Other non current liabilities	9,928	6	9,922
Total	**9,928**	**6**	**9,922**

This item includes amounts recognized for the new long-term incentive plan classified at the end of the year in “Other current liabilities” as they relate to the previous plan, terminated in 2017 and settled in 2018.

Current liabilities

22. Current financial payables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Current bank debt	85,585	63,352	22,233
Other current financial payables	20,412	10,594	9,818
Total	**105,997**	**73,946**	**32,051**

The item current bank debt rose following the increase in borrowings by the parent company SIA to finance acquisition operations, while other current financial payables was up due to the sale and lease-back agreement entered into by P4cards on its POS terminals.

23. Current financial liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Other current financial liabilities	-	2,117	(2,117)
Total	**-**	**2,117**	**(2,117)**

This item refers to the present value of the liability recognized for the acquisition of the non-controlling interests in the company SIAadvisor, which since it was renewed for another three years was reclassified to “Non-current financial liabilities”.

24. Current tax liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Current tax liabilities - IRES	3,537	-	3,537
Current tax liabilities - IRAP	1,399	1,239	160
Foreign tax liabiities	(14)	59	(73)
Total	**4,922**	**1,298**	**3,624**

25. Current trade payables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Trade payables - current	85,397	81,841	3,556
Total	**85,397**	**81,841**	**3,556**

A good deal of the increase in this item was due to contributions of the companies SIA Greece and SIA Slovakia following the acquisition on September 28, 2018 which resulted in the consolidation of their balance sheet items and those of their respective investees.

Given the short-term nature of trade payables, SIA believes that the carrying amounts represent a good approximation of fair value.

26. Other current liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Customer advance payments	7,658	5,531	2,127
Social security debts	24,090	22,567	1,523
Amounts due to Directors and Auditors	367	818	(451)
Payables to employees	23,790	38,273	(14,483)
Deferred income and accrued liabilities	7,228	3,226	4,002
Tax liabilities	10,828	6,032	4,796
Other liabilities	4,989	4,086	903
Total	**78,949**	**80,533**	**(1,584)**

Payables to employees were down due to the payment of the long-term incentive plan for the management, offset by the increase in other items following the change in the scope of consolidation.

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS

27. Revenues from sales and services

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Revenues from sales and services	614,802	567,213	47,589
Total	**614,802**	**567,213**	**47,589**

This item rose due to the excellent results of the parent company as well as P4cards and the positive contributions of SIA Greece and SIA Slovakia (consolidated on September 28, 2018) to the Group's income statement in the final quarter of the year.

BREAKDOWN OF REVENUES BY BUSINESS SEGMENT *(thousands of euro)*

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Cards	389,222	336,060	53,162
Payments	115,145	118,557	(3,412)
Institutional Services	110,414	112,592	(2,178)
Corporate	21	4	17
Total	**614,802**	**567,213**	**47,589**

(*) Some amounts from 2017 were reclassified among the operating segments.

Below are the main reasons for the changes in revenues during the year, broken down by business segment.

- **Cards:** this segment saw higher revenues for issuing and acquiring services relating to debit and credit cards and merchants, in particular there were higher revenues for transactions, project activities and value-added services.
- **Payments:** higher revenues for innovative services in the Network Services as well as Mobile Payment and PSD2 areas, but lower revenues on traditional Network Services activities and a decrease in project activities for collections and payments, resulting in an overall decline in revenues for this segment.
- **Institutional Services:** the positive change posted for revenues for clearing services due to higher volumes managed, as well as for revenues for project activities and network services, was offset by lower revenues for Post-Trading services.
- **Corporate:** this is a residual segment basically encompassing revenues from third parties that cannot be allocated to the business segments. The increase was caused by higher charge-backs of unallocated costs for services.

BREAKDOWN OF REVENUES BY REGION *(thousands of euro)*			
	Italy	Foreign	Total 2018
Cards	296,722	92,500	389,222
Payments	114,745	400	115,145
Institutional Services	55,014	55,400	110,414
Corporate	21	-	21
Total	**466,502**	**148,300**	**614,802**

28. Other revenues and income

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Several revenues	718	470	248
Contingent revenues	2,400	1,947	453
Gains	73	52	21
Total	**3,191**	**2,469**	**722**

29. Changes in inventories for third parties

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Software projects developed for third parties	(1,886)	352	(2,238)
Total	**(1,886)**	**352**	**(2,238)**

30. Costs for raw and ancillary materials, consumables and goods

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Goods and products	(13,750)	(12,195)	(1,555)
Total	**(13,750)**	**(12,195)**	**(1,555)**

31. Costs for services

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Rental	(24,459)	(21,250)	(3,209)
Maintenance	(29,806)	(27,442)	(2,364)
Network	(16,765)	(17,366)	601
Outsourcing	(27,343)	(27,675)	332
Building	(13,517)	(12,943)	(574)
Professional Services	(56,517)	(54,984)	(1,533)
Royalties	(11,350)	(9,592)	(1,758)
General expenses	(11,993)	(8,866)	(3,127)
Insurance	(1,337)	(1,058)	(279)
Total	**(193,087)**	**(181,176)**	**(11,911)**

There were higher software rental costs due to new contracts entered into for the management of technological infrastructure, which also explains the rise in maintenance costs.

Remuneration for the auditing of the separate and consolidated financial statements of the Group and to check that the company's books are properly kept, including tax attestation services, paid by the parent company during the year to the company PricewaterhouseCoopers S.p.A. amounted to €169 thousand. Every subsidiary incurred its own applicable costs for the relative auditing and accounting controls. Furthermore, in the course of 2018 PricewaterhouseCoopers also provided permitted services other than auditing.

32. Staff costs

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Wages and salaries	(125,953)	(118,613)	(7,340)
Social charges	(31,211)	(29,864)	(1,347)
Severance indemnities	(5,664)	(7,450)	1,786
Payments to pension funds	(3,854)	(3,366)	(488)
Charges for restructuring	(9,148)	(6,209)	(2,939)
Other costs	(8,237)	(7,831)	(406)
Travel	(3,085)	(2,947)	(138)
Other staff	(974)	(1,176)	202
Directors and Auditors	(1,235)	(2,065)	830
Recoveries seconded staff	342	-	(342)
Refunds seconded staff	(401)	(1,090)	(689)
Capex internal staff costs	6,919	5,519	1,400
Total	**(182,501)**	**(175,092)**	**(7,409)**

The main increases relate to the larger Group workforce following the expansion of its scope of consolidation. In addition, more internal resources were used for capitalized software development.

The table below shows the average and precise number as at December 31, 2018 of Group employees broken down by category.

WORKFORCE						
Workforce (year-end)	31/12/2018		31/12/2017		31/12/2018	31/12/2017
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,476	35	1,452	33	1,511	1,485
SIApay	20	-	12	-	20	12
SIAadvisor	24	-	13	-	24	13
Ubiq	14	-	20	-	14	20
Emmecom	11	-	12	-	11	12
P4cards	403	3	339	4	406	343
PforCards	18		7	-	18	7
SIA Central Europe	46	-	49	-	46	49
Perago FSE	74	-	67	-	74	67
SIA Greece	951	22	-	-	973	-
SIA Slovakia	260	10	-	-	270	-
SIA Romania	1	-	-	-	1	-
SIA Hungary	15	-	-	-	15	-
SIA Czech Republic	1	-	-	-	1	-
SIA Croatia	5	-	-	-	5	-
SIA Serbia	75	1	-	-	76	-
Total	**3,394**	**71**	**1,971**	**37**	**3,465**	**2,008**

Workforce (average)	31/12/2018		31/12/2017		31/12/2018	31/12/2017
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,473	36	1,465	33	1,509	1,498
SIApay	18	-	18	-	18	18
SIAadvisor	19	-	14	-	19	14
Ubiq	17	-	18	-	17	18
Emmecom	12	-	12	-	12	12
P4cards	367	3	348	3	370	351
PforCards	16		11	-	16	11
SIA Central Europe	49	-	50	-	49	50
Perago FSE	78	-	76	-	78	76
SIA Greece	241	6	-	-	247	-
SIA Slovakia	64	3	-	-	67	-
SIA Romania	-		-	-	-	-
SIA Hungary	4		-	-	4	-
SIA Czech Republic	1		-	-	1	-
SIA Croatia	1		-	-	1	-
SIA Serbia	19		-	-	19	-
Total	**2,379**	**48**	**2,012**	**36**	**2,427**	**2,048**

33. Other operating expenses

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Undeductable VAT	(21,779)	(19,160)	(2,619)
Tax expenses	(585)	(401)	(184)
Losses on disposal of assets	(132)	(37)	(95)
Other charges	(2,886)	(2,148)	(738)
Total	**(25,382)**	**(21,746)**	**(3,636)**

Costs for non-deductible VAT rose during the year due to increased acquisitions of goods and services subject to VAT and the worse percentage of deductibility of SIA and P4cards, which work under a pro-rata system.

34. Depreciation and amortization

(thousands of euro)

	Depreciation	Write-off	Total
Tangible assets	(17,008)	(10)	(17,018)
Leased tangible assets	(6,006)		(6,006)
Total	**(23,014)**	**(10)**	**(23,024)**

(thousands of euro)

	Depreciation	Write-off	Total
Intangible assets	(50,087)	(3,952)	(54,039)
Total	**(50,087)**	**(3,952)**	**(54,039)**
Total depreciation	**(73,101)**	**(3,962)**	**(77,063)**

Adjustments in the value of intangible assets include the write-down recognized on consolidated goodwill referring to the subsidiary Ubiq (€1.4 million) and a write-down of €2.5 million on software developed internally by Perago FSE, deemed obsolete.

35. Adjustments to trade receivables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Provision for bad debts	(1,220)	(6,370)	5,150
Total	**(1,220)**	**(6,370)**	**5,150**

Provisions recognized during the year are marginal, bearing witness to the good composition of customers and their solidity.

The change relates to the write-down in 2017 on a receivable of the parent company SIA due from a customer that suspended a service early.

36. Additions to provisions for risks

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Provision fund risk	(823)	(200)	(623)
Total	**(823)**	**(200)**	**(623)**

This refers to allocations made for any costs and expenses for preparatory activities for the management of a dispute with a customer and some requests for compensation for damages received from customers which are currently being assessed and defined.

37. Profit/loss on financial assets and liabilities management

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Profit/loss on financial assets and liabilities management	(396)	960	(1,356)
Total	**(396)**	**960**	**(1,356)**

The negative amounts relating to the management of financial assets are explained by the elimination of the value of the call option granted and sold by the executives of SIA and its Belgian branch, as part of a reserved capital increase approved by the Shareholders' Meeting on July 23, 2015, for €353 thousand, and the adjustment of the value of the financial liability relating to the acquisition of the non-controlling interests in Ubiq for €43 thousand. In the previous year, there were positive values due to the adjustment of the value and proceeds from the sale of shares of Banca Etica.

38. Financial income

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Interest income	347	284	63
Total	**347**	**284**	**63**

39. Financial charges

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Interest expenses	(11,385)	(9,042)	(2,343)
Bank charges	(592)	(669)	77
Total	**(11,977)**	**(9,711)**	**(2,266)**

This item increased as a result of higher interest expenses incurred by the parent company SIA due to the higher financial debt during the year, including negative spreads paid to cover interest rate risk.

40. Income tax

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Current taxes	(37,854)	(30,726)	(7,128)
Prepaid/deferred taxes	7,801	4,400	3,401
Taxes from previous years	(666)	6,346	(7,012)
Total	**(30,719)**	**(19,980)**	**(10,739)**

Current taxes were up due to the better operating results achieved and the acquisition of the Greek and Slovak subsidiaries effective starting from the last quarter of 2018. In addition, this item rose due to the elimination of the previous benefits recognized in the financial statements as at December 31, 2017 for the years 2015 and 2016 deriving from the Patent Box agreement with the Italian Revenue Agency.

DISCLOSURE ON FAIR VALUE

The table below shows the assets and liabilities measured at fair value broken down on the basis of the levels set forth in the fair value hierarchy.

To define the fair value levels, the Group refers to the hierarchy established in IFRS 13, which classifies the inputs of the valuation techniques adopted into three levels:

- **level 1:** includes (unadjusted) listed prices in active markets for identical assets or liabilities which the company can access at the valuation date;
- **level 2:** includes inputs other than the listed prices included in level 1, observable directly or indirectly for the asset or liability;
- **level 3:** includes input data not observable for the asset or liability.

Given the short-term nature of trade receivables and payables, the Group believes that the carrying amounts, net of any bad debt provision, represent a good approximation of fair value. Assets and liabilities at amortized cost are remunerated on the basis of floating interest rates, thus the differences between the fair value and the valuation at amortized cost are deemed insignificant.

FINANCIAL ASSETS *(thousands of euro)*

	Carrying amount	L1	L2	L3
Financial assets - non current				
Financial assets at fair value through other comprehensive income - non current	50			x
Total	**50**			

CHANGES IN FINANCIAL ASSETS *(thousands of euro)*

	31/12/2018	31/12/2017
Opening balance	**500**	**519**
Purchases/increases	-	135
Sales/settlements	(353)	(154)
Fair value adjustment	-	-
Reclassifications	(135)	-
Other changes	38	-
Closing balance	**50**	**500**

Changes during the year refer primarily to the elimination of the option held by the parent company following the capital increase reserved to executives which expired in September 2018, the reclassification to financial assets at amortized cost of time deposits of the South African subsidiary Perago FSE (€135 thousand) and the recognition in the item of the non-controlling equity investment in the company Trustlink (€38 thousand).

FINANCIAL LIABILITIES *(thousands of euro)*				
	Carrying amount	L1	L2	L3
Financial liabilities - non current				
Other financial liabilities - non current	2,117			x
Hedging derivatives - non current	3,114		x	
Financial liabilities - current				
Other financial liabilities - current	-			
Total	**5,231**			

CHANGES IN FINANCIAL LIABILITIES *(thousands of euro)*		
	31/12/2018	31/12/2017
Opening balance	**3,051**	**3,153**
Purchases/increases	-	-
Sales/settlements	(856)	-
Fair value adjustment	-	(958)
Reclassifications	-	-
Other changes	3,036	856
Closing balance	**5,231**	**3,051**

TRANSACTIONS WITH RELATED PARTIES

Information on remuneration of key managers

As at December 31, 2018, the remuneration due to key managers amounts to €6,481 thousand (€6,424 thousand as at December 31, 2017). €1,294 thousand of these amounts was disbursed (€1,211 thousand as at December 31, 2017).

The remuneration due to Directors and Statutory Auditors for the year 2018 amounts to €1,235 thousand (€2,065 thousand in 2017).

The above-mentioned remuneration was recognized in the income statement item "Payroll costs".

The balance sheet items include other current liabilities of €5,117 thousand.

Other transactions with related parties

Transactions with related parties, including trade transactions with shareholders, are part of the ordinary course of business of the Group companies and are carried out in compliance with criteria of substantial and procedural fairness, under the same conditions as would be applied for transactions entered into with independent third parties.

In drafting this report, related party refers to a person or entity related to the entity drafting the Financial Statements, pursuant to IAS 24.

An individual or a close family member of that individual are related to the company drafting the Financial Statements if that individual:

- has control or joint control over the company drafting the Financial Statements;
- has significant influence over the company drafting the Financial Statements;
- is one of the key managers of the company drafting the Financial Statements or one of its parent companies.

