Management Report and Financial Statements as at December 31, 2019 and Non-Financial Report 2019

SIA

The Network of Excellence

2019 REPORTING

To follow the path of excellence, innovation and adoption of international best practices, which has been done for some time, the SIA Group has included in the same file also for 2019 reporting purposes:

- the "Management Report and Financial Statements at December 31, 2019" as approved by the Shareholders' Meeting and audited by Deloitte & Touche S.p.A.;
- the "Non-Financial Report 2019" prepared voluntarily according to the GRI standard and submitted for approval to the Board of Directors with a limited review by Deloitte & Touche S.p.A..

The purpose of combining the Financial Statements and the Non-Financial Report is to provide the reader with a complete, organic and exhaustive view of the results and performance of the SIA Group, not only from an economic and financial point of view, but also from an ethical, social and environmental perspective.

Management Report and Financial Statements as at December 31, 2019 and Non-Financial Report 2019

LETTER TO THE SHAREHOLDERS

Federico Lovadina
Chairman

Nicola Cordone
Chief Executive Officer

Ladies and Gentlemen,

The progressive and widespread slowdown in the world economy continues, mainly due to a heightening of commercial and geopolitical tensions, a slowdown in industrial production, particularly in the automobile sector, and the most recent concerns about the spread of the Coronavirus. These elements led the ECB to revise downwards its GDP growth estimates for the years 2020, 2021 and 2022 to 1.1%, 1.4% and 1.4% respectively; in this regard, the effects of the Coronavirus emergency will also have to be considered on a global and Italian level.

With specific reference to the electronic payments market, in recent years there has been a slow but steady increase in electronic payments in Italy; however, despite the electronic payment acceptance network being among the most extensive in Europe, our country is still the last in line in the use of electronic payments compared with Europe generally due to Italians' continued preference for cash purchases.

Despite the persistent difficulties on the European and international scene, 2019 was another record year for the SIA Group in terms of its financial and business results, after an already very successful 2018: this further confirms that the strategy implemented by SIA Group management is suitable for its continued growth.

The 2019 results are well up on the previous year; the following are worth noting:

- consolidated revenues come to 733 million euro, an increase of 118 million euro (+19.3%) on 2018, thanks to another positive performance by the parent company SIA and the subsidiary P4cards, in addition to positive contributions from SIA Greece and SIA Slovakia, which were acquired in September 2018 ("the Magnolia deal");
- the Adjusted operating margin amounts to 258 million euro, an increase of 56 million euro (+28%) on 2018, taking into account the increase in operating expenses with respect to the comparison period as a result of the change in the scope of consolidation (2019 includes all of the results of SIA Greece and SIA Slovakia, whereas 2018 reported them only for the last quarter), as well as for higher variable costs incurred mainly by the parent company following the significant increase in business volumes and initiatives, as mentioned above in connection with revenues;
- profit before tax is 123 million euro, an increase of 17 million euro (+16%) on 2018, benefiting from financial income of around 2.5 million euro recognized by First Data on the basis of the Sale & Purchase Agreement linked to the Magnolia deal, net of higher financial expenses for the whole of 2019 relating to the medium-long term loan taken out in July 2018 to close this transaction;
- net profit amounts to 95 million euro, up by 19 million euro (+25%) on 2018, benefiting from the tax amortization of the consolidated goodwill recognized following the business combination of P4cards (step-up of goodwill in 2017 by paying a flat-rate substitute tax).

At a geographical level, the turnover achieved in Italy is equal to 501 million euro, an increase of 35 million euro (+7.5%) compared with 2018, while the foreign contribution came to 232 million euro, an improvement of 84 million euro (+56%) thanks to the internationalization policy pursued by the Group in recent years; in particular, as a result of the Magnolia deal, SIA has positioned itself as the no. 1 operator in Greece and in other countries of central-south-eastern Europe including Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia, which represent one of the most important and fastest growing areas in Europe for the electronic payments sector.

The positive economic results of the Group have also contributed to an important strengthening of the shareholders' equity, which is constantly growing, also taking into account the past high levels of dividend pay-out.

During 2019, we made operating net investments of 91 million euro (of which 14 million euro under lease), above all for the development of new strategic projects and technological infrastructures.

In terms of employment, at December 31, 2019 the Group had 3,551 employees, an increase of 2% compared with the previous year; please note that the workforce had already increased by about 1,400 people in 2018, due to the Magnolia deal. The average age of employees is 43 years and females account for around 43% of the total.

For some years we have been involved in a process that has seen growing attention being given to issues of sustainability and corporate social responsibility. In this perspective, we have put in place a precise strategy to create sustainable value for all its stakeholders, from shareholders to employees, from customers to suppliers, from the community to the environment. So, as in previous years, this year too we wanted to combine financial reporting with non-financial reporting, in order to present the most complete, clear and transparent picture of the Group's activities from different points of view.

On February 6, 2020, the SIA Board of Directors approved the new 2020-2022 Strategic Plan for the SIA Group; with this Plan and with important strategic shareholders, the Group has set itself the objective of optimizing its international growth history and consolidating its position as a leading player on the global market in various segments: Card & Merchant Solutions, Digital Payment Solutions and Capital Market & Network Solutions, in compliance with the highest quality standards, strengthening its role as a mission-critical supplier of services and payment infrastructures in Europe, as well as leveraging its reliability and excellence in service delivery. Indeed, the SIA Group boasts a successful track-record in terms of its ability to innovate and adapt to sudden and profound changes in the market context, also thanks to the progressive upgrade of its technological platforms.

To ensure that we achieve the Plan's challenging objectives under the new system of governance, the SIA Group is putting the development of its people more and more center stage, also through dedicated talent management, diversity, inclusion and welfare programs, with the ambition to further strengthen their distinctive skills.

Chairman of the Board of Directors
Federico Lovadina

Chief Executive Officer
Nicola Cordone

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Published in Official Gazette no. II Part 49 of April 23, 2020

SIA S.p.A.
Registered Office in Via Gonin 36, Milan
Share Capital Euro 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 May 11, 2020 at 12:00 a.m., and possibly on second call on May 20, 2020, at 12:00 a.m., same venue, to discuss and resolve on the following

AGENDA:

1. **Approval of the Financial Statements at December 31, 2019 and related resolutions;**
2. **Appointment of the Board of Directors and the Chairman for the 2020/2022 three-year period;**
3. **Determination of remuneration for the Directors.**

In order to minimize the risks associated with the ongoing health emergency, the conduct of the Shareholders' Meeting may also take place exclusively by means of telecommunication that guarantee the identification of the participants, their participation and exercise of the right to vote pursuant to and for the purposes of art. 2370, paragraph 4, of the Italian Civil Code and art. 18) of the Company Statute.

Shareholders holding ordinary shares who have the right to attend the meeting will present the appropriate communication issued by an intermediary authorized pursuant to current legislation.

Any person entitled to attend the Shareholders' Meeting can be represented through written proxy in accordance with current laws and regulations, with the right to sign the proxy form available on the Company's website at:
www.sia.eu/meeting

Those who intend to participate in the Meeting must send a specific request to the Company, in the manner and within the terms published on the Company's website, attaching the documentation provided therein. With reference to point 2) of the agenda, please note that, pursuant to art. 19 of the Company Statute, the Board of Directors is made up of 11 (eleven) members and the Directors are appointed on the basis of lists presented by shareholders who, alone or together to other shareholders, represent at least 4% of the share capital (which, it should be remembered, is of Euro 22,274,619.51 divided into 171,343,227 shares), in the following ways:

- the lists must be filed at the Company's registered office for at least 5 (five) calendar days before the date set for the Shareholders' Meeting on first call (e.g. **May 11, 2020**);
- each shareholder may present or participate in the presentation of only one list and each candidate may appear on only one list under penalty of ineligibility;
- each list must indicate a number of candidates not exceeding 11 (eleven) who must be listed by assigning a progressive number;
- together with each list, the declarations with which the individuals must be filed candidates accept their application and certify, under their own responsibility, the absence of causes for ineligibility and incompatibility;
- the lists for which the above provisions are not observed are considered as not presented.

The text of the Company Statute is published on the Company's website at www.sia.eu.

Milan, March 27, 2020

The Chairman of the Board of Directors
Federico Lovadina

E-MARKET SDIR CERTIFIED

CONTENT

1 THE SIA GROUP


E-MARKET
SDIR
CERTIFIED

CORPORATE POSITIONS

Board of Directors (*)

Chairman	Federico Lovadina[1]
Deputy Chairman	Massimo Sarmi
Chief Executive Officer	Nicola Cordone
Directors	Andrea Cardamone[1]
	Alessandro Garofalo
	Fabio Massoli[1]
	Andrea Giovanni Francesco Pellegrini[1]
	Salvatore Poloni
	Giacomo Riccitelli
	Francesco Silva
	Carmine Viola
Secretary to the Board	Monica Coppo

(*) The mandate of the entire Board of Directors will expire with the approval of the financial statements at December 31, 2019.

[1] Co-opted into the Board of Directors on December 12, 2019 and confirmed during the Ordinary Shareholders' Meeting of January 9, 2020.