An entity is related to the company drafting the Financial Statements if any one of the following conditions applies:

- the entities are part of the same Group (which means that each parent company, subsidiary and Group company is related to the others);
- an entity is an associate or a joint venture of the other entity (or an associate or a joint venture that is part of a Group to which the other company belongs);
- both entities are joint ventures of the same third counterparty;
- an entity is a joint venture of a third party company and another entity is an associate of the third party entity;
- the entity is represented by a post-employment benefit plan in favor of employees of the entity drafting the Financial Statements or a related company. If the entity drafting the Financial Statements is itself a plan of this type, also the employers that sponsor it are related to the entity drafting the Financial Statements;
- the entity is controlled or jointly controlled by an individual identified as a related party;
- an individual identified as a related party has significant influence over the entity or is one of the key managers of the entity (or of one of its parent companies).

Transactions with related parties also include transactions with the company ATS, 30% held by SIA. These income statement and balance sheet values are deemed insignificant. The balance sheet and income statement transactions with shareholders are primarily attributable to trade contracts entered into under market conditions.

CAPITAL MANAGEMENT POLICY

The Group's objective is to maximize the return on net invested capital while maintaining the capacity to operate over time, guaranteeing adequate returns for shareholders and benefits for other stakeholders, with a sustainable financial structure. To reach these targets, aside from pursuing satisfactory economic results and generating cash flows, the Group can intervene in its dividend policy and the configuration of the company's capital.

The main indicators used by the Group in capital management are:

- R.O.E (Return on equity): calculated as the ratio between the profit (loss) attributable to the Group and shareholders' equity attributable to the Group. This indicator represents the Group's capacity to remunerate its shareholders. The objective is for the indicator's value to be higher than the rate of return on a risk-free investment, correlated with the nature of the businesses managed.
- R.O.I (Return on Investment): calculated as the ratio between operating profit and invested capital; this indicator represents the capacity of company profit to remunerate invested capital, understood as the sum of non-current assets and current assets.

The value of these ratios in 2018 and the relative comparison with 2017 are shown in the dedicated section of the Management Report.

POLICY FOR THE MANAGEMENT OF FINANCIAL RISKS

Qualitative information on risks is provided in the dedicated section of the Management Report for each risk factor including in relation to financial risks.

The same section of the Management Report provides qualitative information on non-financial risks.

The quantitative information on financial risk is instead provided below.

Credit risk

The Group is marginally exposed to credit risk for its operating activities and the management of financial resources and cash.

The quantitative information, consisting of the breakdown of trade receivables by overdue time brackets, increases in the bad debt provision and the indication of any significant positions with individual counterparties, is provided in the comments on trade receivables and/or cash and cash equivalents.

Liquidity risk

The quantitative information consists of an indication of liquidity reserves existing at the reporting date and the breakdown by maturity of payables and other financial liabilities, based on the tables provided below:

LIQUIDITY RESERVES *(thousands of euro)*

	31/12/2018	31/12/2017
Cash	94,652	61,349
Financial assets - current	122	488
Financial receivables - current	1,703	-
Committed lines not used (*)	81,750	72,750
Total	**178,227**	**134,587**

(*) The amounts refer to the parent company SIA S.p.A.

BREAKDOWN OF LIABILITIES BY RESIDUAL MATURITY *(thousands of euro)*

	Within 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Bonds	-	-	-	-	-
Financial payables	105,997	84,637	624,541	-	815,175
Financial liabilities	-	2,117	3,114	-	5,231
Trade payables	85,397	-	-	-	85,397
Other liabilities (*)	83,871	58,344	-	-	142,215
Total	**275,265**	**145,098**	**627,655**	**-**	**1,048,018**

(*) Includes the amounts classified in the items relating to tax liabilities and other liabilities and does not include amounts relating to provisions for employee benefits and provisions for risks.

Exchange rate risk

The Group, with the exception of the foreign subsidiaries SIA Central Europe and Perago FSE, operates mainly in the euro area, and therefore it is not significantly exposed to exchange rate risks. The exchange differences realized by the Group companies are recognized in the income statement under other revenues and other expenses depending on whether they are positive or negative. Unrealized differences are recognized in shareholders' equity under Valuation reserve. Please refer to the information shown in the Notes which indicates gains and losses due to fluctuations in exchange rates as well as the marginal values.

Interest rate and market risk

The interest rate risk to which the company is exposed depends essentially on financial payables connected to finance leases and the loan entered into by the parent company SIA with a pool of banks for a total notional amount of €775 million, disbursed on September 28, 2018. This transaction made it possible to finance the purchase of the companies SIA Slovakia and SIA Greece (formerly First Data Slovakia and First Data Hellas) and to fully extinguish the previous loan taken out on December 23, 2016 to acquire the companies P4cards and PforCards, benefitting from better economic conditions. The new loan includes 3 lines: the first is fully amortizing and for €390 million, the second is a bullet line of €185 million and the third is a "bridge to equity" line for €200 million. The amortizing and bullet lines have a contractual duration of five years, while the bridge to equity line matures on May 31, 2019, with the possibility to extend the maturity to the same date as the other two lines. The agreement also calls for granting a revolving line of credit of €50 million, currently unused, also for a contractual duration of five years. All lines of credit bear interest at a floating rate (Euribor+spread) and are subject to customary conditions for transactions of this type.

The financing agreement provides for drawing up covenants, in the terms normally accepted for these types of transactions, based on profit level and financial indebtedness indicators.

SIA invests the liquid assets available primarily in current bank accounts and bank deposits, with fixed or variable rate returns. Given what is set forth above and the market interest rate curves for the euro in the coming years, we do not expect to have economic impacts requiring the performance of particular sensitivity analyses, aside from what has already been described above.

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CERTIFIED

FINANCIAL ASSETS *(thousands of euro)*				
	31/12/2018		31/12/2017	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash in hand	-	15	-	18
Bank accounts and deposits	-	94,624	-	61,331
Non current financial assets (*)	-		-	-
Current financial assets (*)	-	122	-	135
Total	**-**	**94,761**	**-**	**61,484**

(*) Amounts relating to non-controlling interests, other cash and cash equivalents and receivables relating to price adjustments for extraordinary operations are excluded due to their nature.

FINANCIAL LIABILITIES *(thousands of euro)*				
	31/12/2018		31/12/2017	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Bonds	-		-	-
Non current financial liabilities (**)	-	3,114	-	856
Current financial liabilities	-		-	-
Non current financial payables (***)	7,939	701,239		364,468
Current financial payables (***)	8,131	97,866	-	68,404
Total	**16,070**	**802,219**	**-**	**433,728**

(**) The value relates to the hedging derivative of the parent company SIA.
(***) The value relates to the bank loan of the parent company SIA as well as the values of finance leases.

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SIGNIFICANT NON-RECURRING EVENTS AND OPERATIONS

There are no significant non-recurring events or operations not already disclosed in the Management Report and/or in the Notes.

POSITIONS OR OPERATIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

There were no positions or operations deriving from atypical and/or unusual operations in 2018.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The significant events subsequent to the end of the financial year are described in the Management Report.

Please note that the 2018 Consolidated Financial Statements were approved by the Board of Directors on March 13, 2019.

INDEPENDENT AUDITORS' REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of
SIA SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of SIA Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders'equity, consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of SIA SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C. F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate SIA SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The directors of SIA SpA are responsible for preparing a report on operations of the SIA Group as of 31 December 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the SIA Group as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of SIA Group as of 31 December 2018 and is prepared in compliance with the law.
With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 25 March 2019

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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4 FINANCIAL STATEMENTS OF SIA S.P.A. AS AT DECEMBER 31, 2018

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STATEMENT OF
FINANCIAL POSITION

Balance Sheet Assets

TOTAL ASSETS *(euro)*					
	Notes	31/12/2018	31/12/2017	Change	%
Plant and machinery	1	30,085,062	32,852,815	(2,767,753)	-8.4%
Industrial and commercial equipment	1	5,519	4,249	1,270	29.9%
Other assets	1	1,673,578	1,227,982	445,596	36.3%
Tangible assets		**31,764,159**	**34,085,047**	**(2,320,888)**	**-6.8%**
Goodwill	2	3,853,616	3,853,616	-	-
Other intangible assets	2	48,978,314	36,959,079	12,019,235	32.5%
Intangible assets		**52,831,930**	**40,812,695**	**12,019,235**	**29.4%**
Investments	3	912,955,257	528,311,741	384,643,516	72.8%
Non current financial assets	4	50,146	12,000	38,146	
Other non current assets	5	3,674,301	782,594	2,891,707	
Deferred tax assets	6	4,751,835	4,396,337	355,498	8.1%
Total non current assets		**1,006,027,628**	**608,400,413**	**397,627,215**	**65.4%**
Inventories	7	-	109,167	(109,167)	-100.0%
Current financial receivables	8	1,126,511	2,635,305	(1,508,794)	-57.3%
Current financial assets	9	-	352,563	(352,563)	-100.0%
Current tax assets	10	38,921,717	58,898,792	(19,977,075)	-33.9%
Current trade receivables	11	124,811,127	131,482,108	(6,670,981)	-5.1%
Other current assets	12	27,339,279	26,993,709	345,570	1.3%
Cash and cash equivalents	13	41,491,354	34,743,085	6,748,269	19.4%
Total current assets		**233,689,988**	**255,214,730**	**(21,524,742)**	**-8.4%**
TOTAL ASSETS		**1,239,717,616**	**863,615,143**	**376,102,473**	**43.5%**

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Balance Sheet Liabilities and Shareholders' Equity

TOTAL LIABILITIES AND EQUITY *(euro)*	Note	31/12/2018	31/12/2017	Change	%
Capital stock	14	22,274,620	22,274,620	-	
Share premium reserve	14	5,316,654	5,316,654	-	
Reserves	14	167,159,773	163,685,016	3,474,757	2.1%
Valuation reserve	14	(5,452,804)	(3,145,163)	(2,307,641)	73.4%
Profit/(loss) for the period	14	84,641,251	63,444,887	21,196,364	33.4%
SHAREHOLDERS' EQUITY		**273,939,493**	**251,576,014**	**22,363,479**	**8.9%**
Non current financial payables	15	701,166,961	364,468,078	336,698,883	92.4%
Hedging derivatives	16	3,114,401	856,095	2,258,306	
Employees benefits	17	18,205,423	19,207,324	(1,001,901)	-5.2%
Deferred tax liabilities	18	31,824	31,824	-	-
Provisions for risks	19	1,477,603	3,991,849	(2,514,246)	-63.0%
Other non current liabilities	20	5,659,500	-	5,659,500	
Total non current liabilities		**729,655,712**	**388,555,170**	**341,100,542**	**87.8%**
Current financial payables	21	137,965,613	104,971,281	32,994,332	31.4%
Current tax liabilities	22	3,941,762	-	3,941,762	
Trade payables - current	23	43,430,625	49,571,254	(6,140,629)	-12.4%
Other current liabilities	24	50,784,411	68,941,425	(18,157,014)	-26.3%
Total current liabilities		**236,122,411**	**223,483,959**	**12,638,452**	**5.7%**
TOTAL LIABILITIES		**965,778,122**	**612,039,129**	**353,738,993**	**57.8%**
TOTAL LIABILITIES AND EQUITY		**1,239,717,616**	**863,615,143**	**376,102,473**	**43.5%**

STATEMENT OF PROFIT AND LOSS

PROFIT/(LOSS) FOR THE PERIOD *(euro)*	Note	31/12/2018	31/12/2017	Change	%
Revenues from sales and services	25	411,939,413	403,359,306	8,580,107	2.1%
Other revenue and income	26	2,390,215	2,339,893	50,322	2.2%
Changes in inventories third parties	27	(109,167)	(1,425,249)	1,316,082	-92.3%
Costs for raw materials, supplies, consumables and goods	28	(896,378)	(2,356,729)	1,460,351	-62.0%
Service costs	29	(134,604,652)	(131,228,088)	(3,376,564)	2.6%
Payroll costs	30	(138,005,432)	(140,999,127)	2,993,695	-2.1%
Other operating expenses	31	(16,204,358)	(15,100,444)	(1,103,914)	7.3%
EBITDA		**124,509,641**	**114,589,562**	**9,920,079**	**8.7%**
Depreciation of tangible and intangible assets	32	(23,817,035)	(20,254,090)	(3,562,945)	17.6%
Impairment of trade receivables	33	(2,597,520)	(5,589,293)	2,991,773	-53.5%
Provision for risks	34	(734,000)	(200,000)	(534,000)	
Operating Income		**97,361,086**	**88,546,179**	**8,814,907**	**10.0%**
Impairment of subsidiaries carrying amount	35	(3,502,972)	(2,608,704)	(894,268)	34.3%
Dividends	35	28,456,369	1,558,135	26,898,234	
Gains/(losses) on investments		**24,953,397**	**(1,050,569)**	**26,003,966**	
Management/negotiation of financial assets and liabilities	36	**(2,362,830)**	**1,572**	**(2,364,402)**	
Financial income	37	**350,733**	**290,516**	**60,217**	**20.7%**
Interest expenses	38	(11,373,151)	(9,056,354)	(2,316,797)	25.6%
Bank charges	39	(457,986)	(389,729)	(68,257)	17.5%
Financial expenses		**(11,831,137)**	**(9,446,084)**	**(2,385,053)**	**25.2%**
Profit/(loss) before income taxes		**108,471,249**	**78,341,614**	**30,129,635**	**38.5%**
Current taxes	40	(23,920,000)	(19,000,000)	(4,920,000)	25.9%
Prepaid/deferred tax	40	768,427	(2,235,994)	3,004,421	
Taxes from previous years	40	(678,425)	6,339,267	(7,017,692)	
Income taxes		**(23,829,998)**	**(14,896,727)**	**(8,933,271)**	**60.0%**
Net profit from continuing operations		**84,641,251**	**63,444,887**	**21,196,364**	**33.4%**
Net profit from assets held for sale or discontinued operations		-	-	-	-
Profit/(loss) for the period		**84,641,251**	**63,444,887**	**21,196,364**	**33.4%**

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STATEMENT OF COMPREHENSIVE INCOME

TOTAL NET COMPREHENSIVE INCOME *(euro)*	Note	31/12/2018	31/12/2017	Change	%
Profit/(loss) for the period		**84,641,251**	**63,444,887**	**21,196,364**	**33.4%**
Defined-benefit schemes	14	(557,940)	(485,207)	(72,733)	
Other items of comprehensive income, net of taxes without reversal to P&L		**(557,940)**	**(485,207)**	**(72,733)**	
Cash flow hedges	14	(1,749,701)	(617,245)	(1,132,456)	
Other items of comprehensive income, net of taxes with reversal to P&L		**(1,749,701)**	**(617,245)**	**(1,132,456)**	
Total other items of comprehensive income, net of tax		**(2,307,641)**	**(1,102,452)**	**(1,205,189)**	**109.3%**
TOTAL NET COMPREHENSIVE INCOME		**82,333,610**	**62,342,435**	**19,991,175**	**32.1%**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY IN 2017 *(thousands of euro)*	Share capital	Share premium reserves	Reserves	Valuation reserves	Profit/(loss) for the period	Shareholders' equity
Opening balances	22,275	5,317	138,420	(2,043)	69,814	**233,783**
Opening balances as of 01/01/2017	**22,275**	**5,317**	**138,420**	**(2,043)**	**69,814**	**233,783**
Allocation of profit			69,814		(69,814)	-
Distribution of dividends			(44,549)			**(44,549)**
Changes of the period			(1)	(1,102)	63,445	**62,342**
Cash flow hedging				*(617)*		*(617)*
Actuarial gains/(losses)				*(485)*		*(485)*
Rounding			*(1)*			*(1)*
Result for the period					*63,445*	*63,445*
Closing balances as of 31/12/2017	**22,275**	**5,317**	**163,684**	**(3,145)**	**63,445**	**251,576**

On April 18, 2017, the Shareholders' Meeting of SIA S.p.A. approved the allocation of the profit from 2016 to a dividend of €44,549,239 and retained earnings for €25,264,686.