Board of Statutory Auditors

Chairman	Mariangela Brunero[2]
Standing auditors	Fabrizio Bianchi
	Luigi Soprano[2]
Alternate Auditors	Franca Brusco
	Antonia Coppola

[2] The Statutory Auditors Mariangela Brunero and Luigi Soprano were appointed by the Ordinary Shareholders' Meeting of January 9, 2020 and will remain in office until the approval of the Financial Statements at December 31, 2021.

The Board of Statutory Auditors thus composed will remain in office until the approval of the Financial Statements at December 31, 2021.

Independent Auditors

Deloitte & Touche S.p.A.

The Independent Auditors, appointed by the Shareholders' Meeting of April 29, 2019, will remain in office until the approval of the Financial Statements at December 31, 2021.

Supervisory Body

Chairman	Mariangela Brunero
Members	Fabrizio Bianchi
	Luigi Soprano

The Supervisory Body, appointed by the Board of Directors on April 9, 2020, will remain in office until the approval of the Financial Statements at December 31, 2021.

The Board of Directors has set up the following committees:

Remuneration Committee

Chairman	Federico Lovadina
Members	Massimo Sarmi
	Andrea Cardamone
	Fabio Massoli

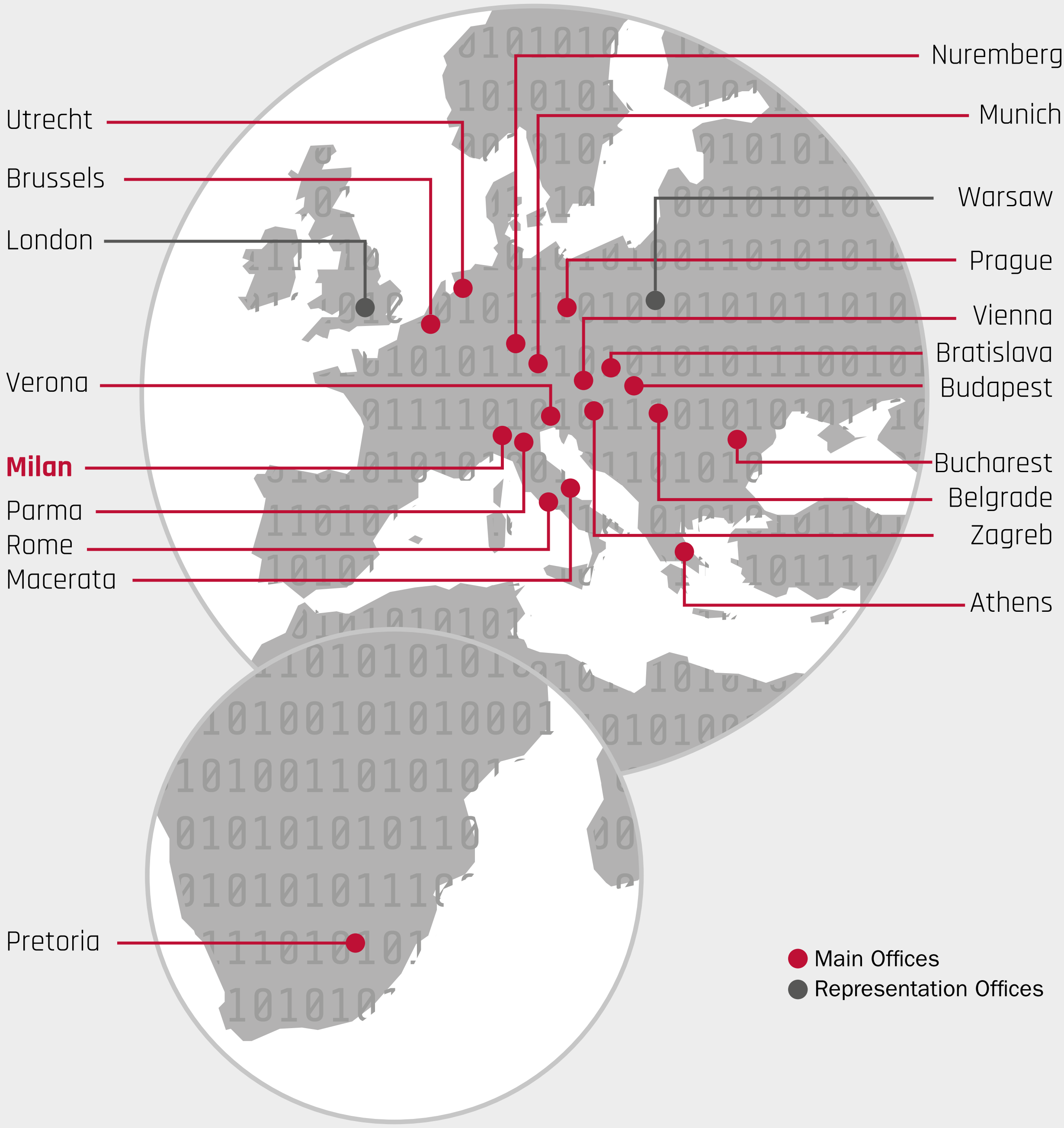
Development Committee

Chairman	Massimo Sarmi
Members	Nicola Cordone
	Giacomo Riccitelli
	Andrea Pellegrini
	Carmine Viola

GROUP PROFILE

The SIA Group (the "Group") is the European leader in the design, construction and management of infrastructures and technological services dedicated to Financial Institutions, Central Banks, Companies and Public Administrations, in the Card & Merchant Solutions, Digital Payment Solutions and Capital Market & Network Solutions segments.

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



Our vision

Everyone will have their money anytime, anywhere, simply and securely.

Our mission

To provide the best platforms for all digital payments by institutions, citizens and businesses.

Our values

Competence

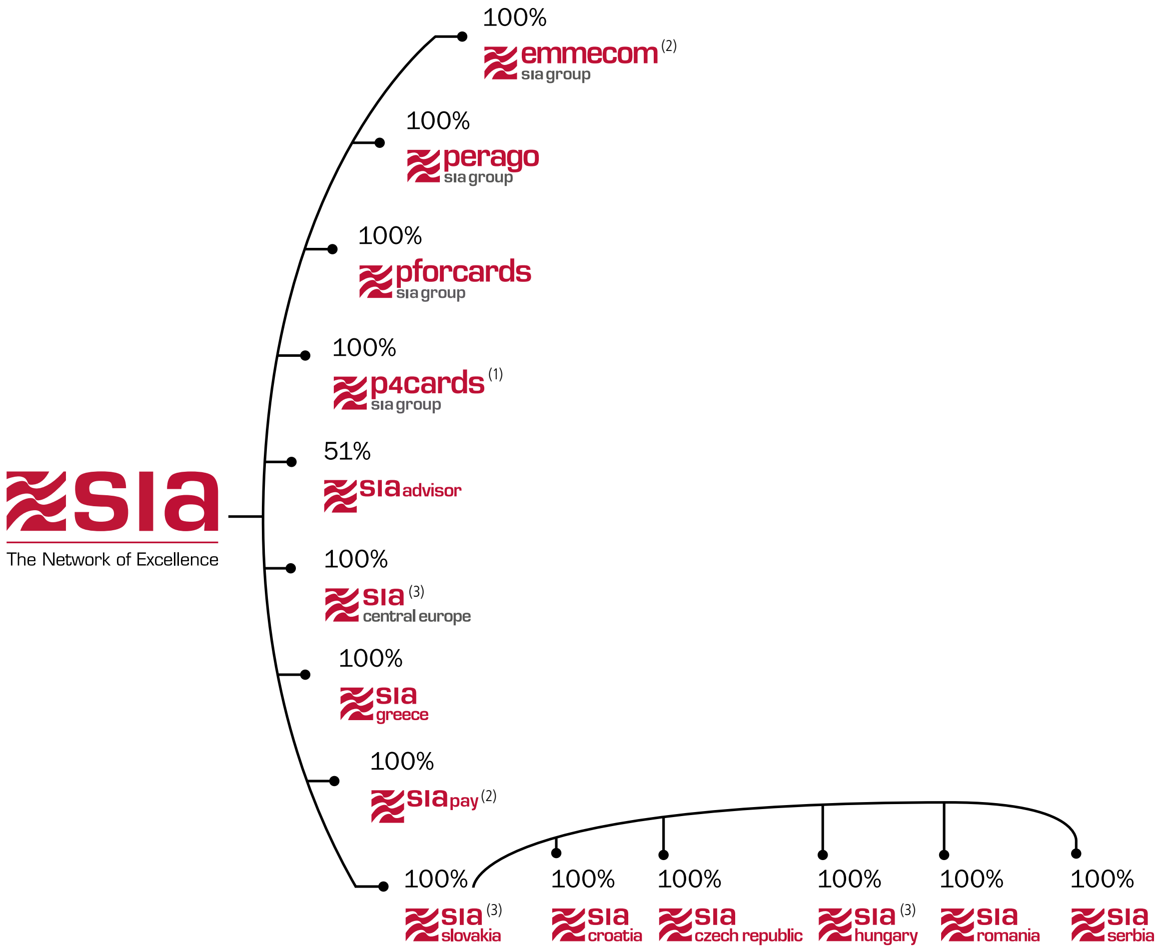
Reliability

Participation

Responsibility

Innovation

Structure of the SIA Group at December 31, 2019



The companies in liquidation QuenIT Consortium and DMAN are not shown in the above scheme.