CHANGES IN SHAREHOLDERS' EQUITY IN 2018 *(thousands of euro)*	Share capital	Share premium reserves	Reserves	Valuation reserves	Profit/(loss) for the period	Shareholders' equity
Opening balances	22,275	5,317	163,684	(3,145)	63,445	**251,576**
Opening balances as of 01/01/2018	**22,275**	**5,317**	**163,684**	**(3,145)**	**63,445**	**251,576**
Allocation of profit			63,445		(63,445)	-
Distribution of dividends			(59,970)			**(59,970)**
Changes of the period			1	(2,308)	84,641	82,334
Cash flow hedging				*(1,750)*		*(1,750)*
Actuarial gains/(losses)				*(558)*		*(558)*
Rounding			*1*			*1*
Result for the period					*84,641*	*84,641*
Closing balances as of 31/12/2018	**22,275**	**5,317**	**167,160**	**(5,453)**	**84,641**	**273,940**

On April 17, 2018, the Shareholders' Meeting of SIA S.p.A. approved the allocation of the profit from 2017 to a dividend of €59,970,129 and retained earnings for €3,474,758.

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CASH FLOW STATEMENT - INDIRECT METHOD

CASH FLOW STATEMENT *(thousands of euro)*	31/12/2018	31/12/2017
Profit/(loss) before taxes	108,471	78,342
Income taxes	(23,830)	(14,897)
Depreciation and write-off of fixed assets	12,113	11,452
Depreciation and write-off of intangible assets	11,704	8,802
Provisions for employees	4,986	4,817
Provisions for risks	734	200
Change in trade receivables	6,671	10,039
Change in trade payables	(6,141)	10,418
Change in inventories	109	1,426
Change in provisions for employees	(5,988)	(4,946)
Change in current and deferred tax assets and liabilities	23,561	(59,319)
Change in provisions for risks	(3,248)	353
Changes in other assets and liabilities	(15,732)	10,539
Cash flow generated/absorbed by operating activities	**113,410**	**57,226**
Net investments in tangible assets	(9,790)	(22,354)
Net investments in intangible assets	(23,723)	(26,129)
Change in investments	(384,644)	8,799
Cash flow generated/absorbed by investment activities	**(418,157)**	**(39,684)**
Change in reserves	(2,309)	(1,100)
Distribution of dividends	(59,970)	(44,549)
Change in financial receivables	1,508	(627)
Change in financial payables	369,693	10,654
Change in financial liabilities	2,258	856
Change in financial assets	315	16
Cash flow generated/absorbed by funding activities	**311,495**	**(34,750)**
Change in cash and cash equivalents	**6,748**	**(17,208)**
Cash and cash equivalents at the beginning of the period	34,743	51,951
Change in cash and cash equivalents	6,748	(17,208)
Cash and cash equivalents at the end of the period	**41,491**	**34,743**

The cash flow absorbed by investment activities was impacted significantly by the acquisition of the companies SIA Greece and SIA Slovakia on September 28, also financed through borrowings, reflected above in the cash flow generated by funding activities. The cash flow generated by operating activities is considerably higher than in 2017 due to the better pre-tax profit, also explained by the receipt of a €25 million dividend from P4cards and tax benefits due to the Patent Box agreement with the Italian Revenue Agency (please note that in the previous period substitute tax was also paid to redeem goodwill recognized during the P4cards business combination). Please also note that in the course of the year, dividends of €59,970 thousand were paid (€49,689 thousand in 2017).

NOTES

Statement of compliance with international accounting standards

The Separate Financial Statements as at December 31, 2018 of SIA S.p.A. include the Management Report and the Financial Statements of the company and were drafted in compliance with the International Financial Reporting Standards ("IFRS") endorsed by the European Commission and in force as of the date of approval of this document. "IFRS" refers to all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).

The international accounting standards were also applied by making reference to the "Systematic Framework for the Preparation and Presentation of Financial Statements" and no exemptions to IAS/IFRS were applied.

In particular, the Separate Financial Statements include the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the Notes and the relative comparative information, and are accompanied by the Management Report.

SIA S.p.A.'s Separate Financial Statements were audited by the Independent Auditing Firm PricewaterhouseCoopers S.p.A., in execution of shareholders' resolution of April 15, 2016, which assigned the engagement until the approval of the Financial Statements as at December 31, 2018.

General accounting principles

The Separate Financial Statements of SIA S.p.A. consist of the compulsory accounting statements set forth in IAS 1, i.e., the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement, as well as the Notes and are accompanied by the Management Report.

The company has presented the statement of profit and loss by nature of expense, while in the statement of financial position the assets and liabilities are broken down between current and non-current. The cash flow statement is drafted according to the indirect method.

The reporting currency is the euro and the information reported in these Financial Statements, if not specified otherwise, is expressed in euro.

The statement of financial position, the statement of profit and loss and the statement of comprehensive income are expressed in euro, while the notes and explanatory tables are in thousands of euro.

The Financial Statements were drafted clearly and provide a true and fair view of the financial position, profit and loss for the year, change in shareholders' equity and cash flows. If the information required by the international accounting standards is insufficient to provide a true and fair, relevant, reliable, comparable and comprehensible view, the Notes provide the necessary additional information.

The Separate Financial Statements were drafted on a going concern basis, according to the accrual basis of accounting, in compliance with the principle of relevance and significance of information, with the prevalence of substance over form, and with a view to favoring consistency with future presentations.

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The assets and liabilities and costs and revenues are not offset unless this is permitted or required by the international accounting standards. If an asset or liability element falls under multiple items of the balance sheet, the Notes specify, if this is necessary to understand the Financial Statements, that it relates to items other than that in which it is recognized. Items of a different nature or purpose were presented separately provided they were not deemed irrelevant.

The preparation of the Financial Statements in application of IFRS requires making recourse to estimates and assumptions that have an effect on the values of the assets and liabilities and on the relative disclosure, as well as on contingent assets and liabilities at the reporting date. The estimates and the relative assumptions are based on past experience and on other factors considered reasonable in the particular case and are adopted when the carrying amount of assets and liabilities is not easy to infer from other sources.

The Financial Statement items for which the use of estimates and assumptions is most significant regard the quantification of provisions for risks, the definition of the share of depreciation of tangible assets and the amortization of intangible assets with a finite useful life, the measurement of intangible assets with an indefinite useful life, goodwill and equity investments, the measurement of receivables and the relative bad debt provision, the measurement of employee benefits and the quantification of deferred taxation. The estimates and assumptions are reviewed periodically and the effects of every change are reflected in the income statement if it concerns only that period. If the revision concerns both current and future periods, the change is recognized in the period in which the revision is made and in the relative future periods.

Accounting standards and valuation criteria

The criteria adopted with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the revenue recognition criteria, are described in the dedicated section of the Consolidated Financial Statements, which should be referred to for the details. That section also provides a disclosure on the IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted early by the SIA Group as at December 31, 2018, as well as a disclosure on the IFRS accounting standards, and amendments and interpretations not yet endorsed by the European Union.

Please note that the accounting standards used to prepare the Separate Financial Statements are the same as those used to prepare the Consolidated Financial Statements, when applicable.

NOTES TO THE BALANCE SHEET ITEMS

ASSETS

Non-current assets

1. Tangible assets

(thousands of euro)

	31/12/2018			31/12/2017			Change 2018 Vs 2017
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	
Plant and machinery	115,437	(95,510)	19,927	107,934	(90,432)	17,500	2,427
Leased plant and machinery	45,920	(35,762)	10,158	45,129	(29,777)	15,352	(5,194)
Industrial and commercial equipment	1,024	(1,019)	5	1,084	(1,079)	5	-
Other assets	8,423	(6,749)	1,674	8,194	(6,966)	1,228	446
Total	**170,804**	**(139,040)**	**31,764**	**162,341**	**(128,254)**	**34,085**	**(2,321)**

CHANGES IN TANGIBLE ASSETS *(thousands of euro)*

Gross amount	31/12/2017	Increase	Decrease	Reclassification	31/12/2018
Plant and equipment - Gross	107,932	8,069	(471)	(93)	115,437
Leased plant and equipment - Gross	45,129	791	-	-	45,920
Equipment - Gross	1,084	1	(59)	(2)	1,024
Other assets - Gross	8,194	996	(862)	95	8,423
Total	**162,339**	**9,857**	**(1,392)**	**-**	**170,804**

Depreciation fund	31/12/2017	Increase	Decrease	Reclassification	31/12/2018
Plant and equipment - Fund	(90,432)	(5,526)	450	(2)	(95,510)
Leased plant and equipment - Fund	(29,777)	(5,985)	-	-	(35,762)
Equipment - Fund	(1,079)	(1)	59	2	(1,019)
Other assets - Fund	(6,966)	(602)	819	-	(6,749)
Total	**(128,254)**	**(12,114)**	**1,328**	**-**	**(139,040)**
TOTAL	**34,085**				**31,764**

The table below shows the total future minimum payments due for leases at the reporting date.

MINIMUM PAYMENTS FOR OPERATING LEASES *(thousands of euro)*		
	31/12/2018	31/12/2017
Due within 12 months	4,224	5,182
From 2 to 5 years	5,373	9,680
Beyond 5 years	-	-
Final value	**9,597**	**14,862**

2. Intangible assets

(thousands of euro)

	31/12/2018			31/12/2017			Change 2018 Vs 2017
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	
Goodwill	**5,094**	**(1,240)**	**3,854**	**5,094**	**(1,240)**	**3,854**	**-**
Internally generated assets	242,682	(231,805)	10,877	239,099	(225,143)	13,956	(3,079)
Software licences	107,963	(92,194)	15,769	102,666	(87,154)	15,512	257
Intangible assets (others)	90	(90)	-	90	(90)	-	-
Other intangible assets	**350,735**	**(324,089)**	**26,646**	**341,855**	**(312,387)**	**29,468**	**(2,822)**
Intangible assets in progress and advances	**22,332**	**-**	**22,332**	**7,491**	**-**	**7,491**	**14,841**
Total	**378,161**	**(325,329)**	**52,832**	**346,949**	**(313,627)**	**40,813**	**12,019**

CHANGES IN INTANGIBLE ASSETS *(thousands of euro)*				
Gross amount	31/12/2017	Increase	Decrease	31/12/2018
Goodwill	5,094	-	-	5,094
Internally generated assets	239,099	3,583	-	242,682
Software licences	102,666	5,320	(23)	107,963
Intangible assets (others)	90	-	-	90
Intangible assets in progress and advances	7,491	18,424	(3,583)	22,332
Total	**354,440**	**8,903**	**(23)**	**378,161**
Depreciation fund	31/12/2017	Increase	Decrease	31/12/2018
Goodwill	(1,240)	-	-	(1,240)
Internally generated assets	(225,143)	(6,663)	-	(231,805)
Software licences	(87,154)	(5,041)	2	(92,194)
Intangible assets (others)	(90)	-	-	(90)
Total	**(313,627)**	**(11,704)**	**2**	**(325,329)**
Total	**40,813**			**52,832**

Goodwill relates to the difference, generated by the merger by incorporation of SiNSYS, between the carrying amount of the equity investment and the shareholders' equity of the company when the merger became effective (January 1, 2013). This goodwill has been tested for impairment considering SIA as a whole as the CGU. In continuity with the financial statements of previous years, as well as taking into account the recent strategic plan for the 2019-2021 three-year period approved by the SIA Board of Directors in February 2019, the value of the above-mentioned CGU is considerably higher than the carrying amount of the goodwill in question.

Summary of changes in tangible and intangible assets

CHANGES IN TANGIBLE ASSETS *(thousands of euro)*						
Net amount	**31/12/2017**	**Increase**	**Decrease**	**Depreciation**	**Reclassification**	**31/12/2018**
Plant and equipment	32,852	8,860	(21)	(11,511)	(95)	30,085
Industrial and commercial equipment	5	1	-	(1)	-	5
Other assets	1,228	996	(43)	(602)	95	1,674
Total	**34,085**	**9,857**	**(64)**	**(12,114)**	**-**	**31,764**

CHANGES IN INTANGIBLE ASSETS *(thousands of euro)*						
Net amount	**31/12/2017**	**Increase**	**Decrease**	**Depreciation**	**Reclassification**	**31/12/2018**
Goodwill	3,854	-	-	-	-	3,854
Internally generated assets	13,956	3,583	-	(6,663)	-	10,876
Software Licences	15,512	5,320	(21)	(5,041)	-	15,770
Intangible assets in progress and advances	7,491	18,424	(3,583)		-	22,332
Total	**40,813**	**27,327**	**(3,604)**	**(11,704)**	**-**	**52,832**

During the year, there was no impairment recognized on tangible or intangible assets. There are also no restrictions on the ownership of and title to assets securing liabilities.

Tangible and intangible assets are initially recognized at cost and subsequently depreciated and amortized on the basis of their remaining useful life (except for goodwill). It is deemed that the net carrying amount can represent a good approximation of fair value.

3. Equity investments

(thousands of euro)

	31/12/2018	**31/12/2017**	**Change 2018 Vs 2017**
Subsidiaries	912,023	527,125	384,898
Associates	932	1,187	(255)
Total	**912,955**	**528,312**	**384,643**

The increase derives from the acquisition on September 28, 2018 of the controlling interests in the companies SIA Greece (100%), which wholly owns the company DMAN in liquidation, and SIA Slovakia (100%). The latter holds the controlling interest (all 100%) in the companies SIA Croatia, SIA Romania, SIA Serbia, SIA Hungary and SIA Czech Republic.

As explained in the subsequent paragraphs, at the end of the year impairment testing resulted in a write-down of the equity investment in Perago FSE of €458 thousand. During the year, the remaining non-controlling interests in the company Ubiq were purchased for a total of €120,000, and a payment of €850,000 was made to cover losses. As explained in the subsequent paragraphs, at the end of the year impairment testing resulted in a write-down of the equity investment in Ubiq of €2,828 thousand. During the year, also following the reduction in the shareholding, it was deemed that SIA is no longer capable of exercising significant influence over the company Trustlink, which was therefore reclassified to non-current financial assets.

CHANGES IN EQUITY INVESTMENTS *(thousands of euro)*	31/12/2017	Increase	Decrease	Impairment	31/12/2018
Perago FSE	721	-	-	(458)	263
SIApay	5,716	-	-	-	5,716
TSP	-	-	-	-	-
SIA Central Europe	15,200	-	-	-	15,200
Emmecom	7,490	-	-	-	7,490
Ubiq	4,340	970	-	(2,828)	2,482
SIAadvisor	969	-	-	-	969
P4cards	487,588	-	-	-	487,588
PforCards	5,100	-	-	-	5,100
Consorzio QuenIT	-	-	-	-	-
SIA Slovakia	-	236,897	-	-	236,897
SIA Greece	-	150,317	-	-	150,318
Subsidiaries	**527,125**	**388,184**	**-**	**(3,286)**	**912,023**
TrustLink	255	-	(255)	-	-
ATS	932	-	-	-	932
Associates	**1,187**	**-**	**(255)**	**-**	**932**
Total	**528,312**	**388,184**	**(255)**	**(3,286)**	**912,955**

Subsidiaries

Emmecom S.r.l.