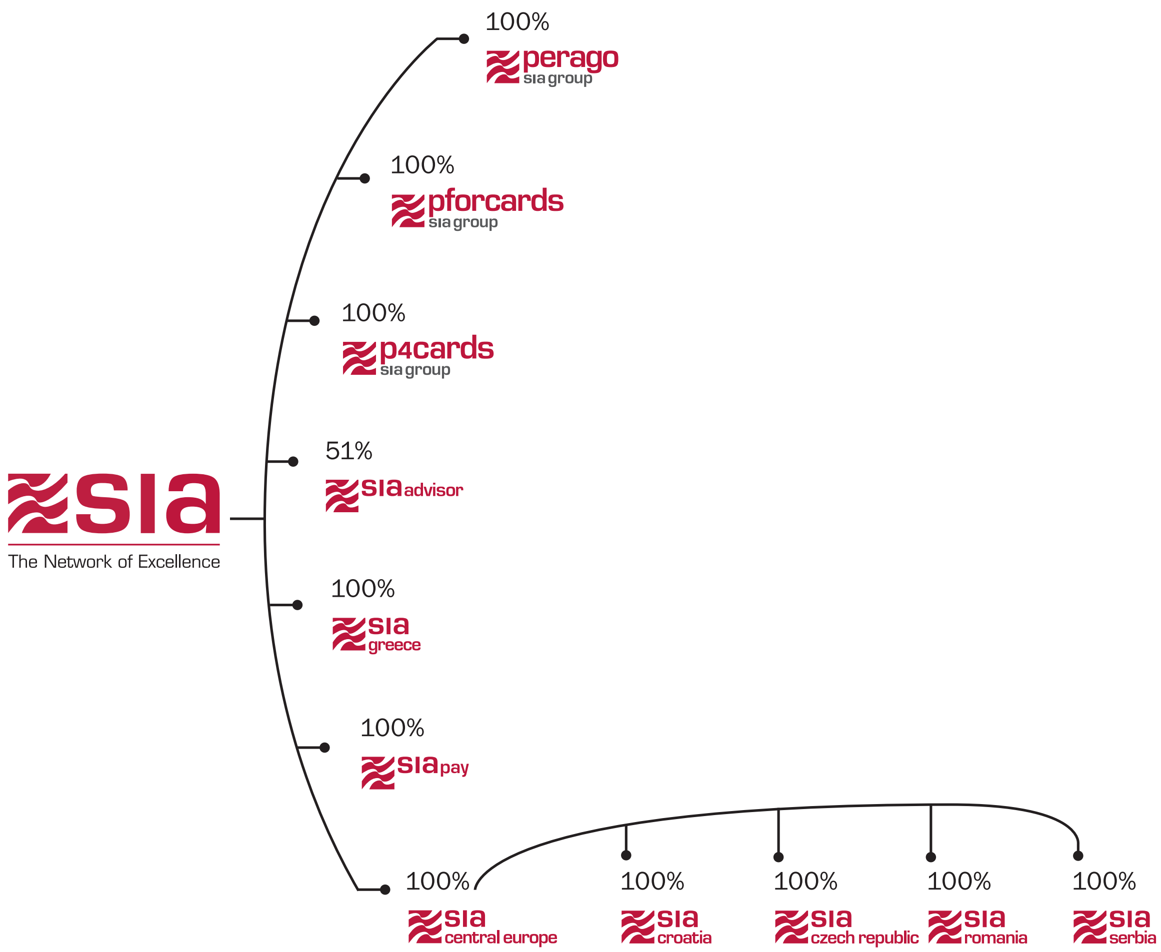
(1) On June 26, 2019, the Board of Directors of SIA S.p.A. approved the absorption of Ubiq S.r.l. into P4cards S.r.l., with effective date towards third parties on July 1, 2019 and accounting and tax effects on January 1, 2019.

(2) Effective January 1, 2020 Emmecom S.r.l. was absorbed by SIApay S.r.l.

(3) Effective January 1, 2020, SIA Slovakia s.r.o., SIA Central Europe Zrt. and SIA Hungary Kft. have been absorbed by SIA Slovakia a.s. with the simultaneous change of name of the entity resulting from the merger into SIA Central Europe, a.s. and establishment of the branch in Hungary called SIA Central Europe a.s. - Hungarian branch. Following this transaction, the share capital of SIA Croatia d.o.o., SIA Czech Republic, s.r.o., SIA Romania Payment Technologies S.r.l. and SIA RS d.o.o. Beograd is held directly by SIA Central Europe, a.s..

As a result of these business combinations, the structure of the SIA Group at the date of approval of the financial statements is as follows:

New structure of the SIA Group in 2020



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

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 • 2014

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.

2015 • 2019

New services and international success
→ Development with EBA Clearing of the pan-European Instant Payment infrastructure
→ Loyalty & Couponing
→ 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
→ Access to ESMIG
→ Target Instant Payments Settlement certification
→ EMV ticketing.

Ongoing

A look to the future
→ IoT / Machine learning
→ Big data
→ Robo-advisory
→ Advanced payment hub
→ e-commerce
→ Canada’s new Real-Time Gross Settlement (RTGS) system development.

THE CUSTOMERS OF THE SIA GROUP

Group customer segments

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

Main operating volumes 2019 (on 2018)

CARD & MERCHANT SOLUTIONS

16.1 billion transactions **(+17.7%)**

DIGITAL PAYMENT SOLUTIONS

16.3 billion transactions **(-2.2%)**

638 customers

Over 4,800 EBA STEP2 participants

CAPITAL MARKET & NETWORK SOLUTIONS

4.5 terabytes carried on the network **(+28.7%)**

A platform able to handle over **350 million** deal proposals daily (50,000 per second)

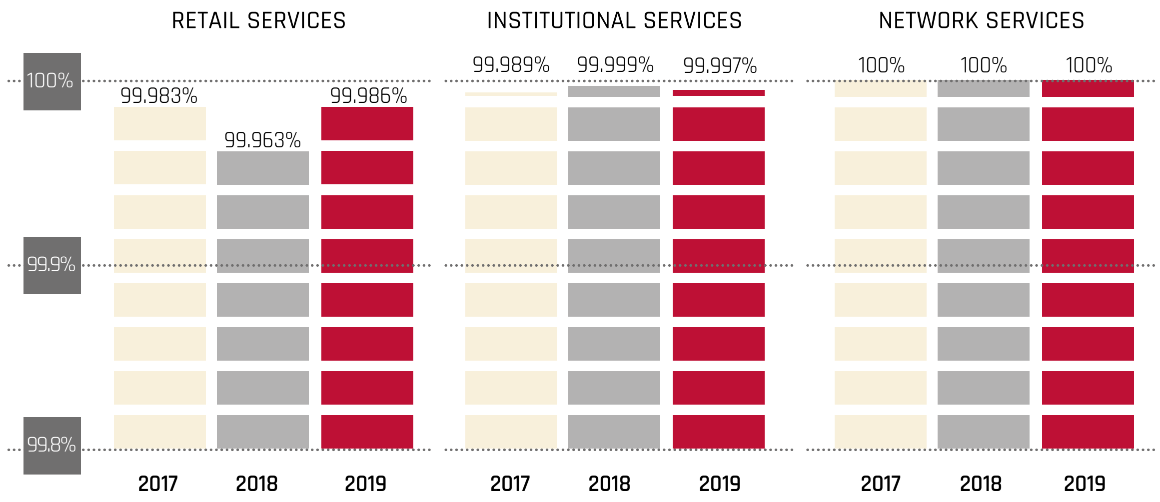
208,000 km of fiber on the SIAnet **(+11.9%)**

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

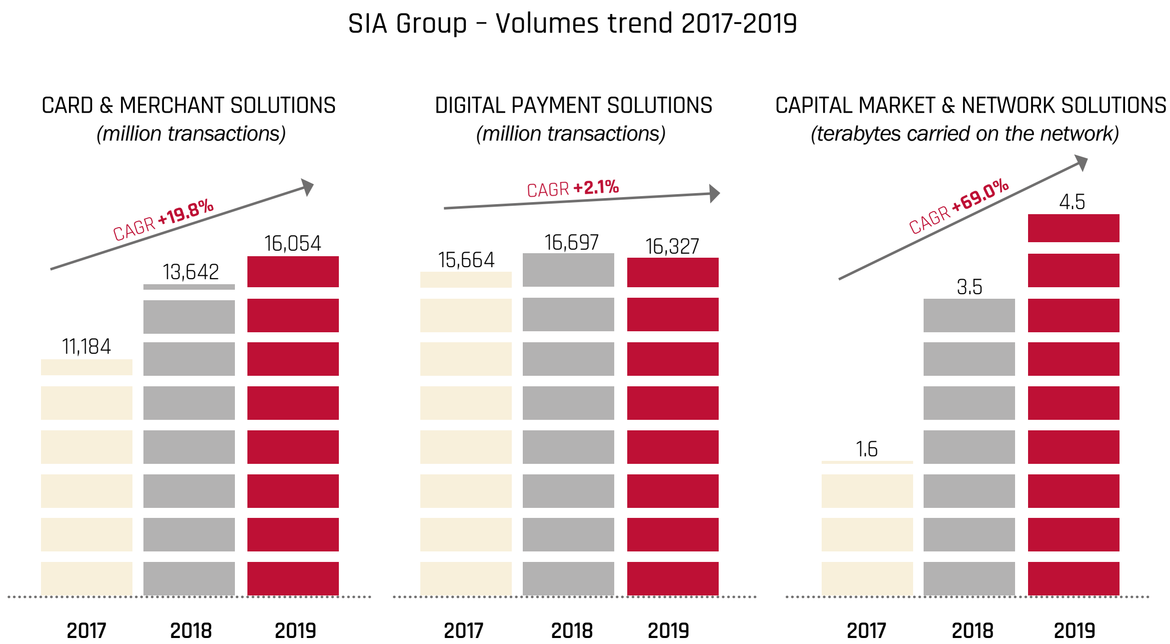
100% service availability

38 trading venue and over **581** clients connected to the Financial Ring

Service levels



Volumes of invoiced transactions and Terabytes carried on the network



Note: any deviations are due to rounding up or down.

SUMMARY OF THE CONSOLIDATED RESULTS OF THE SIA GROUP

The financial statements include the statements of financial position and statement of profit or loss of the parent company and of the companies over which it exercises control.

The scope of consolidation did not change in the reference period compared with December 31, 2018, except for the exclusion of Consorzio QuenIT in liquidation and DMAN in liquidation (which were included under investments carried at cost) and Ubiq (merged into P4cards from July 1 2019, with accounting effects from January 1, 2019); the scope of consolidation at December 31, 2019 includes the parent company SIA S.p.A. (the "parent company" or "SIA"), and the following subsidiaries:

- Foreign subsidiaries: Perago FSE (for which the parent company has issued a specific letter of financial and capital support to sustain the going-concern assumption for at least the whole of 2020), PforCards, SIA Central Europe (absorbed by SIA Slovakia from January 1, 2020), SIA Greece and SIA Slovakia. SIA Slovakia directly controls SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia;

- Italian subsidiaries: Emmecom (absorbed by SIApay from January 1, 2020), SIAadvisor, P4cards and SIApay.

It should be remembered that SIA Greece and SIA Slovakia have only been fully consolidated since October 2018 and therefore only contributed to the Group's consolidated statement of profit or loss for the last three months of 2018; the figures are therefore not directly comparable with 2019.

Lastly, bear in mind that the figures for the year ended December 31, 2018, presented later in this document and used for comments on the Group's operating performance during 2019, have been adjusted to take into account the economic effects of the net assets identified following the completion of the purchase price allocation process for SIA Greece and SIA Slovakia at June 30, 2019. They were acquired on September 28, 2018, so their definitive figures amounts were not included in the financial statements at December 31, 2018, in accordance with IFRS 3. To summarize, the economic effects mainly relate to depreciation and amortization of Euro 4.4 million, net of the related tax effects of Euro 1.3 million, for a total net impact of Euro 3.1 million charged to the 2018 statement of profit or loss, which therefore differs from the one shown in the approved consolidated financial statements of the SIA Group for 2018.

CONSOLIDATED RECLASSIFIED RESULTS *(Thousands of euro)*

	31/12/2017	31/12/2018	31/12/2018 restated (*)	31/12/2019	Change 2019 vs 2018 (*)	%
Revenues (**)	**567,213**	**613,886**	**613,886**	**727,858**	**113,972**	**18.6%**
Adjusted operating margin	**179,825**	**201,387**	**201,387**	**257,899**	**56,512**	**28.1%**
% to revenues	*31.7%*	*32.8%*	*32.8%*	*35.4%*		
Operating Income	**108,530**	**122,281**	**117,852**	**138,120**	**20,268**	**17.2%**
% to revenues	*19.1%*	*19.9%*	*19.2%*	*19.0%*		
Net income before taxes	**100,063**	**110,255**	**105,826**	**122,624**	**16,798**	**15.9%**
% to revenues	*17.6%*	*18.0%*	*17.2%*	*16.8%*		
Net income attributable to the Group	**80,083**	**79,536**	**76,416**	**95,281**	**18,865**	**24.7%**
% to revenues	*14.1%*	*13.0%*	*12.4%*	*13.1%*		

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose definitive figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.
(**) Adjusted revenues at December 31, 2019 and 2018 include the net commissions received by SIApay (payment institution), whereas in the consolidated financial statements commission income is included in Revenues from services and commission expense in Costs for Services.

Reclassified revenues for 2019 amount to 727.9 million euro and are 18.6% higher than the previous year (when they amounted to 613.9 million euro), thanks to the contributions of SIA Greece and SIA Slovakia (98.2 million euro), acquired at the end of the third quarter of 2018, in addition to good performances by the parent company and P4cards.

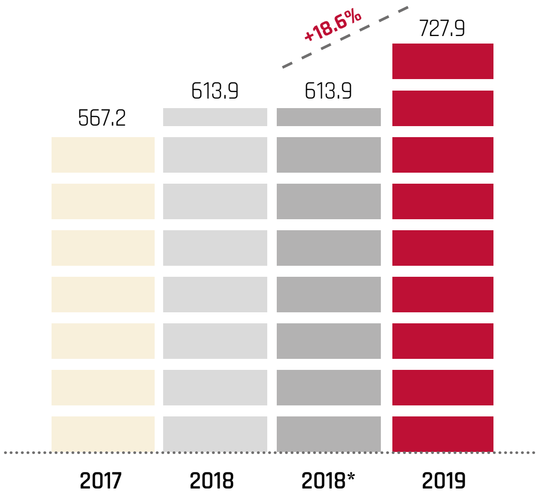
The Group's Adjusted operating margin reports an increase of 28.1% from around 201.4 million euro at December 31, 2018 to 257.9 million euro at December 31, 2019, mainly as a result of the positive trends in SIA and P4cards revenues, in addition to the contributions of SIA Greece and SIA Slovakia; in addition, Adjusted operating margin benefits from the effects of applying IFRS 16 from January 1, 2019, which excludes the recognition of operating rental fees in costs for services (estimated at 8.6 million euro). Operating costs increased on the comparison period following the change in the scope of consolidation and because of higher variable costs incurred by the parent company due to the increase in volumes and business initiatives (these are costs for services - including consultancy, royalties and maintenance - as well as non-deductible VAT; please refer to the notes to the consolidated financial statements for more details).

The operating income shows an increase of about 17.2%, going from 117.9 million euro at December 31, 2018 to 138.1 million euro at December 31, 2019. It includes the consolidated depreciation and amortization of the assets identified at the end of the purchase price allocation process (PPA) of SIA Greece and SIA Slovakia for a total of 18 million euro (in addition to the amortization of the P4cards contract with UCS for around 21.5 million euro, in line with 2018) and depreciation and amortization of tangible and intangible assets by SIA Greece (around 10 million euro). It should be noted that at December 31, 2019, adjustments of approximately Euro 2 million were made on trade receivables, refining the impairment procedures according to IFRS 9, in addition to prudential provisions for risks of around Euro 1.7 million, mainly to cover probable liabilities arising from some ongoing legal issues, as confirmed by the external lawyers appointed to follow them. Lastly, depreciation of the rights of use of assets under operating leases recorded following the entry into force of IFRS 16 had an impact of about 8 million euro on the operating income, as there are not operating lease expense in the current period compared with the comparative.

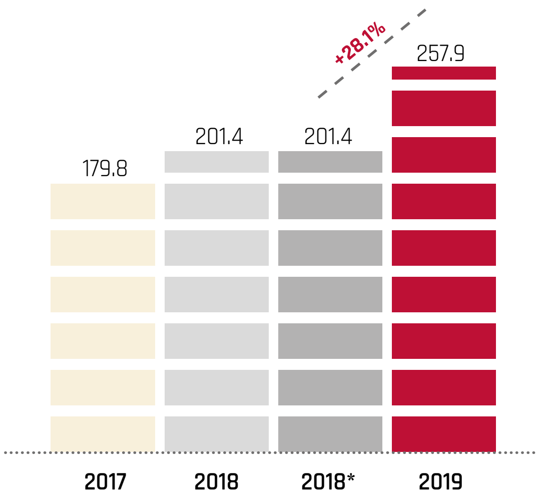
The income before tax, equal to 122.6 million euro at December 31, 2019, has increased by 15.9% on December 31, 2018 (when it stood at 105.8 million euro), benefiting from reimbursement of the financial compensation of Euro 2.5 million recognized by First Data on the basis of the Sale & Purchase Agreement linked to the Magnolia deal; this pre-tax result was affected by higher financial expenses for the whole of 2019 (the closing of the Magnolia deal took place at the end of September 2018, so interest expense on the bank loan did not affect the whole of the previous year) connected to the medium-long term loan (including interest rate differentials relating to the derivatives entered into to hedge interest rate fluctuations) and interest expense on leases (the adoption of IFRS 16 led to the recognition of financial expenses of approximately Euro 2 million on operating leases).