The company, with registered office in Turin, is 100% held by SIA S.p.A. and specializes in fixed, mobile and satellite telecommunications. Established in 2000, Emmecom integrates high-quality services from the main phone service providers, developing solutions for selected target customers, offering optimization of spending, certainty of savings (benchmark, reporting, consulting on fees) and completeness of the service (phone, internet access, value-added services, mobile phones).

In 2018, revenues amounted to €16.5 million (€15.4 in 2017), the EBIT amounted to €2.0 million (€1.6 million in 2017) and net income stood at €1.4 million (€1.0 in 2017). At the end of the year, shareholders' equity was €3.2 million.

Perago FSE Ltd

The company, with registered office in Pretoria (South African Republic) develops systems for Central Banks (including RTGS, CSD, Instant Payments) adopted by several Institutions worldwide for the automatic management of interbank payment transactions and management of government securities.

In 2018, revenues amounted to €4.6 million (€6.1 million in 2017), the EBIT was negative at €3.9 million (positive €0.5 million in 2017) and the net loss was €4.0 million (net income of €0.8 million in 2017). The share capital amounted to 30,000 rand (corresponding to €2,000 as at December 31, 2018) and shareholders' equity at the end of the year was a negative €2.3 million. Pursuant to Par. 9, Art. 2427 of the Italian Civil Code, the parent company has stated its willingness to support the development of the company by meeting the related financial requirements. Based on the impairment test carried out at December 31, 2018, the carrying amount of the equity investment was written down by €458 thousand in the Separate Financial Statements of SIA S.p.A.

P4cards S.r.l.

The company, with registered office in Verona, was acquired on December 31, 2016 from UBIS, a company of the UniCredit Group. The operation was finalized with the acquisition of 100% of the shares of the company, to which, at the same time, UBIS transferred the processing of payment cards and the management of POS Terminals and ATMs in Italy and Germany. P4cards has also agreed to provide UBIS, by outsourcing for a period of ten years, processing services for the transactions carried out with debit, credit and prepaid cards and for the management of the POSs and ATMs of the UniCredit Group.

In 2018, revenues amounted to €151.3 million (€135.0 in 2017), the EBIT amounted to €41.8 million (€38.8 million in 2017) and net income stood at €30.8 million (€28.3 million in 2017). Shareholders' equity is €83.8 million, including the profit for the period.

Consorzio QuenIT in liquidation

The equity investment in the company, which has its registered office in Verona, is held by P4cards and it has therefore been included in the consolidation perimeter of SIA at December 31, 2016 following the acquisition of P4cards from UBIS. P4cards's shareholding in Consorzio QuenIT in liquidation is 55%; the remaining shares are held by Infogroup Informatica e Servizi Telematici S.C.p.A. and Ingenico Italia S.p.A. The consortium was established to provide the services requested in a specific call for tenders issued by Eni S.p.A. On April 20, 2018, the Meeting of consortium members approved the dissolution and resulting placement under liquidation of the consortium, as the services will be provided to Eni directly by P4cards, making use of the products and services provided by Infogroup and Ingenico. During the period, the consortium recognized revenues of €705 thousand and it closed the period with a result for the year of zero (due to consortium activities) and shareholders' equity of €10 thousand. The carrying amount of the company in P4cards is €5.5 thousand.

PforCards Gmbh

The company has its registered office in Vienna and was bought on December 31, 2016 from UBIS Austria, a company of the UniCredit Group, as part of the acquisition from the UniCredit Group of the processing activities related to payment cards and the management of the POS and ATM terminals located in Italy, Germany and Austria. The operation was finalized with the acquisition of all the shares of the company.

In 2018, revenues amounted to €3.5 million (€3.1 in 2017), the EBIT was negative at €1.1 million (€1.2 million in 2017) and the net loss stood at €1.2 million (net loss of €1.2 million in 2017). Shareholders' equity is €2.7 million.

SIA Central Europe Zrt.

The company, wholly owned by SIA, which bought it in 2007, has its registered office in Budapest (Hungary). It has a share capital of 177 million Hungarian forints (equal to approximately €551,000 as at December 31, 2018) and shareholders' equity, including profit for the year, equal to €6.5 million. SIA Central Europe, a payment system and payment card processing leader in Hungary, mainly provides financial institutions, corporations, and issuers and acquirers of payment cards with management services for ATM and POS terminals, transaction switching, fraud monitoring and other payment system services.

In keeping with SIA's three-year Strategic Plan, SIA Central Europe's aim is to consolidate and expand the Group's presence in Hungary and across its key operating areas (Austria, Poland, Romania, Slovakia, the Czech Republic, Slovenia and Croatia) by offering innovative and competitive technological systems in the payments sector, for financial and corporate institutions, in compliance with European legislative requirements (SEPA, PSD, etc.).

Since 2012, SIA Central Europe has operated as a commercial hub for all services offered by the SIA Group in Hungary and in Central European countries.

In 2018, revenues amounted to €12.4 million (€11.1 million in 2017) and EBIT to €2.5 million (€2.1 million in 2017). The year ended with a net profit of €2.3 million (€1.9 million in 2017).

SIApay S.r.l.

This company, a wholly owned direct subsidiary of SIA, has its registered office in Milan. Established in 2009 and operating since 2010, in 2011 SIApay was authorized by the Bank of Italy and included in the Register of Payment Institutions.

The shareholders' equity as at December 31, 2018, which includes a share premium reserve of €600,000, was €8.3 million, including profit for the year. In 2018, revenues amounted to €12.8 million (€10.0 million in 2017), EBIT to €0.9 million (€1.2 million in 2017) and net profit to €0.5 million (€0.7 million in 2017).

SIA Slovakia, s.r.o.

This company has its registered office in Bratislava (Slovak Republic) and, along with its direct subsidiaries, provides issuing and acquiring services throughout Central and Eastern Europe. Its main services regard the management of roughly 50 thousand POS devices and around 4 thousand ATMs and card transaction processing, directly serving 50 customers and over 4 thousand merchants across 12 countries.

In the last quarter of 2018, following the acquisition by SIA in September 2018, revenues amounted to €10.3 million, the EBIT amounted to €4.4 million and net income stood at €3.5 million. At the end of the year, shareholders' equity was €21.6 million.

SIA Slovakia's direct subsidiaries are:

– **SIA Croatia d.o.o** which has its registered office in Zagreb, and earned revenues of €570 thousand during the quarter, closing with shareholders' equity of €230 thousand.
– **SIA Romania Payment Technologies S.r.l.**, which has its registered office in Bucharest, and earned revenues of €19 thousand during the quarter, closing with shareholders' equity of €355 thousand.
– **SIA RS d.o.o. Beograd**, which has its registered office in Belgrade, and earned revenues of €550 thousand during the quarter, closing with shareholders' equity of €192 thousand.
– **SIA Hungary Kft.**, which has its registered office in Budapest, and earned revenues of €442 thousand during the quarter, closing with shareholders' equity of €1,095 thousand.
– **SIA Czech Republic, s.r.o**, which has its registered office in Prague, and earned revenues of €47 thousand during the quarter, closing with shareholders' equity of €158 thousand.

New SIA Greece S.A.

This company, which has its registered office in Athens (Greece), provides a complete set of payment and high value-added services throughout the payments value chain. The company, which has around 1,000 employees, manages 280 thousand POSs and 3 thousand ATMs in addition to offering card production and customization services (1.6 million customized cards) and managing back office and call center services (approximately 8.8 million calls managed). Its services reach 7 different countries in Eastern and Southern Europe. Its direct subsidiary is **DMAN in liquidation.**

In the last quarter of the year, revenues amounted to €13.3 million, the EBIT basically reached the break-even point and net income stood at €0.3 million.

At the end of the year, shareholders' equity was €48.4 million. DMAN in liquidation closed the year with shareholders' equity of €415 thousand.

Ubiq S.r.l.

This company, with registered office in Parma, is wholly owned following the acquisition in 2018 of the remaining shares (3.5%) from the non-controlling shareholders. Ubiq, a start-up founded in 2012 from a spin-off of Parma University, specializes in the design and development of innovative technology solutions for the promotion of branded products, in which it operates with the "Ti Frutta" App: consumers who purchase the products promoted online by the "Ti Frutta" App at any point of sale receive a discount in proportion to the amount spent. This acquisition operation is part of SIA's strategy to grow as a technologically advanced company in the area of digital payments, also by acquiring innovative companies and distributing added-value services through mobile phones.

In the first half of 2018, the parent company SIA acquired the remaining shares (3.5%) from the non-controlling shareholders for a total of €120 thousand and made a payment of €850 thousand to cover accumulated losses. In 2018, revenue amounted to €0.5 million (€0.7 million in 2017), EBIT was a negative €1.5 million (-€2.2 million in 2017) and there was a net loss of €1.2 million (-€1.8 million in 2017). At the end of the year, shareholders' equity was €0.5 million. Pursuant to Par. 9, Art. 2427 of the Italian Civil Code, the parent company has stated its willingness to support the development of the company by meeting the related financial requirements. As at December 31, 2018, the impairment test was performed including the company within the Loyalty and Big Data business line, identified as a Cash Generating Unit (CGU). The test resulted in the recognition of an impairment loss of €2,828 thousand in the separate financial statements of SIA and of €1,402 thousand in the consolidated financial statements.

SIAadvisor S.r.l.

The company, with registered office in Rome, was acquired on January 13, 2016, with the acquisition of 51% of the share capital. On December 1, 2018, it changed its name from LM Enterprise S.r.l. to SIAadvisor S.r.l. The company is, however, fully consolidated, since it is believed that the outstanding derivative instruments (to be exercised until December 31, 2021) give to SIA immediate access to SIAadvisor's profits. Established in 2011, the Company specializes in providing consulting on Marketing & Sales, IT/Operations and Organization. Due to its close collaboration with the company, it is possible to meet the demand by SIA customers for support, implementation and development of their business strategy, providing specialist skills on innovative issues and creating potential market synergies.

In 2018, revenues amounted to €4.1 million (€2.7 million in 2017), EBIT to €1.0 million (€0.8 million in 2017) and net income to €0.7 million (€0.5 million in 2017). Shareholders' equity at the end of the year was €2.3 million.

Associated companies

In the reporting period, also following the parent company's reduction of its shareholding, it was deemed that the Group is no longer capable of exercising significant influence over the company Trustlink Ltd, which was therefore reclassified to non-current financial assets. The only company over which the Group exercises significant influence is:

ATS S.p.A.

In December 2000, SIA acquired a 30% stake in ATS S.p.A., which has a share capital of €120 thousand. The company is a software developer, primarily for the banking and financial sector, and has been SIA's qualified partner for many years now.

Its data for 2018 were not yet available at the date of approval of this document.

E-MARKET SDIR CERTIFIED

The company closed the last three years with shareholders' equity of around €2.5 million and net income between €50 thousand and €80 thousand. For 2018, no significant changes are expected compared to previous years.

Impairment test on equity investments

Purpose and subject of the impairment test

IAS 36 establishes the criteria to be applied to verify whether the carrying amount of assets recognized in the financial statements is recoverable through their use or, alternatively, sale, by performing an impairment test. For the equity investments recognized in the separate financial statements, the impairment test was performed by estimating the recoverable amount of the legal entity to which the carrying amount refers. In other words, the impairment test was carried out individually for each investee, which coincides with the cash-generating unit identified. The exception to this rule is the two subsidiaries acquired at the end of 2016, P4cards and PforCards, which for valuation purposes are considered to be a single cash-generating unit, and the subsidiary Ubiq, for which reference was made to the CGU identified in the Consolidated Financial Statements, or the "Loyalty and Big Data" service line, as the strategic development plans were prepared with a view to integrating all of Ubiq's activities within the parent company SIA.

The CGUs (cash-generating units) tested for impairment were:

- P4cards, consisting of the equity investments in P4cards S.r.l. and PforCards GmbH, wholly owned and controlled, 55% held by P4cards and indirectly controlled by SIA for the same percentage;
- SIA Central Europe Zrt., wholly owned and controlled;
- Perago FSE Ltd, wholly owned and controlled;
- Emmecom S.r.l., wholly owned and controlled;
- SIApay S.r.l., wholly owned and controlled;
- SIAadvisor S.r.l. (formerly LM Enterprise S.r.l.), wholly owned.

and the Loyalty and Big Data service line, to which SIA's equity investment in Ubiq S.r.l. was allocated.

Reference data and documentation

The reference date for the performance of the tests is December 31, 2018; the relative estimates are based on the data from the 2018 draft Financial Statements and the income and cash flow projections formulated by the management of the investee companies for the 2019-2021 period. Market information is current information available at the reference date of the estimates; furthermore, sensitivity analyses were also performed on the test results.

The key parameters used for the Italian CGUs are those listed below, unless specified otherwise:

- The risk-free rate is differentiated between the analytical period and the terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Italian risk-free rates with respect to current ones.
- The execution premium is 4%.
- The "g" growth rate is estimated as the average of the inflation rates forecast for Italy in the long term (time horizon 2018-2023) and is equal to 1.58%.
- The resulting WACC is 10.8% in the Plan period and 12.0% on the terminal value.

Valuation criteria and rules applied

To estimate the "recoverable amounts" of the assets recognized in the financial statements as at December 31, 2018, reference was made to the notion of "value in use".

Pursuant to IAS 36, the baseline used for the estimate of the value in use was the unlevered financial method, applied with an "asset side" approach.

For the foreign investees, based on the current operating procedure described above, the value in use is calculated based on cash flows expressed in local currency, discounted on the basis of a discount rate expressing the risks connected to that currency and then converted into euro at the spot exchange rate on the reference date of the estimate.

The discount rate used for the assessments is equal to the weighted average cost of capital (WACC), which weights the cost of own capital and financial debt, calculated as a nominal rate and net of taxes. A parameter associated with the execution risks incorporated within the plans, named "execution premium", differentiated by individual CGU, was also used.

RESULTS

P4CARDS

The Plan of the companies P4cards and PforCards calls for further growth in turnover and profit margins, including in the plan years (2019-2021) subsequent to 2018.

Key parameters

The risk-free rate is differentiated between the analytical period and the terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Italian risk-free rates with respect to current ones.

The execution premium is 1% only for the terminal period, primarily considering the substantial stability of the business based on a significant long-term contract already entered into.

The "g" growth rate is estimated as the average of the inflation rates forecast for Italy in the long term (time horizon 2018-2023) and is equal to 1.58%.

The resulting WACC is 6.8% in the Plan period and 8.7% on the terminal value.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is higher than the carrying amount of the equity investments and therefore there is no need for any write-downs.

SIA CENTRAL EUROPE

The 2019-2021 Plan of SIA Central Europe appears to be challenging from the perspective of revenue growth; however, in the early years of the plan the EBITDA margin is essentially in line with the historical figure and that of this past year, while considerable growth is expected in 2021.

Key parameters

The risk-free rate is differentiated between the analytical period and the terminal rate in order to capture, under normal circumstances, a likely assumption of growth in Hungarian risk-free rates with respect to current ones.

The execution premium is 4%.

The long-term "g" growth rate is estimated in two stages: for the first (5 years), it is equal to the average of the Hungarian GDP growth rate (5.7%) and that of the Eurozone countries (3.5%); for the second stage, it is equal to expected long-term inflation in Hungary (3%).