The consolidated net income pertaining to the Group comes to 95.3 million euro, an increase of around 24.7% compared with 76.4 million[1] euro at December 31, 2018; in particular, it is benefiting from the tax amortization of the consolidated goodwill recognized following the business combination of P4cards, stepped up in 2017 by paying a flat-rate substitute tax (the net tax benefit in 2019 was 6.1 million euro), which is why the current taxes in 2019 are lower than in 2018 despite the increase in pre-tax profit. It should also be noted that

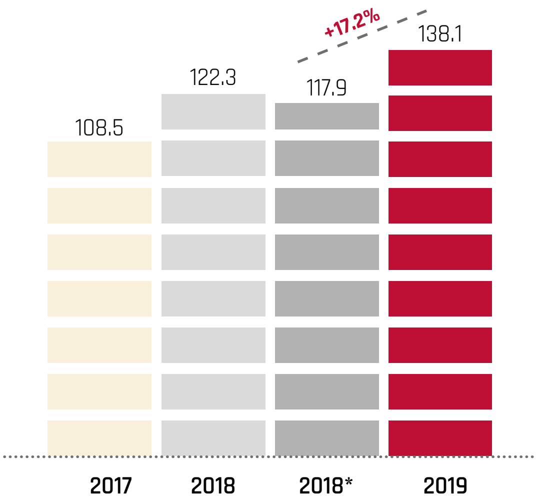
REVENUES (**)
(millions of euro)



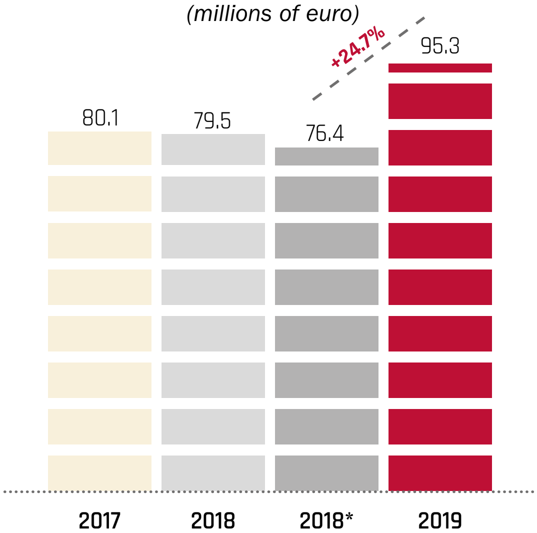
ADJUSTED OPERATING MARGIN
(millions of euro)



OPERATING INCOME
(millions of euro)



NET INCOME ATTRIBUTABLE TO THE GROUP
(millions of euro)



(*) *The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose definitive figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.*

(**) *Adjusted revenues at December 31, 2019 and 2018 include the net commissions received by SIApay (payment institution), whereas in the consolidated financial statements commission income is included in Revenues from services and commission expense in Costs for Services.*

current taxes for 2019 benefit by 3.8 million euro following the Patent Box agreement (facilitated taxation of income deriving from software development), compared with 3.3 million euro in 2018.

CONSOLIDATED RECLASSIFIED STATEMENT OF FINANCIAL POSITION *(Thousands of euro)*

		31/12/2017	31/12/2018	31/12/2018 restated (*)	31/12/2019	Change 2019 vs 2018 (*)	%
Net Working Capital	A	87,660	91,004	91,004	161,645	70,641	77.6%
Fixed Assets	B	636,653	984,469	1,005,001	1,045,997	40,996	4.1%
Provisions	C	(72,699)	(62,737)	(86,389)	(78,140)	8,249	-9.5%
Net Invested Capital	**D=A+B+C**	**651,614**	**1,012,736**	**1,009,616**	**1,129,502**	**119,886**	**11.9%**
Net Financial Position		**379,683**	**723,880**	**723,880**	**812,369**	**88,489**	**12.2%**
Group Shareholders' Equity		**271,926**	**288,851**	**285,731**	**317,133**	**31,402**	**11.0%**
Non-controlling interests (**)		5	5	5	-	(5)	
Net Financial Position and Shareholders' Equity		**651,614**	**1,012,736**	**1,009,616**	**1,129,502**	**119,886**	**11.9%**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose definitive figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

(**) The change in non-controlling interests is due to the exclusion of Consorzio QuenIT in liquidation from the scope of consolidation, but included among the investments carried at cost (see the paragraph "Consolidation criteria and methods" in the 2019 consolidated financial statements).

(A) Net working capital is calculated as the difference between non-financial assets other than fixed assets and non-financial current liabilities.

(B) Fixed assets are calculated as the sum of tangible and intangible assets and equity investments.

(C) Provisions are calculated as the sum of the provision for risks, the provision for personnel employee benefits and the provision for deferred taxes liabilities, net of deferred tax assets.

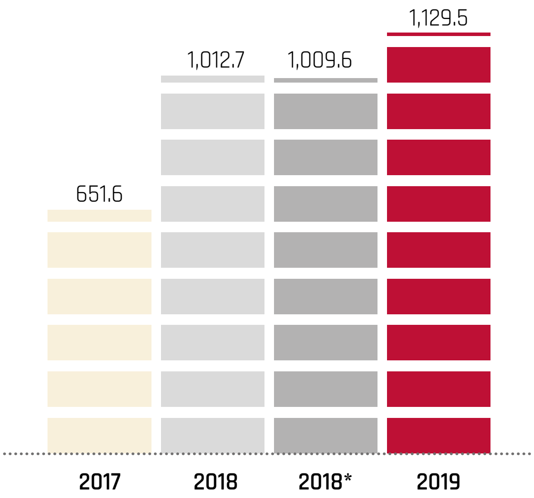
The consolidated statement of financial position shows **an increase in the net financial position**, going from 724 million euro at December 31, 2018 to 812 million euro at December 31, 2019; this net increase of 88 million euro in the financial position is due to the following main factors:

- **first-time adoption of IFRS 16** from 1 January, 2019, which led to the recognition in tangible assets of the rights of use of assets under operating leases and a contra-entry to current and non-current lease liabilities, with an impact of 58.1 million euro, an increase on the net financial position at December 31, 2019, (initial recognition on January 1, 2019 involved recording an amount of 61 million euro);
- **an increase in bank liabilities**, due to the parent company SIA taking out two new short-term bank loans in 2019 for a total of 100 million euro to pay for the step-up of the goodwill relating to SIA Greece and SIA Slovakia (payment of the flat-rate substitute tax of 40 million euro took place on July 1, 2019) and the payment of dividends out of the 2018 profit (equal to approximately 60 million euro);

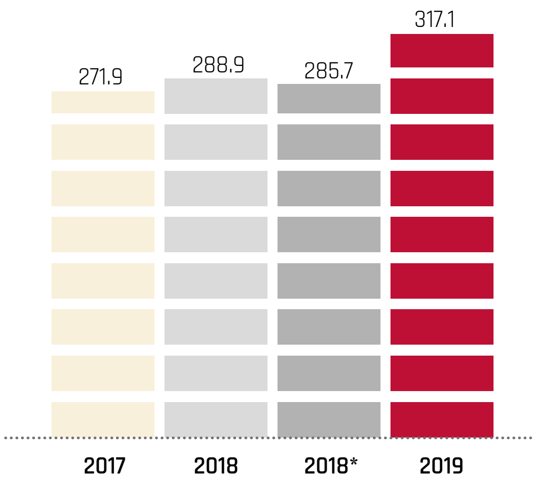
These increases were therefore greater than the reimbursement of the principal amounts for a total of 70 million[1] euro on the long-term loan taken out to support the P4cards and Magnolia business combinations which significantly reduced non-current financial liabilities.

[1] In addition to the payment of interest (10.0 million euro), as well as payment of the differentials on the related derivative instruments in the portfolio to transform the floating rate on the loan into a fixed rate (2.7 million euro).

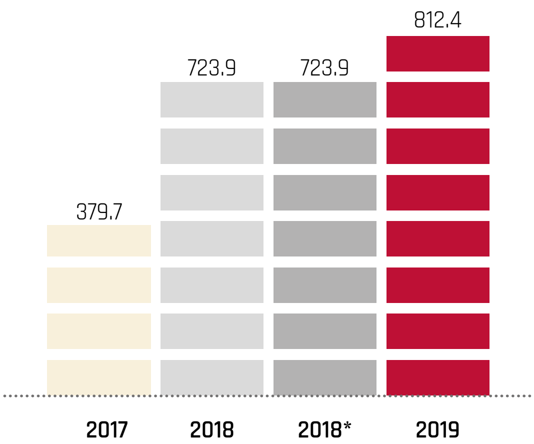
NET INVESTED CAPITAL
(millions of euro)



GROUP SHAREHOLDERS' EQUITY
(millions of euro)



NET FINANCIAL POSITION
(millions of euro)



KEY PERFORMANCE INDICATORS ON CONSOLIDATED FINANCIAL STATEMENTS

	31/12/2017	31/12/2018	31/12/2018 restated (*)	31/12/2019
ROE - Net profit/Shareholders' Equity	**29.5%**	**27.5%**	**26.7%**	**30.0%**
ROI - Operating income/Net Invested Capital	**16.7%**	**12.1%**	**11.7%**	**12.2%**
Adjusted operating margin/Revenues (**)	**31.7%**	**32.8%**	**32.8%**	**35.4%**
Operating income/Revenues (**)	**19.1%**	**19.9%**	**19.2%**	**19.0%**
Total assets/Shareholders' Equity	**3.52**	**4.71**	**4.85**	**4.75**
Current assets/Current liabilities	**1.30**	**1.33**	**1.33**	**1.08**
Cash and cash equivalents/Current liabilities	**0.26**	**0.34**	**0.34**	**0.24**
Non-current assets/Total assets	**0.67**	**0.73**	**0.74**	**0.70**
Current assets/Total assets	**0.33**	**0.27**	**0.26**	**0.30**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose definitive figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

(**) Revenues at December 31, 2019 and 2018 include the net commissions received by SIApay (payment institution), whereas in the consolidated financial statements commission income is included in Revenues from services and commission expense in Costs for Services.