The resulting WACC is 11.4% in the Plan period and 14.5% on the terminal value.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount (converted into euro at the exchange rate on December 31, 2018) is higher than the carrying amount of the equity investment and therefore there is no need for any write-downs.

EMMECOM

Emmecom's 2019-2021 Plan calls for substantial stability in revenues and a decline in profitability in the first years of the plan compared to the year that just ended, but with a slight recovery in subsequent years.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is higher than the carrying amount of the equity investment and therefore there is no need for any write-downs.

SIAADVISOR

SIAadvisor's 2019-2021 Plan contains considerable revenue growth forecasts, while maintaining a good level of profit margins.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is higher than the carrying amount of the equity investment and therefore there is no need for any write-downs.

PERAGO FSE

The 2019-2021 Plan calls for substantial stability in revenues as well as the EBITDA margin.

Key parameters

The risk-free rate is equal to the rate on South African 10-year government bonds, calculated as the average of the rates recorded in 2018. Additional country risk (+2.73%) was considered, which is not reflected in the risk-free rate, since Perago's operations primarily take place in countries other than South Africa, where the registered office is located.

The execution premium is 4%.

The long-term "g" growth rate is estimated in two stages: for the first (5 years), it is equal to the average of the South African GDP growth rate (6.9%) and that of advanced countries (3.7%); for the second stage, it is equal to the average of the expected long-term inflation in South Africa (5.5%) and in advanced countries (2.0%). The resulting WACC is 19.6%.

Summary of results

The impairment test carried out applying the methodology described above shows that the equity investment's recoverable amount (converted into euro at the exchange rate on December 31, 2018), taking into consideration the high likelihood of converting the financial debt due to the parent company into equity, is €0.3 million, lower than the carrying amount; therefore, a write-down of €0.4 million was recognized, adjusting the carrying amount of the equity investment.

SIAPAY

The 2019-2021 Plan contains significant growth forecasts attributable basically to revenues from the business based on the "Associate" model relating to issuing and acquiring licenses, with a corresponding increase in profit margins.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is higher than the carrying amount of the equity investment and therefore there is no need for any write-downs.

LOYALTY AND BIG DATA - UBIQ

This CGU, established within SIA in 2018, has three-year projections that initially take into account the launch of activities and thus forecast a negative EBITDA; however, based on its growth prospects, it is deemed that profit margins will be able to stabilize beginning from the last year of the plan.

This CGU also includes the subsidiary Ubiq S.r.l., with a view to leveraging the software originally developed for Loyalty services.

Summary of results

The impairment test carried out applying the methodology described above shows that the CGU's recoverable amount is €2.5 million and therefore a write-down of around €2.8 million was recognized in the carrying amount of the equity investment (of which €0.9 million relating to the payment made in August 2018 to cover losses).

4. Non-current financial assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Financial asset at fair value through other comprehensive income - non current	50	12	38
Total	**50**	**12**	**38**

The value refers to the equity investments held in MIP Politecnico di Milano (€12 thousand) and in Trustlink (€38 thousand), which was reclassified from equity investments, as it was no longer considered a controlling interest in accordance with IFRS 10.

5. Other non-current assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Leasehold improvements	3,674	783	2,891
Total	**3,674**	**783**	**2,891**

The increases relate to the values of improvements made to the new registered office on Via Lorenteggio in Milan, which replaced the office in Via Giuliani in the second half of 2018.

6. Deferred tax assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Deferred tax assets	4,752	4,396	356
Total	**4,752**	**4,396**	**356**

They amount to €4,752 thousand (€4,396 thousand as at December 31, 2017). For details on the breakdown, please refer to the table in the "Income tax" section.

Current assets

7. Inventories

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Work in progress - current	-	109	(109)
Total	**-**	**109**	**(109)**

The decrease is due to the conclusion of all project activities for third parties.

8. Current financial receivables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Financial receivables due from subsidiaries	1,127	2,635	(1,508)
Total	**1,127**	**2,635**	**(1,508)**

The amount relates to the financial receivable from PforCards GmbH. The decline for the period was due to the write-off (roughly €2 million) of the receivable for the loan disbursed to Perago FSE, as it was deemed that the company is not in the conditions to repay it.

9. Current financial assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Financial assets measured at fair value through profit or loss - current	-	353	(353)
Total	**-**	**353**	**(353)**

The position referring to the value of the call option granted and sold by the executives of SIA and its Belgian branch, as part of a reserved capital increase approved by the Shareholders' Meeting on July 23, 2015, was eliminated since the option expired.

10. Current tax assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Other tax assets	38,922	38,840	82
Current tax assets - IRES	-	18,403	(18,403)
Current tax assets - IRAP	-	1,656	(1,656)
Total	**38,922**	**58,899**	**(19,977)**

They amount to €38,922 thousand (€58,898 thousand as at December 31, 2017) and refer primarily to the payment of substitute tax on goodwill generated during the acquisition of P4cards (€35,840 thousand), in order to make it tax deductible. This transaction will begin to have effects on the income statement and balance sheet in 2019.

Please also note that the results of the IRES refund request submitted in 2013 due to the failure to deduct IRAP on personnel and similar expenses for the years 2007-2011 were also accounted for.

The change compared to the previous year is primarily due to the fact that in 2017 the company signed a Patent Box agreement with the Italian Revenue Agency, which reduced the current tax payable, enabling the company to close the year with a tax credit due to higher advances already paid.

11. Current trade receivables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Trade receivables - current	115,835	125,007	(9,172)
Trade receivables due from subsidiaries	12,742	7,737	5,005
Bad debt provision	(3,766)	(1,262)	(2,504)
Total	**124,811**	**131,482**	**(6,671)**

Trade receivables were down during the year due to the greater uniformity and regularity of collections throughout the year, which limited seasonal effects, as well as more intense and efficient debt collection activities.

Given the short-term nature of trade receivables, SIA believes that the carrying amounts, net of any bad debt provision, represent a good approximation of fair value.

CHANGES IN BAD DEBT PROVISIONS *(thousands of euro)*

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Opening balance	**(1,262)**	**(1,302)**	**40**
Increase	(2,598)	(5,589)	2,991
Decrease	94	5,629	(5,535)
Closing balance	**(3,766)**	**(1,262)**	**(2,504)**

The breakdown in trade receivables by overdue time brackets is presented below.

(thousands of euro)

	from 0 to 90 days	from 90 to 180 days	> 180 days	Total
Trade receivables	11,781	2,939	5,278	19,998
Total	**11,781**	**2,939**	**5,278**	**19,998**

12. Other current assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Security deposits	99	120	(21)
Prepayments to suppliers	508	281	227
Receivables from employees	97	78	19
Other activities	4,724	6,383	(1,659)
Tax receivables	8	8	-
Prepayments and accrued expenses	21,903	20,124	1,779
Total	**27,339**	**26,994**	**345**

The increase in deferred expenses was caused mainly by higher costs for software leases and hardware and software maintenance.

13. Cash and cash equivalents

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Cash in hand	5	9	(4)
Bank accounts and deposits	41,486	34,734	6,752
Total	**41,491**	**34,743**	**6,748**

As highlighted in the cash flow statement, in 2018 the company generated consistent cash flows from operations, which supported investment activities net of the amount financed through recourse to external sources, and made it possible to close the year with significant available cash. Please also note that during the year intra-group contracts were activated for centralized treasury management.

LIABILITIES AND SHAREHOLDERS' EQUITY

14. Shareholders' equity

Share capital

The share capital is fully paid-up and amounts to €22,274,620, broken down into 171,343,227 ordinary shares with a nominal value of €0.13 each.

Share premium

This amounts to €5,316,654 and refers to the capital increase carried out in 2015 dedicated to the management, in execution of the shareholders' resolution of July 23, 2015.

Legal reserve

This reserve, which amounts to €4,454,924, has already reached one-fifth of the share capital pursuant to art. 2430 of the Italian Civil Code.

Reserve from merger surplus

This reserve is recognized for a total of €77,048,710 and represents the differences generated by the mergers by incorporation with SSB S.p.A. in 2007 and with Ra Computer S.p.A. in 2015.

Reserve from spin-off surplus

This reserve is recognized for a total of €5,698,828, with €4,273,027 generated following the spin-off of a business unit of TSP S.r.l. in 2015 and €1,425,801 generated following the spin-off of a business unit of Servizi Interbancari S.p.A. in 2000.

FTA Reserve

This reserve has a negative total of €6,053,628, representing changes in the balance sheet deriving from the first time adoption of IAS/IFRS on January 1, 2014.

Valuation reserve

This reserve has a negative value of €5,452,804, representing the effects on the balance sheet deriving from items that require an offsetting entry in the balance sheet in accordance with IAS/IFRS. The change during the year was caused by the actuarial component of employee severance indemnity, the cash flow hedge on bank debt and seniority bonuses.

Revaluation reserve for equity investments

Recognized for a total value of €2,714,625, this represents the revaluations made in previous years, relating to TSP for €1,271,884 and to SiNSYS for €1,442,741.

Retained earnings

They amount to €83,296,315 following the distribution of profit for the year 2017 in execution of the shareholders' resolution of April 20, 2018 approving the allocation of the profit from 2017 to a dividend of €59,970,129 and retained earnings for €3,474,758.

Other information

As required by article 2427, point 7 bis of the Italian Civil Code, the table below shows the details of the Shareholders' Equity items other than profit (loss) for the year and retained earnings, with an indication of their origin, availability for utilization and availability for distribution, as well as any use during the year and in previous years.

(thousands of euro)

	Amount	Avaiabilty for utilisation (*)	Portion available	Distribution last 3 years
Share capital	22,274,620	-	-	**-**
Share premium reserve	5,316,654	A,B,C	5,316,654	-
Legal reserve	4,454,924	B	4,454,924	-
Reserve from merger surplus	77,048,710	A,B,C	77,048,710	-
Reserve from spin-off surplus	5,698,828	A,B,C	5,698,828	-
Retained earnings	83,296,315	A,B,C	83,296,315	
FTA reserve	(6,053,628)	-	-	-
Revaluation reserve for equity investments	2,714,625	A,B	2,714,625	-
Valuation reserve	(5,452,804)	-	-	-
Total	**189,298,244**		**178,530,056**	**-**
Non distributable portion			**7,169,549**	**-**
Residual portion available for distribution			**171,360,507**	**-**

(*) A: for capital increases; B: to cover losses; C: for distribuition to shareholders.

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Non-current liabilities

15. Non-current financial payables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Bank loans - non current	695,794	354,788	341,006
Other non current payables	5,373	9,680	(4,307)
Total	**701,167**	**364,468**	**336,699**

Non-current bank debt refers to the long-term portion of the loan originally taken out in 2017 to acquire P4cards and PforCards, and subsequently renegotiated in 2018 for the acquisition of SIA Greece and SIA Slovakia.

Other non-current financial payables consist of the component due in more than twelve months of payables relating to finance lease agreements for the acquisition of technological infrastructure. The amount rose during the year after important new contracts were entered into.

16. Hedging derivatives

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Hedging derivatives - non current	3,114	856	2,258
Total	**3,114**	**856**	**2,258**

The item “Hedging derivatives” amounts to €3,114 thousand and refers to the negative fair value of the derivative contracts entered into in December 2018 by the parent company to cover interest rate risk on the outstanding bank loan. The derivative instruments swap the floating rate on the loan with a fixed market rate set up when the contract was entered into and are accounted for as cash flow hedges in accordance with IAS 39.

17. Provisions for employee benefits

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Employee benefits	18,205	19,207	(1,002)
Total	**18,205**	**19,207**	**(1,002)**

(thousands of euro)

	Employees severance indemnity fund
Balances as of 31/12/2017	**19,207**
Increases	
Provision for the period	4,986
Decreases	
Payments for the period	(5,988)
Balances as of 31/12/2018	**18,205**

Accounting data	EMPLOYEES SEVERANCE INDEMNITY	SENIORITY AWARDS
Number of employees as of 31.12.2018	1,504	659
Civil law provision 31.12.2017	17,642,645	
Accounted changes 31.12.2018	-1,201,376	-97,054
Civil law provision 31.12.2018	16,759,200	

Changes in the present value of the defined-benefit obligation	EMPLOYEES SEVERANCE INDEMNITY	SENIORITY AWARDS
(+) DBO at 31.12.2017	19,096,046	289,187
(+) Current Service Cost	0	10,532
(+) Interest Expense	-48,716	-634
(-/+) Actuarial (Gains)/Losses arising	123,785	-14,877
(-) (Balance of Fund movements)	-1,201,376	-97,054
(+) DBO al 31.12.2018	17,969,738	187,155

Charges for defined-benefit schemes recognised in profit and loss	EMPLOYEES SEVERANCE INDEMNITY	SENIORITY AWARDS
Current Service Cost	0	10,532
Interest Expense	-48,716	-634
Actuarial (Gains)/Losses recognised	0	-14,877
Total	-48,716	-4,979

Other Comprehensive Income (OCI)	EMPLOYEES SEVERANCE INDEMNITY	SENIORITY AWARDS
Actuarial (Gains)/Losses arising to be recognised in OCI	123,785	
- Actuarial (Gains)/Losses arising for change in demographic assumption	35,523	
- Actuarial (Gains)/Losses arising for change in financial assumption	-248,990	
- Other Actuarial (Gains)/Losses arising in the period	337,252	

The data processed by the actuary are always net of the employees severance indemnity set aside on variable remuneration as this is settled every year.

ACTUARIAL ASSUMPTIONS USED		
FINANCIAL AND ECONOMIC ASSUMPTIONS:		
Discount rate		**Curve Eur Composite AA at 31.12.2018**
	Maturities (years)	*Rates*
	1	*-0.180%*
	2	*0.001%*
	3	*0.195%*
	4	*0.380%*
	5	*0.548%*
	7	*0.849%*
	8	*0.983%*
	9	*1.109%*
	10	*1.223%*
	15	*1.613%*
Inflation rate		1.50%
Expected rate of pay increase (including inflation)		N.A.
Percentage of employees severance indemnity requested in advance		100%

DEMOGRAPHIC ASSUMPTIONS:	
Maximum retirement age	According to latest legal provisions
Mortality tables	SI 2017
Average annual percentage of personnel exit*	2.82%
Annual probability of request for an advance	1.00%

** calculated for any cause of termination, in the first ten years after the assessment year.*

Sensitivity analysis	**Sensitivity**	**EMPLOYEES SEVERANCE INDEMNITY New DBO**
Discount rate	*+0.50%*	17,005,967
	-0.50%	19,008,149

Addition information	**EMPLOYEES SEVERANCE INDEMNITY**
Duration (in years)	11.30

Payments expected	**EMPLOYEES SEVERANCE INDEMNITY**
Payments expected as of 31.12.2019	444,449
Payments expected as of 31.12.2020	472,217
Payments expected as of 31.12.2021	508,240
Payments expected as of 31.12.2022	548,124
Payments expected as of 31.12.2023	709,393
Payments expected from 1.01.2024 to 31.12.2028	5,236,133

18. Deferred tax liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Deferred tax liabilities	32	32	-
Total	**32**	**32**	**-**

They amount to €32 thousand and did not change during the year.

19. Provisions for risks

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Provisions for risks	1,478	3,992	(2,514)
Total	**1,478**	**3,992**	**(2,514)**

CHANGES IN PROVISION FOR RISKS *(thousands of euro)*

	Employees charges	Tax disputes	Other provisions	Total
Balances as of 31/12/2017				
Opening balance	3,263	240	489	**3,992**
Reclassifications				
Reclassifications	-	59	-	**59**
Increase				
Provision for the period	-	-	734	**734**
Decrease				
Utilisation for the period	(3,128)	-	(179)	**(3,307)**
Balances as of 31/12/2018				
Closing balance	**135**	**299**	**1,044**	**1,478**

The change in the amount of the provisions for risks for personnel derives from utilizations during the period.

The item "Other provisions" includes values relating to seniority bonuses to be recognized to employees based on the company's supplementary agreement. These values were adjusted based on payments made during the year and expert actuarial estimates. This item also includes amounts recognized in 2018 relating to legal expenses for a possible dispute with a customer following a contractual suspension and requests for compensation for damages from certain customers, still being assessed and defined. The amount relating to the dispute under way with the Italian Revenue Agency for the 2006, 2007, 2008, 2009, 2010 and 2011 tax periods is basically to cover the estimated legal expenses that could be incurred to protect the company's rights. In this regard, please note that there are several disputes under way with the Italian Revenue Agency. One relates to services provided by the company SiNSYS - subsequently incorporated into SIA - to SIA itself which, according to the Agency, should have been subject to VAT by the Italian permanent establishment rather than the parent company, although the VAT relating to the consideration agreed for those services was already settled by the client SIA through the issue of a "self-invoice". Another regards the transfer pricing used by SiNSYS to determine the income between the Belgian parent company and the Italian and Dutch branches: although it agrees with the method selected by the company (the profit split method set forth in the OECD guidelines), the Agency contested the approach used by the company to allocate the costs between the three offices.

At the date of approval of the financial statements, all of the rulings issued, including those in the second instance, were favorable to the company, and the appeals submitted were accepted in full.

Reassured by the ruling in the first degree, although it is aware of a possible appeal that could be lodged by the Tax Authorities, the company, along with its tax and legal advisors, believes, all the more so, that the findings are unfounded and the penalties are not applicable.

A third dispute regards the depreciation applied on specific systems for the provision of business services, which the Agency claimed was too high, since it claimed that the systems were equivalent to simple electronic systems; also in this case, the company believes it will be able to demonstrate the speed of technological obsolescence of these systems and therefore the consistency of the depreciation rates applied. At the date of approval of the financial statements, all of the rulings issued, including those in the second instance, were favorable to the company, and the appeals submitted were accepted in full.

The company believes that there are no concrete elements such so as to justify an adjustment to the provision for risks, which currently basically includes the estimated legal expenses to be incurred. Please note that in 2018 the company obtained a partial reimbursement from the Revenue Agency which was accounted for by reconstituting the provision for risks.

20. Other non-current liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Other non current liabilities	5,660	-	5,660
Total	**5,660**	**-**	**5,660**

This item includes amounts recognized for the new long-term incentive plan classified at the end of the previous year in “Other current liabilities” as they relate to the previous plan, terminated in 2017 and settled in 2018.

Current liabilities

21. Current financial payables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Current bank debt	85,500	63,222	22,278
Financial payables due to subsidiaries	48,241	36,567	11,674
Other current financial payables	4,224	5,182	(958)
Total	**137,965**	**104,971**	**32,994**

Current bank debt rose due to the classification of the current part of the loan taken out to purchase equity investments.

The item “Other current financial payables” consists of the component maturing in less than twelve months of the bank loan taken out to purchase equity investments and payables to leasing companies for the acquisition of technological infrastructure.

The item “Financial payables” due to subsidiaries is represented by amounts generated by the activation of a series of contracts for the group’s centralized treasury management, which allow for an efficient management of the cash requirements as well as surpluses of each individual company.

22. Current tax liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Current tax liabilities - IRES	2,524	-	2,524
Current tax liabilities - IRAP	1,417	-	1,417
Total	**3,941**	**-**	**3,941**

The amounts relate to the balance between advances paid and tax payables deriving from the tax burden. In 2017, there was a credit balance due to the effects of the agreement signed with the Italian Revenue Agency with respect to the tax benefits arising from the Patent Box.

23. Current trade payables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Trade payables - current	39,439	45,656	(6,217)
Trade payables due to subsidiaries - current	3,991	3,915	76
Total	**43,430**	**49,571**	**(6,141)**

Given the short-term nature of trade payables, SIA believes that the carrying amounts represent a good approximation of fair value.

24. Other current liabilities

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Customer advance payments	1,388	2,839	(1,451)
Social security debts	20,034	20,515	(481)
Amounts due to Directors and Auditors	49	464	(415)
Payables to employees	17,063	35,524	(18,461)
Deferred income and accrued liabilities	1,996	1,594	402
Tax liabilities	7,404	5,409	1,995
Other liabilities	2,851	2,596	255
Total	**50,784**	**68,941**	**(18,157)**

Payables to employees basically refer to the variable component of the remuneration (MBO) of the Group management, as well as the Company Bonus (VAP), established in agreement with the trade unions and assigned to all of SIA’s employees on the basis of the results achieved. The decline is explained by the payment of the long-term incentive plan for the management during the year. The values relating to the new long-term incentive plan for the management are classified under other non-current liabilities.

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NOTES TO THE STATEMENT OF PROFIT AND LOSS ITEMS

25. Revenues from sales and services

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Revenues from sales and services	411,939	403,359	8,580
Total	**411,939**	**403,359**	**8,580**

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Cards	183,955	170,534	13,421
Payments	116,714	119,937	(3,223)
Institutional Services	109,870	111,826	(1,956)
Corporate	1,400	1,062	338
Total	**411,939**	**403,359**	**8,580**

- **Cards:** higher revenues for issuing and acquiring services relating to debit and credit cards and merchants, in particular there were higher revenues for transactions, project activities and value-added services.
- **Payments:** higher revenues for innovative services in the Network Services as well as Mobile Payments and PSD2 areas, are more than offset by lower revenues on traditional Network Services activities and a decrease in project activities for collections and payments.
- **Institutional Services:** higher revenues for clearing services due to higher volumes managed, as well as higher revenues for project activities and network services, were more than offset by lower revenues for Post-Trading services.
- **Corporate:** greater support services offered to Group companies, primarily due to the integration of P4cards.

26. Other revenues and income

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Several revenues	412	431	(19)
Contingent revenues	1,978	1,909	69
Total	**2,390**	**2,340**	**50**

27. Changes in inventories for third parties

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Software projects developed for third parties	(109)	(1,425)	1,316
Total	**(109)**	**(1,425)**	**1,316**

28. Costs for raw and ancillary materials, consumables and goods

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Goods and products	(896)	(2,357)	1,461
Total	**(896)**	**(2,357)**	**1,461**

This value declined as a result of the decrease in acquisitions of products for resale.

29. Costs for services

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Rental	(20,427)	(18,681)	(1,746)
Maintenance	(20,354)	(19,800)	(554)
Network	(10,153)	(9,637)	(516)
Outsourcing	(12,901)	(11,850)	(1,051)
Building	(10,707)	(10,862)	155
Professional Services	(45,050)	(46,098)	1,048
Royalties	(7,476)	(7,653)	177
General expenses	(6,603)	(5,842)	(761)
Insurance	(934)	(805)	(129)
Total	**(134,605)**	**(131,228)**	**(3,377)**

- **Rental:** higher costs for IT infrastructure management contracts.
- **Maintenance:** higher costs for investments made in software and hardware.
- **Outsourcing:** higher costs for the outsourced management of business services.

Remuneration for the auditing of the separate and consolidated financial statements of the Group and to check that the company's books are properly kept, including tax attestation services, paid during the year to the independent auditing firm PricewaterhouseCoopers S.p.A. amounted to €169 thousand.

30. Staff cost

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Wages and salaries	(93,680)	(96,851)	3,171
Social charges	(24,639)	(24,988)	349
Severance indemnities	(4,986)	(4,817)	(169)
Payments to pension funds	(3,550)	(3,099)	(451)
Charges for restructuring	(8,180)	(6,209)	(1,971)
Other costs	(6,773)	(7,068)	295
Travel	(2,290)	(2,307)	17
Other staff	(394)	(480)	86
Directors and Auditors	(719)	(1,195)	476
Recoveries seconded staff	2,949	2,804	(145)
Refunds seconded staff	(642)	(534)	108
Capex internal staff costs	4,899	3,745	1,154
Total	**(138,005)**	**(140,999)**	**2,994**

The reduction in staff costs was caused by the decline in the item "Wages and salaries" as a result of lower provisions relating to the long-term management incentive plan and higher internal capitalizations, against higher charges for restructuring.

There was an increase in the use of employees for the development of internal projects.

The table below shows the average and precise number as at December 31, 2017 of Group employees broken down by category.

Workforce (year-end)	31/12/2018		31/12/2017		31/12/2018	31/12/2017
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,476	35	1,465	33	1,511	1,498
Total	**1,476**	**35**	**1,465**	**33**	**1,511**	**1,498**

Workforce (average)	31/12/2018		31/12/2017		31/12/2018	31/12/2017
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,473	36	1,452	33	1,509	1,485
Total	**1,473**	**36**	**1,452**	**33**	**1,509**	**1,485**

31. Other operating expenses

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Undeductable VAT	(13,970)	(13,299)	(671)
Tax expenses	(254)	(168)	(86)
Losses on disposal of assets	(70)	-	(70)
Other charges	(1,910)	(1,633)	(277)
Total	**(16,204)**	**(15,100)**	**(1,104)**

Please note that there was an increase in costs for VAT; indeed, the percentage of non-deductibility rose from 35% to 38%.

32. Depreciation and amortization

(thousands of euro)

	Depreciation	Write-off	Total
Tangible assets	(6,128)	-	(6,128)
Leased tangible assets	(5,985)		(5,985)
Total	**(12,113)**	**-**	**(12,113)**

(thousands of euro)

	Depreciation	Write-off	Total
Intangible assets	(11,704)	-	(11,704)
Total	**(11,704)**	**-**	**(11,704)**
TOTAL DEPRECIATION AND WRITE-OFF	**(23,817)**	**-**	**(23,817)**

33. Adjustments to trade receivables

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Provision for bad debts	(2,598)	(5,589)	2,991
Total	**(2,598)**	**(5,589)**	**2,991**

The amount for the year relates to trade receivables due from the subsidiary Perago FSE for €1,598 thousand, as it is deemed that the company does not have the capacity to repay and thus in 2019 the possibility will be evaluated of waiving receivables in exchange for an increase in the shareholders' equity.

A further adjustment of €1 million was made to the bad debt provision due to some uncertainty with regard to commercial customers, in line with the rules laid out in internal policies.

34. Additions to provisions for risks

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Provision for risks	(734)	(200)	(534)
Total	**(734)**	**(200)**	**(534)**

This refers to allocations made for any costs and expenses for preparatory activities for the management of a dispute with a customer and some requests for compensation for damages received from customers which are currently being assessed and defined.

35. Income (expense) on equity investments

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Impairment of subsidiaries carrying amount	(3,503)	(2,609)	(894)
Dividends	28,456	1,558	26,898
Total	**24,953**	**(1,051)**	**26,004**

Adjustments in the value of equity investments are attributable to Ubiq, Perago FSE and Trustlink, while dividends refer to the amounts disbursed by the companies

P4cards, SIA Central Europe, Emmecom and SIApay. Dividends rose due to improvements in the results of the companies listed as well as the amounts paid by P4cards totaling €25 million.

36. Management/trading of financial assets

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Profit/loss on financial assets and liabilities management	(353)	2	(355)
Impairment of financial receivables and financial assets	(2,010)	-	(2,010)
Total	**(2,363)**	**2**	**(2,365)**

The amounts relating to the management of financial assets relate to the elimination of the value of the call option granted and sold by the executives of SIA and its Belgian branch, as part of a reserved capital increase approved by the Shareholders' Meeting on July 23, 2015.

Value adjustments were made on financial receivables due from the subsidiary Perago FSE, as it is deemed that the company does not have the capacity to repay. In 2019 the possibility will be evaluated of waiving the receivables due from the subsidiary in exchange for an increase in the shareholders' equity.

37. Financial income

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Interest income	351	291	60
Total	**351**	**291**	**60**

The increase in interest income derives primarily from improved management of cash and cash equivalents.

38. Financial charges

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Interest expenses	(11,373)	(9,056)	(2,317)
Bank charges	(458)	(390)	(68)
Total	**(11,831)**	**(9,446)**	**(2,385)**

The item "Interest expenses" derives mainly from the loan taken out for the acquisition of equity investments, while this item also includes interest paid on finance lease agreements for the acquisition of tangible assets.

39. Income tax

(thousands of euro)

	31/12/2018	31/12/2017	Change 2018 Vs 2017
Current taxes	(23,920)	(19,000)	(4,920)
Taxes from previous years	(678)	6,339	(7,017)
Prepaid/deferred taxes	768	(2,236)	3,004
Total	**(23,830)**	**(14,897)**	**(8,933)**

Higher current taxes are due primarily to the better results from ordinary operations compared to the previous year.

The year 2017 was impacted by a cumulative effect relating to the years 2015 and 2016 deriving from the application of the Patent Box. The facilitation had effects on current taxes, as concerns the benefits in 2017 which generated a decline in the tax burden, as well as taxes of previous years, for which a supplementary statement will be transmitted with regard to the relative benefits.

STATEMENT OF RECONCILIATION BETWEEN THEORETICAL AND EFFECTIVE TAX RATES *(thousands of euro)*

	2018	2017	2018		2017	
			IRES	IRAP	IRES	IRAP
Ordinary applicable tax rate			24%	3.90%	27.5%	3.90%
Profit/(loss) before taxes	108,471	78,342	26,033		18,802	
- IAS effects	-124	-643	-30		-154	
- Income exempt from IRES	-19,101	-32,155	-4,584		-7,717	
- Dividends	-28,456	-1,558	-6,830		-374	
- Undeductable costs IRES	19,783	15,635	4,748		3,752	
- IRAP taxable income	97,465	96,162		5,429		3,750
- Income exempt from IRAP	-25,332	-17,854		-1,411		-696
- Undeductable costs IRAP	12,581	2,549		701		99
- Previous year revenues	-678	6,339	-163		1,521	
- Other accruals			25	1		17
Total			**19,200**	**4,720**	**15,830**	**3,170**
Effective tax rate			**18.69%**	**3.52%**	**27.64%**	**3.93%**

BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES *(thousands of euro)*

	2018		2017	
	Temporary difference amounts	Fiscal effect	Temporary difference amounts	Fiscal effect
Deferred tax asset:				
Provisions for risks	934	261	200	56
Bad debt provision	1,268	304	1,268	304
Payroll expenses to be paid	4,795	1,151	2,701	648
Write-down of tangible assets	4,862	1,167	4,535	1,088
Write-down of intangible assets	261	71	277	76
Others	855	205	908	218
IAS effect	6,576	1,593	8,157	2,006
Total	**19,550**	**4,752**	**18,047**	**4,396**
Deferred tax liabilities:				
Dividends	66	20	66	20
Bad debt provision	44	12	44	12
IAS effect	0	0	0	0
Total	**111**	**32**	**111**	**32**

SIA S.p.A.
The Chairman of the Board of Directors
Mr. Giuliano Asperti

DISCLOSURE ON FAIR VALUE

The table below shows the assets and liabilities measured at fair value broken down on the basis of the levels set forth in the fair value hierarchy.