To calculate the above indices, we used the figures shown in the financial statement schedules provided in the notes.

The above table confirms that the Group successfully continues its growth path in terms of revenues and profitability, taking into account the recent acquisition of the subsidiaries in Greece and Slovakia, which impacted ROI from the last quarter of 2018 by increasing net invested capital. While the capital ratios are affected by this extraordinary business combination and the distribution of dividends by the parent company to its shareholders, they remain in line with the objectives pursued by the Group, namely to guarantee adequate levels of capital remuneration and support achievement of the challenging growth objectives outlined in the new Strategic Plan for the three-year period 2020-2022.

GOVERNANCE OF SIA S.P.A.

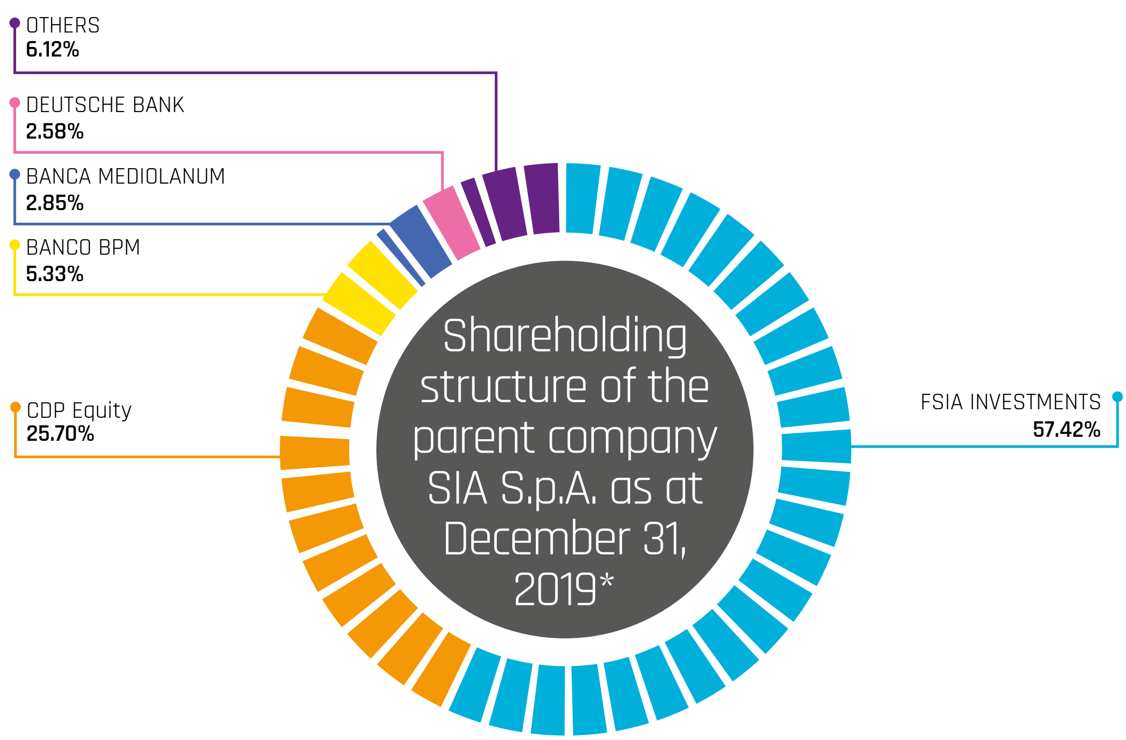
Shareholders' Meeting

The Shareholders' Meeting of SIA S.p.A. (hereinafter also the "parent company") is the collective body that expresses the will of the shareholders.

Equipped with the powers defined by law and by the Articles of Association, the Shareholders' Meeting resolves, in particular, on the appointment and dismissal of the members of the Board of Directors and the Board of Statutory Auditors and on their fees and responsibilities, on the approval of the financial statements and the allocation of profits, the purchase and sale of treasury shares, amendments to the Articles of Association and the issuance of convertible bonds.

On October 31 and November 6, 2019 CDP Equity S.p.A. purchased the equity investments held by F2i Reti Logiche S.r.l. and Orizzonte Infrastrutture Tecnologiche S.r.l., respectively 17.05% and 8.64% of SIA's share capital. Moreover, on November 4, 2019, FSIA Investimenti S.r.l. purchased the investments held by Intesa Sanpaolo S.p.A. and UniCredit S.p.A., for a total of 7.94% of SIA's share capital.

As a result of these transactions, FSIA Investimenti S.r.l. (a company subject to the management control and coordination of CDP Equity S.p.A. through FSI Investimenti S.p.A.) holds 57.42% and CDP Equity S.p.A. 25.70% of SIA's share capital.



Number of shares: 171,343,227, including non-voting shares

The total number of shares without voting rights is 1,410,253 (0.823057% of total shares).

Board of Directors

Following the exit of certain shareholders from the share capital of SIA S.p.A., five directors nominated by them resigned. Consequently, on December 12, 2019, the Board of Directors of SIA S.p.A. co-opted five new directors, bringing the number of members of the Board of Directors back to 11.

These new directors were confirmed by the Ordinary Shareholders' Meeting held on January 9, 2020 and will remain in office until the date of approval of the financial statements at December 31, 2019. The three-year term of the current Board of Directors will end on the same date.

On the Board of Directors at December 31, 2019 nine Directors are over 50 years of age, two are between 30 and 50 years of age and the overall average age is just over 54.

The Directors are appointed by the Shareholders' Meeting and remain in office for the period established from time to time by the Shareholders' Meeting on their appointment and cannot be appointed for longer than three years in accordance with art. 2383 of the Italian Civil Code. The directors appointed in this way expire on the date of the Shareholders' Meeting called to approve the financial statements for their last year of office; they are eligible for re-election.

The Board of Directors has the broadest powers for the ordinary and extraordinary management of the Company without exception of any kind and, more specifically, the Board of Directors has all the faculties for the implementation and achievement of the corporate purposes that are not strictly reserved by law to the Shareholders' Meeting.

The Chairman and Chief Executive Officer are the only members of the Board of Directors with executive powers and to whose remuneration an emolument is added according to the position that they hold. All the other members of the Board of Directors are non-executive Directors.

For the composition of the Board of Directors of SIA S.p.A. at December 31, 2019, see the specific list in the introductory pages.

Board of Statutory Auditors

The Board of Statutory Auditors of SIA S.p.A. is made up of three standing auditors and two alternate auditors who remain in office for three years and can be re-elected.

Two members of the Board of Statutory Auditors and, specifically, the Chairman and a Standing Auditor, resigned with effect from the date of the Ordinary Shareholders' Meeting on January 9, 2020. The same Shareholders' Meeting therefore appointed two statutory auditors to replace them.

The Board of Statutory Auditors monitors compliance with the law and the Articles of Association, compliance with the principles of correct administration in carrying out corporate activities, as well as the adequacy of the Company's organizational structure, internal control system and administrative-accounting system.

For the composition of the Board of Statutory Auditors of SIA S.p.A. at December 31, 2019, see the specific list in the introductory pages.

Supervisory Body

Established to supervise the functioning and observance of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001 and to prevent serious offenses under the same decree. The Supervisory Body informs the Board of Directors of its work at least once a year. The Supervisory Body of SIA S.p.A. is in office for the three-year period 2019-2021.

For further information on the activity of the Supervisory Body, see the chapter "Control Functions" in the Management Report.

Remuneration Committee

Set up and appointed by SIA's Board of Directors in compliance with strict criteria of professionalism and experience, it performs propositional and consultative functions such as:

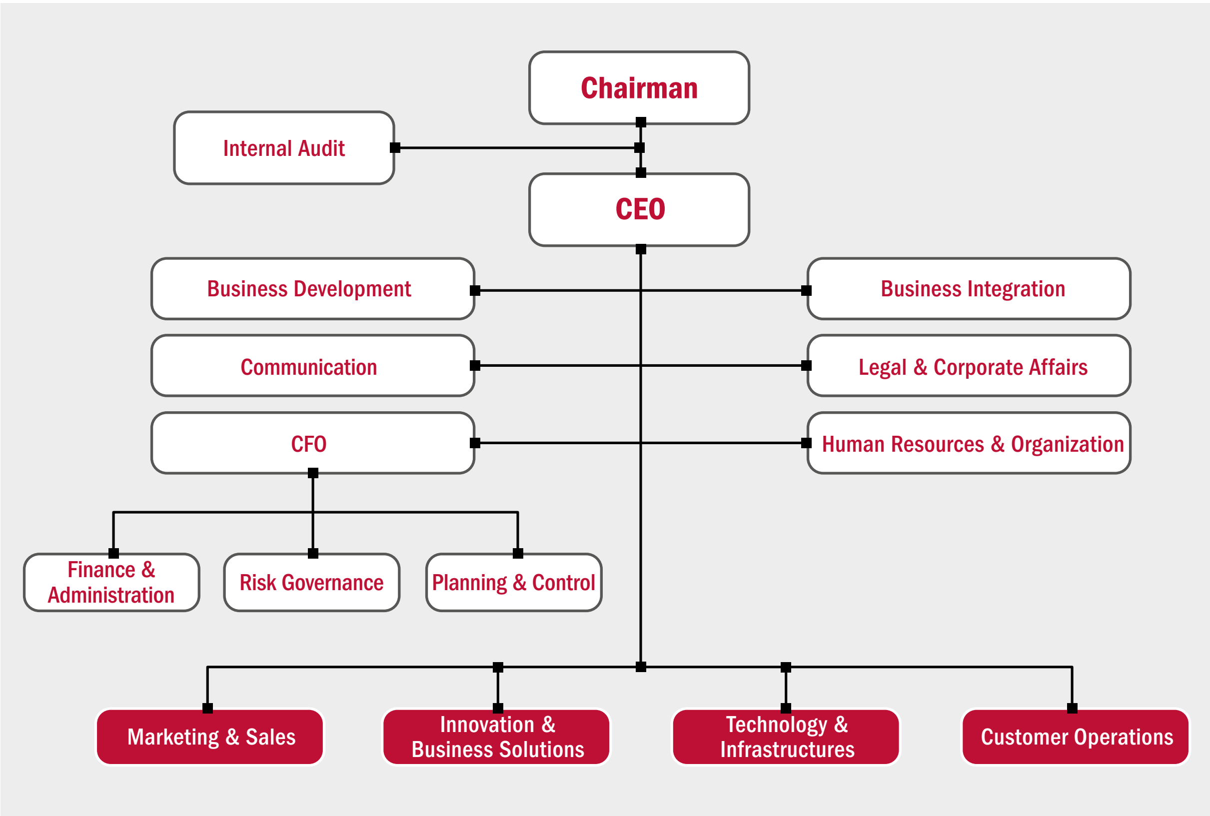
- to submit proposals to the Board of Directors for the definition of the general policy for the remuneration of Executive Directors and other Directors vested with particular offices;
- to express opinions on proposals for increases in managers' remuneration to be decided by the Board of Directors, in accordance with the Company's system of powers and delegations;
- to develop long-term incentive schemes for top management and submit them to the Board of Directors for approval;
- to monitor the progress and correct application of such incentive schemes, periodically assessing the adequacy, overall consistency and actual application of the policy adopted for such persons' remuneration.

Development Committee

The "Development Committee", whose members have been chosen in compliance with strict criteria of professionalism and experience, performs consultative and propositional functions such as:

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

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



Code of Ethics

The Code of Ethics of SIA S.p.A., approved by the Board of Directors, is binding for all company representatives and all external collaborators. Conduct in line with the principles contained in the Code is also requested from suppliers, business partners, as well as all those who, directly or indirectly, have commercial, professional or business relationships with SIA.

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

In compliance with the governance and control system adopted by the Group, the members of the Corporate Bodies must ensure that their activities comply with the principles of correctness and integrity, refraining from acting in situations of conflict of interest.

The members of the Corporate Bodies are also required to maintain a conduct based on the principles of autonomy, independence and respect for the corporate guidelines in all relations that they have with public institutions and any private entity on SIA's behalf.

The obligations of loyalty and confidentiality bind such persons even after they have terminated their relationship with the Group.

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

In 2019 SIA S.p.A. provided its Code of Ethics to the other Group companies which used it as a basis to prepare their own and submitted it for approval to their respective Boards.

Anti-corruption

The SIA Group refers to the anti-corruption guidelines issued by ANAC to promote compliance with ethical standards and full respect for national and international regulations on the prevention of corruption, in all of its forms, direct and indirect, as well as the application of principles of integrity, transparency and fairness in carrying out company activities.

The Group's general anti-corruption policy is defined within these guidelines, which delineate the following risk areas:

- public administration
- external collaborators
- suppliers and customers
- significant third parties
- partnerships
- counterparties involved in extraordinary transactions
- facilitating payments
- sponsorship activities
- political contributions
- charitable contributions
- gifts and free samples
- entertainment, travel and hospitality expenses
- account keeping and accounting.

The Group periodically maps the risks of offenses.

The outputs are included in the analyzes and risk assessments for the services/products and for the Divisions/Departments.

In 2019, anti-corruption accountability was also extended to SIA Greece and SIA Slovakia through local compliance functions.

In addition, the following Group level policies and procedures were formalized:

- Group anti-corruption guidelines
- Group Criminal Background Check policy
- Procedure for the management of gifts
- Guidelines and policy on donations
- Policy for the use of Business Credit Cards.

Of the various objectives established by the SIA Group for 2019, the following initiatives have been implemented:

- compulsory anti-corruption training for new hires provided in the induction kit
- updating of the Group's anti-corruption procedures
- compulsory annual training for employees involved in activities with the Central Banks of Northern Europe.

Whistleblowing reports are foreseen in the Code of Ethics.

2 MANAGEMENT REPORT


E-MARKET SDIR
CERTIFIED

EVOLUTION OF THE MACROECONOMIC CONTEXT

The latest estimates from the International Monetary Fund confirm a progressive and widespread slowdown in the world economy, with growth in 2019 stopping at 3%.

The advanced economies in particular have been suffering from a number of broad trends: a brake on industrial production, a gradual spread of trade tensions, a deterioration in investor confidence and consequent turbulence on financial markets and, lastly, a considerable slowdown in the automobile industry, especially in Germany. The United States will therefore end the year at 2.4% (versus 2.9% in 2018), Japan will maintain growth of around 1%, the United Kingdom will drop to 1.2% (versus 1.4% in 2018) and Canada will fall to 1.5% (compared with 1.9% in 2018).

This phase of deceleration in economic growth did not even spare emerging countries, whose performances were lower than expected (Russia and Brazil closed 2019 at around +1%). The decline in the Indian economy (6.1% in 2019 against 6.8% in 2018) and the Chinese economy (6.1% against 6.6% in 2018) weigh heavily, in the first case due to a weakening in domestic demand and, in the second, to a tightening of financial regulation and prolonged trade tensions with the United States. Slow growth also for developing economies due to strong geopolitical tensions and macroeconomic difficulties.

Among the factors that have most influenced the economic trend of the Euro Area are certainly the stagnation of exports, the contraction in manufacturing and the uncertainties related to the way in which Britain is going to leave the European Union. These elements have led the ECB to revise its GDP growth estimates for the three-year period 2020-2022 downwards, reaching 1.1%, 1.4% and 1.4% respectively. Despite this, the labor markets of the Euro Area maintain moderate but stable employment growth, which will make it possible to support household income and, consequently, private consumption.

The Italian economic situation remains in a downturn, slowed down by the decrease in European industrial production. GDP growth recorded at the end of 2019 was decidedly moderate (0.2% according to Istat and the Bank of Italy compared with 0.8% in 2018). A photograph of our country shows a situation of substantial immobility, in which a timid upswing in private consumption, exports and inflation has not been sufficient to generate a proper economic recovery.

Please refer to the paragraph “Significant events subsequent to the end of the financial year” for the effects of the spread of Coronavirus pandemic.

SITUATION AND PROSPECTS OF THE ELECTRONIC PAYMENTS MARKET

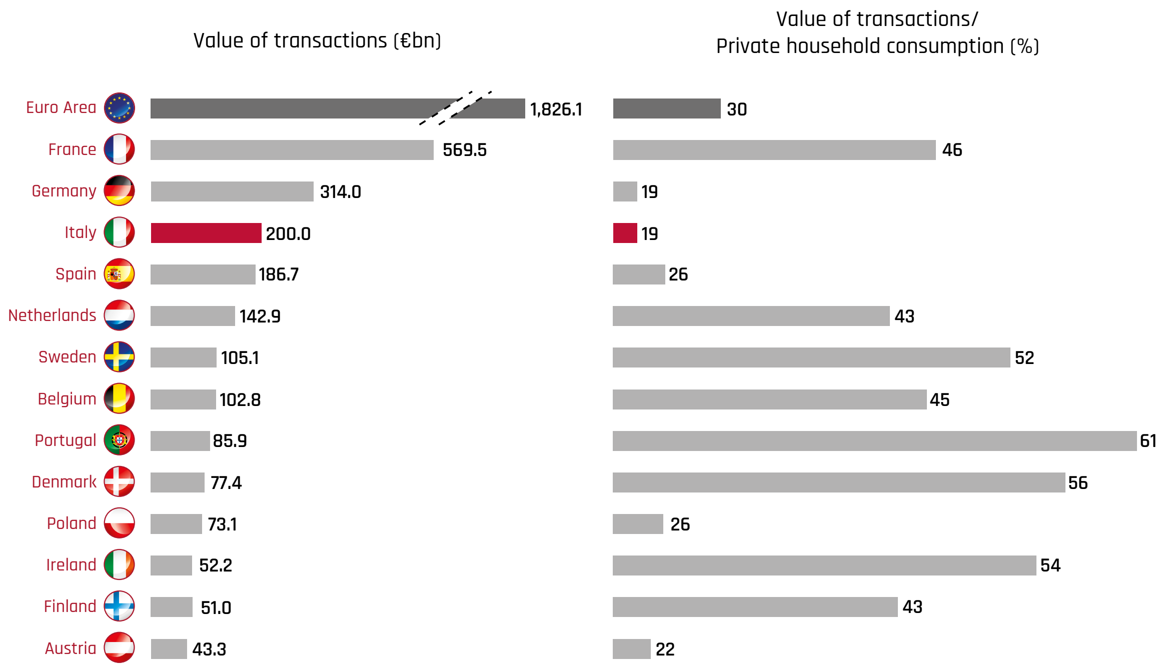
In recent years, there has been a slow but steady increase in electronic payments in Italy. The number of payment card transactions per person increased by a weighted average of 12% from 2014 to 2018, coming in at 53 transactions per head.