To define the fair value levels, the company refers to the hierarchy established in IFRS 13, which classifies the inputs of the valuation techniques adopted into three levels:

- **level 1:** includes (unadjusted) listed prices in active markets for identical assets or liabilities which the company can access at the valuation date;
- **level 2:** includes inputs other than the listed prices included in level 1, observable directly or indirectly for the asset or liability;
- **level 3**: includes input data not observable for the asset or liability.

FINANCIAL ASSETS *(thousands of euro)*

	Carrying amount	L1	L2	L3
Financial assets - non current				
Financial asset at fair value through other comprehensive income - non current	50			x
Financial assets - current				
Financial asset at fair value through other comprehensive income - current	-			
Total	**50**			

CHANGES IN FINANCIAL ASSETS *(thousands of euro)*

	31/12/2018	31/12/2017
Opening balance	**365**	**381**
Purchases/increases	-	-
Sales/settlements	(353)	(16)
Fair value adjustment	-	-
Reclassifications	38	-
Other changes	-	-
Closing balance	**50**	**365**

The decrease for the year corresponds to the expiry of the period for exercising the call option that gave SIA the possibility, when certain conditions were met, to repurchase shares issued as part of the capital increase reserved to executive personnel (as part of incentive plans). During the year, the shareholding in Trustlink Ltd, previously recognized under equity investments, was classified in current financial assets.

FINANCIAL LIABILITIES *(thousands of euro)*	Carrying amount	L1	L2	L3
Financial liabilities - non current				
Other financial liabilities - non current	-			
Hedging derivatives - non current	3,114		x	
Financial liabilities - current				
Other financial liabilities - current	-			
Total	**3,114**			

CHANGES IN FINANCIAL LIABILITIES *(thousands of euro)*	31/12/2018	31/12/2017
Opening balance	856	-
Purchases/increases	-	-
Sales/settlements	(856)	-
Fair value adjustment	-	-
Reclassifications	-	-
Other changes	3,114	856
Closing balance	**3,114**	**856**

During the period the entire bank loan outstanding at the end of the previous period was repaid and as a result the hedging derivative on that loan was completely unwound. A new derivative contract to cover the outstanding lines of credit was then entered into.

TRANSACTIONS WITH RELATED PARTIES

Information on remuneration of key managers

As at December 31, 2018, the remuneration due to key managers amounts to €6,481 thousand (€6,424 thousand as at December 31, 2017). €1,294 thousand of these amounts was disbursed (€1,211 thousand as at December 31, 2017).

The remuneration due to Directors and Statutory Auditors for the year 2018 amounts to €1,235 thousand (€1,195 thousand in 2017).

The above-mentioned remuneration was recognized in the income statement item “Payroll costs”.

The balance sheet items include other current liabilities of €5,117 thousand.

Other transactions with related parties

Transactions with related parties, including trade transactions with shareholders, are part of the ordinary course of business of the Group companies and are carried out in compliance with criteria of substantial and procedural fairness, under the same conditions as would be applied for transactions entered into with independent third parties.

In drafting this report, related party refers to a person or entity related to the entity drafting the Financial Statements, pursuant to IAS 24.

An individual or a close family member of that individual are related to the company drafting the Financial Statements if that individual:

- has control or joint control over the company drafting the Financial Statements;
- has significant influence over the company drafting the Financial Statements;
- is one of the key managers of the company drafting the Financial Statements or one of its parent companies.

An entity is related to the company drafting the Financial Statements if any one of the following conditions applies:

- the entities are part of the same Group (which means that each parent company, subsidiary and Group company is related to the others);
- an entity is an associate or a joint venture of the other entity (or an associate or a joint venture that is part of a Group to which the other company belongs);
- both entities are joint ventures of the same third counterparty;
- an entity is a joint venture of a third party company and another entity is an associate of the third party entity;
- the entity is represented by a post-employment benefit plan in favor of employees of the entity drafting the Financial Statements or a related company. If the entity drafting the Financial Statements is itself a plan of this type, also the employers that sponsor it are related to the entity drafting the Financial Statements;
- the entity is controlled or jointly controlled by an individual identified as a related party;
- an individual identified as a related party has significant influence over the entity or is one of the key managers of the entity (or of one of its parent companies).

Transactions with related parties also include transactions with the company ATS, 30% held by SIA. These income statement and balance sheet values are deemed insignificant. The impact of the transactions mentioned above on the items of the statement of financial position and the income statement as at December 31, 2018 is deemed marginal.

E-MARKET SDIR CERTIFIED

Below is a summary table of the transactions with subsidiaries and associates.

TRANSACTIONS WITH RELATED PARTIES *(thousands of euro)*	Receivables 31/12/2018	Payables 31/12/2018	2018 revenues	2018 costs
Subsidiaries				
P4cards				
Trade	4,305	538	5,955	660
Financial	-	45,887	-	166
Dividends	-	-	25,000	-
SIApay				
Trade	2,430	162	3,663	285
Dividends	-	-	699	-
SIA Central Europe				
Trade	1,965	554	3,455	1,865
Dividends	-	-	1,795	-
Emmecom				
Trade	538	604	1,016	1,050
Financial	-	2,354	-	12
Dividends	-	-	962	-
Perago FSE				
Trade	-	1,144	227	3,001
Financial	-	-	24	-
SIAadvisor				
Trade	117	934	130	2,513
UBIQ				
Trade	1,680	55	323	181
PforCards				
Trade	5	-	70	-
Financial	1,127	-	12	-
SIA Greece				
Trade	33	-	11	-
SIA Slovakia				
Trade	21	-	7	-
Associates				
ATS				
Trade	-	154		3,390

The financial payables of the parent company to P4cards and Emmecom and the financial receivable of the parent company from PforCards fall within the scope of centralized treasury management, governed by contractual agreements.

The services rendered by SIA to the Group companies refer primarily to seconded personnel for operating requirements of the companies, the facility management of operating systems, corporate services and network services. The subsidiaries provide processing services to SIA, using their specific skills. ATS provides technical consulting to SIA.

CAPITAL MANAGEMENT POLICY

SIA's objective is to maximize the return on net invested capital while maintaining the capacity to operate over time, guaranteeing adequate returns for shareholders and benefits for other stakeholders, with a sustainable financial structure. To reach these targets, aside from pursuing satisfactory economic results and generating cash flows, the company can intervene in its dividend policy and the configuration of the capital.

The main indicators used by the company in capital management are:

- R.O.E (Return on equity): calculated as the ratio between the profit (loss) and shareholders' equity. This indicator represents SIA's capacity to remunerate its shareholders. The objective is for the indicator's value to be higher than the rate of return on a risk-free investment, correlated with the nature of the businesses managed.
- R.O.I (Return on Investment): calculated as the ratio between operating profit and invested capital; this indicator represents the capacity of company profit to remunerate invested capital, understood as the sum of non-current assets and current assets.

POLICY FOR THE MANAGEMENT OF FINANCIAL RISKS

Qualitative information on risks is provided in the dedicated section of the Management Report of the Consolidated Financial Statements for each risk factor, including in relation to financial risks.

The same section of the Management Report provides quantitative information on non-financial risks.

The quantitative information on financial risk is instead provided below.

Credit risk

SIA is marginally exposed to credit risk for its operating activities and the management of financial resources and cash. The quantitative information, consisting of the breakdown of trade receivables by overdue time brackets, increases in the bad debt provision and the indication of any significant positions with individual counterparties, is provided in the comments on trade receivables and/or cash and cash equivalents.

Liquidity risk

The quantitative information consists of an indication of liquidity reserves existing at the reporting date and the breakdown by maturity of payables and other financial liabilities, based on the tables provided below:

LIQUIDITY RESERVES *(thousands of euro)*		
	31/12/2018	**31/12/2017**
Cash	41,491	34,743
Financial assets - current	-	353
Financial receivables - current	1,127	2,635
Committed lines not used	81,750	76,750
Total	**124,368**	**114,481**

BREAKDOWN OF LIABILITIES BY RESIDUAL MATURITY *(thousands of euro)*					
	Within 1 year	**From 1 to 2 years**	**From 2 to 5 years**	**More than 5 years**	**Total**
Bonds	-	-	-	-	-
Financial payables	137,965	76,626	624,541	-	839,132
Financial liabilities	-	-	3,144		3,144
Trade payables	43,430	-	-	-	43,430
Other liabilities (*)	54,726	5,692			60,418
Total	**236,121**	**82,318**	**627,685**	**-**	**946,124**

(*) Includes the amounts classified in the items relating to tax liabilities and other liabilities and does not include amounts relating to the provisions for employee benefits and provisions for risks.

Exchange rate risk

The company operates mainly in the euro area, and therefore it is not significantly exposed to exchange rate risks. Contracts receivable and payable in foreign currency are for insignificant amounts and therefore do not have considerable impacts on the values recognized.

E-MARKET SDIR CERTIFIED

Please also refer to the information shown in the Notes to the Separate Financial Statements which indicate gains and losses due to fluctuations in exchange rates as well as the marginal values.

Interest rate and market risk

The interest rate risk to which the company is exposed depends essentially on financial payables connected to finance leases and the loan entered into with a pool of banks for a total notional amount of €775 million, disbursed on September 28, 2018. This transaction made it possible to finance the purchase of the companies SIA Slovakia and SIA Greece (formerly First Data Slovakia and First Data Hellas) and to fully extinguish the previous loan taken out on December 23, 2016 to acquire the companies P4cards and PforCards, benefitting from better economic conditions. The new loan includes 3 lines: the first is fully amortizing and for €390 million, the second is a bullet line of €185 million and the third is a "bridge to equity" line for €200 million. The amortizing and bullet lines have a contractual duration of five years, while the bridge to equity line matures on May 31, 2019, with the possibility to extend the maturity to the same date as the other two lines. The agreement also calls for granting a revolving line of credit of €50 million, currently unused, also for a contractual duration of five years. All lines of credit bear interest at a floating rate (Euribor+spread) and are subject to customary conditions for transactions of this type.

The financing agreement provides for drawing up covenants, in the terms normally accepted for these types of transactions, based on profit level and financial indebtedness indicators.

SIA invests the liquid assets available primarily in current bank accounts and bank deposits, with fixed or variable rate returns.

Given what is set forth above and the market interest rate curves for the euro in the coming years, we do not expect to have economic impacts requiring the performance of particular sensitivity analyses, aside from what has already been described above.

FINANCIAL ASSETS *(thousands of euro)*	31/12/2018		31/12/2017	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash in hand	-	5	-	9
Bank accounts and deposits	-	41,486	-	34,734
Non current financial assets (*)	-	-	-	-
Current financial assets (*)	-	-	-	-
Current financial receivables	-	1,127	-	2,635
Total	**-**	**42,618**	**-**	**37,378**

(*) Amounts relating to non-controlling interests, other cash and cash equivalents and receivables relating to price adjustments for extraordinary transactions are excluded due to their nature.

FINANCIAL LIABILITIES *(thousands of euro)*	31/12/2018		31/12/2017	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Non current financial liabilities (**)	-	3,114	-	856
Non current financial payables (***)	-	701,167		364,468
Current financial payables (***)	-	137,965	-	104,971
Total	**-**	**842,246**	**-**	**470,295**

(**) The value relates to the hedging derivative.
(***) The value relates to the bank loan as well as the values of finance leases.

SIGNIFICANT NON-RECURRING EVENTS AND OPERATIONS

There are no significant non-recurring events or operations for the year 2018 which were not already described in the Management Report and/or in the Notes.

POSITIONS OR OPERATIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

There were no positions or operations deriving from atypical and/or unusual operations in 2018.

REPORT OF THE BOARD OF STATUTORY AUDITORS

SIA S.p.A.
Registered Office in Via Gonin 36, Milan
Share capital €22,274,619.51 fully paid-up
Registered with the Companies' Register of Milan, no. 1385874

Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to article 2429 of the Italian Civil Code for the year 2018

Dear Shareholders,

During the year, we carried out the activities for which we are responsible and we supervised compliance with the law and the articles of association, as well as compliance with the principles of sound management, the adequacy of the organizational structure for the aspects for which we are responsible, the internal control system and the administration and accounting system, as well as the reliability of the latter to properly represent operating events. We provide an account of those activities in this report.

1. Reference regulations

We would like to point out that the values inspiring our activities are drawn from the main content of the "Rules of Conduct of the Board of Statutory Auditors" issued by the National Board of Accountants.

We also acknowledge that the Board of Statutory Auditors is also assigned the role of the Supervisory Body pursuant to Italian Legislative Decree 231 of 2001; in relation to that duty, a separate disclosure is provided to the Board of Directors.

We have deemed it appropriate to adopt, insofar as they are compatible, the layout and indications provided in Consob communication no. 1025564 of April 6, 2001 on the Annual Report of the Board of Statutory Auditors.

2. Results for the financial year

The financial statements for the year ended as at December 31, 2018 show a Gross Operating Margin of €124.5 million (compared to €114.6 million in the previous year) and Operating Income of €97.4 million (€88.5 million in 2017). The profit for the year came to €84.6 million, compared to €63.4 million in the previous year. Shareholders' equity is €273.9 million, compared to €251.6 million in 2017.

3. Activities of the Board of Statutory Auditors

The Board of Statutory Auditors deemed it appropriate to plan its control activities with a risk-based approach, intended to intercept the most critical elements with an intervention frequency proportionate to the relevance of the perceived risk remaining after the mitigations adopted by the Company.

Planning for 2018 (which concludes with the approval of the financial statements as at December 31, 2018) did not present delays in the execution of controls.

Control activities were also carried out through:

- periodic meetings to obtain information, data, notes and reports through interaction with the various corporate functions and, namely, with the Internal Audit, Risk Governance, Law and Legal Affairs, Finance and Administration, Strategies Planning and Control and Human Resources and Organization functions;
- participation in meetings of the corporate bodies, namely the Board of Directors and the Shareholders' Meeting;
- the periodic exchange of information with the independent auditing firm, also pursuant to what is set forth in the regulations;
- the information and activities carried out, insofar as is also of interest for supervisory activities in its role as the Board of Statutory Auditors, in its capacity as the Supervisory Body pursuant to Italian Legislative Decree no. 231 of 2001.

3.1. Frequency and number of meetings of the Board of Directors and the Board of Statutory Auditors

We participated in all 10 meetings of the Board of Directors, obtaining in compliance with the provisions of art. 2381, par. 5 of the Italian Civil Code and the articles of association, prompt and suitable information on general business performance and on its foreseeable evolution, as well as on the most significant transactions, due to size or characteristics, carried out by the Company. In particular, the decision-making process of the Board of Directors appeared to be properly inspired by compliance with the fundamental principle of informed action.

We also participated in the Shareholders' Meeting held during the year.

We held 7 meetings of the Board of Statutory Auditors, and 3 meetings were also held in 2019 until the drafting of this report, maintaining constant and suitable relations with the internal functions and meeting with the Independent auditing firm.

3.2. Considerations on the most significant transactions for the profit and loss, cash flows and financial position carried out by the Company and their compliance with the law and the deed of incorporation

The information acquired on the most significant transactions for the profit and loss, cash flows and financial position carried out by the Company made it possible for us to ascertain compliance with the law and the articles of association and alignment with the corporate interests; we believe that these transactions, described exhaustively in the management report, require no specific observations from the Board of Statutory Auditors.

With reference to the decisions made by the executive body, the Board of Statutory Auditors acknowledges that it found no violations with regard to respect for decision-making autonomies and limits.

In order to provide as comprehensive a disclosure as possible, we believe it is appropriate to provide a summary of the main operations carried out during the year, namely:

- the acquisition, completed on September 28, 2018, of the target companies of the First Data Group (Magnolia Project) operating in several Central and South-Eastern European countries. The acquisition regarded processing and card production, call center and back office services, as well as the management of POS terminals and ATMs. The agreement entailed the transfer of roughly 1400 human resources from First Data to SIA;
- to support the acquisition operation mentioned above, the extinction and simultaneous signing of a new loan agreement with a pool of leading banks, under more advantageous conditions than the previous loan outstanding, also formalizing hedging contracts with the banks participating in the loan pool. The derivative contracts mirror the conditions and maturities of the loan, and the notional amounts of each contract correspond exactly to the shares disbursed by each bank in the pool, guaranteeing complete coverage of interest rate risk.

3.3. Transactions with related parties. Indication of any existence of atypical and/or unusual transactions, including intra-group or with related parties

We acquired adequate information on intra-group and related party transactions. These transactions are adequately described in the management report and in the notes in compliance with the provisions of art. 2428. For our part, we acknowledge their compliance with the law and the articles of association, as well as the absence of situations that require further observations or comments.

In terms of transactions with related parties, the Board of Statutory Auditors believes it is appropriate to mention the extension to July 31, 2019 of the loan for up to a maximum of €2 million granted by the Company to the Subsidiary Perago FSE, due to the latter's cash requirements deriving primarily from temporal misalignments between when the company is assigned a tender contract and when the relative cash flows are realized. The transaction noted above was carried out under market conditions.

3.4. Adequacy of the information provided in the Directors' management report with respect to atypical and/or unusual transactions, including intra-group and with related parties

This situation does not apply.

3.5. Indications on the content of the Report provided by the Independent Auditing Firm and opinion on the financial statements

In compliance with the amendments made to Italian Legislative Decree 39/2010 by Italian Legislative Decree no. 135/2016, the audit report includes *(i)* a different arrangement of the paragraphs making up the report, with the opinion paragraph now at the beginning; *(ii)* a paragraph regarding the responsibility for the financial statements of the Directors as well as the Board of Statutory Auditors; *(iii)* a paragraph on the responsibilities of the independent auditing firm in order to provide more information regarding the activities carried out for the audit, including communications to the parties responsible for governance activities; *(iv)* a paragraph containing an opinion on the consistency of the management report with respect to the financial statements, as well as an opinion on its compliance with the law, in addition to a statement regarding any significant errors identified.

The report issued by the independent auditing firm provides a positive opinion, which is qualified "without modifications" and has no emphasis of matter paragraph.

For our part, we acknowledged the adequacy of the financial statement auditing plan and its compliance with an approach based on the risk of significant errors or objectionable conduct; we also acknowledged the independence of the independent auditors and the procedures adopted.

3.6. Observations and proposals on findings and emphasis of matter paragraphs contained in the report of the Independent Auditing Firm

There were no findings or emphasis of matter paragraphs in the independent auditors' report.

3.7. Indication of any submission of complaints pursuant to art. 2408 of the Italian Civil Code, of any initiatives undertaken and the relative results

We acknowledge that in the course of the year no complaints were submitted to the Board of Statutory Auditors pursuant to art. 2408 of the Italian Civil Code.

3.8. Indication of any submission of reports, of any initiatives undertaken and the relative results

We acknowledge that in the course of the year no reports were submitted to the Board of Statutory Auditors by anyone.

3.9. Indication of any assignment of further duties to the Independent auditing firm and the relative costs

The auditing engagement relates to auditing services for the separate and consolidated financial statements of the Group and checking that the company's books are properly kept, including tax attestation services.

The independent auditing firm received engagements for audit-related services. The Board of Statutory Auditors believes that, based on the nature of the engagement and the oversight mechanisms put into place, they did not impair the auditor's independence.

3.10. Indication of any assignment of duties to parties linked to the Independent auditing firm by continuous relationships and the relative costs

There are no engagements pursuant to art. 17, paragraph 3 of Italian Legislative Decree no. 39 of January 27, 2010, assigned to the independent auditing firm, the entities belonging to its network, the partners, directors, members of the control bodies or employees of the independent auditing firm itself or its subsidiaries or associates.

3.11. Indication of the existence of opinions issued pursuant to the law in the course of the year

During the year 2018, we issued:

- an opinion in relation to the co-opting of 1 member of the Board of Directors, pursuant to art. 2386 of the Italian Civil Code;
- an opinion in relation to the determination of the remuneration of the Company's Chief Executive Officer and General Manager, pursuant to art. 2389, par. 3 of the Italian Civil Code. In this regard, we found that the Remuneration Committee played an active role.

3.12. Observations on respect for the principles of proper administration

We obtained an awareness of and supervised, insofar as we are responsible, respect for the key criterion of the sound and prudent management of the Company and the more general principle of diligence, all based on our participation in meetings of the Board of Directors, the documentation and timely information received from the various management bodies in relation to the transactions carried out by the Company, as well as through frequent meetings with the Executive Body and by carrying out specific audits.

The Board of Statutory Auditors acknowledges that the Directors:

- did not fail to obtain sufficient information in relation to the transactions carried out;
- were able to express their decision based on the relative documentation received in good time;
- took all precautions and carried out the preventive controls normally required for the decisions made.

The Board of Directors acted in compliance with the fundamental principle of informed action taken following adequate analysis procedures. The executive body acted in compliance with the limits of the delegations assigned to it.

There were no transactions outside the corporate purpose, in conflict of interests with the Company, which were clearly imprudent or risky, such as to compromise the integrity of the company's assets, or aiming to suppress or modify the rights assigned by the Law or the Articles of Association to shareholders or in conflict with the resolutions passed by the Shareholders' Meeting and the Board of Directors itself.

In relation to the importance of intercompany transactions, the Company has two internal procedures - "Intra-group supply management process" and "Guidelines for the definition of transfer pricing between Group Companies" - aiming to define the methods for managing intra-group contracts for the transfer of products and services, as well as to govern transfer pricing.

3.13. Observations on the adequacy of the organizational structure

We supervised the adequacy of the organizational structure put into place by the Company, in compliance with the provisions of art. 2403 of the Italian Civil Code.

Following the resignation of the Chief Executive Officer, the Board of Directors decided to appoint a new Chief Executive Officer and General Manager. In this regard, we reviewed the activities carried out by the Management Body and the role taken on by the Chairman and, after the in-depth analyses carried out, we acknowledge that we confirmed precise respect for civil and statutory provisions on the matter, aiming to ensure to the Company the necessary oversight in terms of governance structures.

3.14. Observations on the adequacy of the internal control system and in particular on the activities carried out by those responsible for internal control. Indication of any corrective actions undertaken and/or to be undertaken

We supervised and assumed a central role within the internal control system. We believe that this system is adequate with respect to the operating characteristics of the Company and meets the requirements of efficiency and effectiveness in risk monitoring, in compliance with internal and external procedures and provisions. The Company's control system is based on first, second and third level controls. The first two levels are under the responsibility of the business structures and the staff structures, respectively. The third level controls are instead assigned to the Internal Audit function.

We developed an opinion on the adequacy of the oversight mechanisms activated by the Company in relation to the risk management system. Aside from the monitoring carried out by the Risk Governance function, the Company has established a Risk Committee, chaired by the Chief Executive Officer, in which Division and Departmental managers participate.

We also acknowledge that in 2018 the Company:

- updated the risk target and risk policy;
- monitored, including through the Risk Governance function, the risks associated with the most significant business initiatives;
- updated the service and product risk profile;
- monitored IT, technological and security risks;
- evaluated the contractual risk of the SIA Group deriving from relations with its customers and suppliers;
- reinforced the risk culture with the appropriate use of training.

The Board of Statutory Auditors highlights the extreme importance of cyber security and the GDPR, areas in which the Company has implemented considerable oversight mechanisms. In particular, in relation to the need for alignment with the General Data Protection Regulation, we analyzed the adjustments of processes, procedures and systems of the Company and the Companies belonging to the Group. The Data Protection Officer (DPO) was appointed within the Risk Governance Department.

In terms of monitoring business continuity risks, we believe that the business continuity plan is adequate for this purpose, defining the system of rules, responsibilities, processes and technologies to handle critical issues and threats of interruptions in the services provided.

3.15. Observations on the adequacy of the administrative/accounting system and its reliability to properly represent operating events

Insofar as we are responsible, we evaluated the reliability of the administrative and accounting system to recognize and properly represent operating events, by obtaining information from the department manager, through meetings with the Independent auditing firm and by analyzing the results of the work carried out by it.

In terms of the reliability of the accounting system in representing operating events, we acknowledge that we have not identified issues with suspicious or potentially dangerous characteristics. In the absence of elements such as to justify particular audits, to fulfil its duties the Board of Statutory Auditors carried out a summary and general control on the methods and procedures relating to the concrete functioning of the accounting system, relying on the feedback and positive opinion of the auditor in relation to regular bookkeeping.

We acknowledge that the Company has adopted a single accounting system and that the accounting information used is unambiguous, for the purposes of economic and financial reporting as well as for management analyses.

The subsidiaries act with broad operational autonomy, within the scope of the strategic guidelines defined and formalized by the Parent Company.

3.16. Observations on any relevant aspects emerging in the course of meetings with the Independent Auditors

In 2018, the Board of Statutory Auditors held 2 meetings with the Independent auditing firm, in addition to 1 meeting in 2019 before the preparation of this report, during which no aspects requiring mention in this report emerged.

3.17. Conclusions concerning the supervisory activity carried out, as well as with respect to any omissions, objectionable events or irregularities discovered

We acknowledge that in 2018 our supervisory activity was carried out normally and that in the course of such activity no significant events emerged that would require mention in this report.

3.18. Indication of any proposals to be made to the Shareholders' Meeting

Aside from what is reported in the following paragraph, the Board of Statutory Auditors has no further proposals or observations to be made.

4. Observations and proposals with respect to the Financial Statements and their approval

Please note that the duties of confirming regular bookkeeping and the proper representation of operating events in the accounting entries, as well as checking the correspondence between the financial statement information and the results of the accounting entries and the compliance of the separate financial statements with the law are assigned to the Independent auditing firm.

In particular, the Independent Auditing firm reported to us that on the basis of the audit procedures carried out in the course of the year and the financial statements, no situations of uncertainty or limitations arose in the audits performed and that the relative report contains no findings or emphasis of matter paragraph.

For our part, we supervised its general layout.

We carried out supervisory activities on the financial reporting process by examining the control system and the information production processes, which specifically concern accounting data in the strict sense. In this regard, the Board of Statutory Auditors did not identify any element that could jeopardize its integrity, also on the basis of its meetings with the Independent Auditing firm. We acknowledge that the process put into place by the Company allows for constant critical screening of sensitive financial reporting processes and helps to guarantee and continuously verify the adequacy and effective application of administrative and accounting procedures. In this regard, we should specify that we performed this activity with regard not to the information per se but to the process whereby information is produced and disseminated.

Having first confirmed, through meetings with the managers of the departments concerned and with the Independent auditing firm, the adequacy of the administrative and accounting system to recognize and properly represent operating events and translate them into reliable data systems for the generation of external information:

- we verified the observance of provisions of law inherent in the formation and layout of the financial statements;
- we acknowledge that the Notes contain a statement of compliance with the applicable international accounting standards and specify the main measurement criteria adopted, as well as supporting information for the items of the balance sheet, income statement, statement of changes in shareholders' equity and cash flow statement.

We would like to specify that the Company carried out impairment testing pursuant to IAS 36 by adopting an internal ad hoc procedure. The financial statements provide an adequate disclosure of the impairment test.

We confirmed that the financial statements are consistent with the facts and information of which we became aware during our participation in meetings of the corporate bodies, which enabled us to acquire adequate disclosures concerning the most significant transactions for the income statement, cash flows and balance sheet carried out by the Company.

We ascertained that the management report is consistent with laws in force, as well as with the resolutions passed by the Board of Directors and the information available to the Board of Statutory Auditors. We believe that the disclosure provided includes the salient elements in the various areas in which the company operates, complies with provisions on the matter and contains a faithful, balanced and exhaustive analysis of the situation of the Company, its performance and the results of its operations.

We have no observations or proposals to make with respect to the Financial Statements.

5. Observations regarding the Consolidated Financial Statements

The Consolidated Financial Statements as at December 31, 2018 consist of the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements as well as the relative comparative information. They were drafted in compliance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Commission and in force at the reporting date, as well as the previous International Accounting Standards (IAS).

The financial statements show a consolidated profit of €79.5 million, fully attributable to the Group, and a total shareholders' equity of €288.9 million. The scope of consolidation includes the companies Perago FSE, SIApay, SIA Central Europe, Emmecom, SIAadvisor, Ubiq, P4cards, PforCards and Consorzio QuenIT in liquidation, as well as SIA Greece – which holds the direct subsidiary DMAN in liquidation – and SIA Slovakia – which holds controlling interests in SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia –, as a result of the acquisition completed on September 28, 2018 as part of the "Magnolia Project".

With respect to this acquisition, provisional goodwill arising from consolidation differences has been recognized; the relative purchase price allocation (PPA) will be completed within a twelve-month measurement period in compliance with IFRS 3. In our view, there are no critical issues with regard to the provisional allocation.

Based on the supervisory activities performed on the Consolidated Financial Statements and the direct disclosures and information acquired, the Board of Statutory Auditors can therefore acknowledge that:

› provisions concerning the formation and layout of the Consolidated Financial Statements and the accompanying management report have been respected;
› the documents used as a basis for the line-by-line consolidation process are the draft Financial Statements referring to December 31, 2018 as approved by the competent Management Bodies of the subsidiaries;
› no subsidiary is excluded from the scope of consolidation;
› the scope, the measurement criteria and the consolidation principles adopted are adequately described by the Directors in the notes.

We have provided our consent to the recognition of goodwill in the assets of the consolidated financial statements.

The Board of Statutory Auditors has acknowledged the opinion "without modifications" expressed by the Independent auditing firm specifically with reference to the audit of the consolidated accounts and thus the absence of situations of uncertainty or any limitations to the audits or emphasis of matter paragraphs.

* * *

CONCLUSIONS

Following the supervisory activities performed in 2018 and also taking into account the results of the activities carried out by the independent auditors, contained in the dedicated report accompanying the financial statements:

a) we acknowledge the adequacy of the organizational, administrative and accounting structure adopted by the company and its concrete functioning, as well as the effectiveness and efficiency of the internal control, internal audit and risk management system;
b) we express, insofar as we are responsible, a favorable opinion as to the approval of the financial statements for the year ending on December 31, 2018 and the proposal put forward by the Board of Directors regarding the allocation of profit.

Our term of office is expiring with the approval of the financial statements. In thanking you for the trust you have placed in us, we express our willingness to ensure a smooth transition to the new Board of Statutory Auditors by providing it with all information in our possession.

Milan, March 25, 2019

The Board of Statutory Auditors
Riccardo Ranalli
Claudia Cattani
Andrea Bignami

INDEPENDENT AUDITORS' REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of
SIA SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SIA SpA (the Company), which comprise the statement of financial position as of 31 December 2018, statement of profit and loss, statement of comprehensive income, statement of changes in shareholders' equity, cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

PricewaterhouseCoopers SpA

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The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and

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significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The directors of SIA SpA are responsible for preparing a report on operations of SIA SpA as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of SIA SpA as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of SIA SpA as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 25 March 2019

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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