Despite being in line with the average growth rate in the Euro Area, the Italian benchmark lags far behind the European average, as it came in at 121 card transactions per head in 2018. So even though the forecast increase in payment volumes in Italy in the period 2019-2022 is higher than in the Euro Area (8.6% compared to 8%), our country continues to remain last in line in the use of electronic payments.

The main reason for this is Italians' continued preference for cash purchases (in 2018 cash was used in 80% of payments), despite the fact that the network that accepts card payments is one of the most extensive in Europe (around 3.2 million POS in Italy, or 30% of all payment terminals in the Euro Area).

Considering the estimate on Italian households for 2018 provided by Eurostat, the incidence of spending through card payment instruments was around 19%. This figure is in line with Germany (19%), but a long way away from France and Belgium (respectively 46% and 45%) and drastically different from Northern European countries (Sweden 52% and Denmark 56%), Ireland (54%) and especially Portugal (61%).

Transactions with payment cards / debit cards



Source: ECB, "European Payment Cards Statistical Yearbook 2018".

Sources: ECB, "European Payment Cards Statistical Yearbook 2018", Eurostat Data Warehouse "Household Consumption".

E-MARKET SDIR CERTIFIED

ACTIVITIES AND POSITIONING OF THE SIA GROUP

As in 2018, in 2019 the Group confirmed its position as a leading operator in the processing of electronic transactions and in the management of European service infrastructures, in the card processing, services and payment systems markets, in solutions for financial intermediaries and in networking services.

The geographical coverage of the services provided to customers extends in 50 countries across Europe, the Middle East, Africa and Oceania.

SIA has been able to enhance the distinctive elements that characterize it, in particular:

- proprietary technological platforms developed in-house with the most modern and efficient technologies;
- a unique track record in "zero impact" migration for e-money services from customer systems to SIA solutions;
- experience gained in the creation and management of infrastructure services that are considered mission critical;
- excellent know-how on the most critical issues for customers in terms of compliance, safety and evolution of international market standards and regulations;
- investments in research for innovative solutions in frontier technologies.

Quality, reliability, safety, solidity and innovation are the guidelines for all of the Group's activities. The pursuit of excellence is considered by the SIA Group to be the key factor in its success in increasingly competitive markets and is at the basis of the Company's founding values and adopted by all the staff, namely:

- **competence**, because the sector in which the Group operates is complex and in constant evolution;
- **responsibility**, because the Group is aware of how important and critical the activities are that its customers entrust to it;
- **reliability**, because the Group keeps its commitments;
- **participation**, because the style of Group companies is not just working together, but making ideas, skills and experiences available to the system;
- **innovation**, because the SIA Group believes that the commitment over time anticipates the emergence of new needs.

SIGNIFICANT EVENTS DURING THE YEAR

The main events that took place in 2019 are as follows:

- On February 7, 2019, the Municipality of Bari announced that it had launched a project based on blockchain technology in collaboration with SIA to digitize the process of managing guarantees. This is the first trial use in Italy of Distributed Ledger Technology (DLT) in the Public Administration for handling guarantees. The initiative will allow the Municipality of Bari to dematerialize the process by which banks, financial intermediaries and insurance companies issue and certify guarantees in a way that is unambiguous and irrevocable. This innovative project will contribute, among other things, to reducing the time needed to handle various phases, eliminating manual errors and preventing possible fraud by unauthorized persons and scams linked to the presentation of false documents.

- On February 14, 2019, the Board of Directors approved the new 2019-2021 strategic plan which aims to make SIA S.p.A. the "Leading Pan-European Payment & Tech Company" working alongside banks, large companies and the public administration. This objective will be pursued through international growth and the development of innovative, technological and value-added services in the payments area, as well as through a process of rationalization and reorganization of Group companies.

- On February 20, 2019 Payments Canada announced that it had chosen SIA to create the new national system, called Lynx, for payments of large amounts. In April 2017, Payments Canada announced the short-list of the companies invited to participate in the tender for Lynx and, at the end of the process, they chose SIA. The Company will therefore work closely with Payments Canada and the major stakeholders in the sector to create the new real-time gross settlement (RTGS) transaction system that will meet the objectives defined during the consultations on the future of payments in Canada and comply with strict national and international risk standards.

- On April 29, 2019, the Ordinary Shareholders' Meeting of SIA S.p.A. approved the 2018 financial statements and the distribution of an ordinary dividend of approximately 60 million euro, corresponding to 0.35 euro for each of the 171,343,227 shares. This dividend was paid on May 6, 2019. The Shareholders' Meeting also confirmed Nicola Cordone and Francesco Silva, the directors co-opted in previous meetings of the Board of Directors, who will remain in office until the approval of the financial statements at December 31, 2019, and appointed Massimo Sarmi as a director to replace of Marco Lucchini following his resignation. The Meeting also appointed a new Board of Statutory Auditors, which will remain in office until the Shareholders' Meeting called to approve the financial statements at December 31, 2021. The Board is made up of Riccardo Ranalli (elected Chairman), Andrea Bignami and Fabrizio Bianchi as standing auditors, Franca Brusco and Antonia Coppola as alternate auditors. Lastly, the Shareholders' Meeting appointed Deloitte & Touche as Independent Auditors for the three years 2019-2021.

- On May 7, 2019 the Board of Directors of SIA S.p.A. appointed Massimo Sarmi as Deputy Chairman and confirmed Nicola Cordone as CEO of the company. Massimo Sarmi was also appointed Chairman of the Development Committee and member of the Remuneration Committee of SIA to replace of Marco Lucchini following his resignation. Nicola Cordone already has the powers granted to him as CEO at the meeting of the Board of Directors on November 29, 2018.

- In June 2019, SIA won the Bank of Italy's tender for the management of the Interbank Alarm Center (IAC), the computerized archive of bank checks, postal checks and irregular debit and credit cards, which helps to ensure the smooth functioning of the national payment system. The concession will last 8 years. SIA will manage the IAC central infrastructure, of which the Bank of Italy is the owner, as well as the interconnections with the remote sections (local archives) located with those entities that are required to report any issues (banks, supervised financial intermediaries issuing payment cards, Poste Italiane, prefectures through the Ministry of the Interior and the Judicial Authority through the Ministry of Justice). The development of new application functions and the use of infrastructure components, including the innovative technological architecture of SIA's new "Active/Active" system, are also planned to guarantee continuity in the provision of services 24 hours a day, 7 days a week.

- On June 6, 2019, SIA and Quant Network, a UK company at the forefront of technology, signed a partnership for testing interoperability between different blockchain technologies and the creation of innovative applications and services for banks and financial institutions. The first interoperability tests will be performed on the R3 Corda and Ethereum platforms. The agreement aims to integrate Quant Network's Overledger blockchain operating system into the SIAchain infrastructure to test the real interoperability between the various blockchain and DLT technologies that currently represents one of the major challenges of the financial sector.

- On June 17, 2019, in partnership with Colt Technology Services, SIA announced that it had won the European Central Bank's tender for the supply of network services that will allow central and commercial banks, central depositories, automated clearing houses and other European payment service providers to connect directly to the Eurosystem market infrastructures through a single access interface (Eurosystem Single Market Infrastructure Gateway, ESMIG). Thanks to the concession obtained by SIA and Colt as network service provider for the ESMIG, from November 2021, all players in the European financial system will be able to access the TARGET2 platform for the processing of large-value payments, to the TIPS instant payments settlement service, the TARGET2-Securities (T2S) securities settlement platform, the ECMS Eurosystem collateral management system and possibly other new services and applications.

- On June 20, 2019 SIA Greece received golden and silver awards at the "2019 IMPACT BITE AWARDS" in the "Governance, Risk & Compliance" and "Innovation & Competitive Advantage through Innovation" categories. SIA Greece was awarded the "golden award" for successfully developing a solution for the secure transfer of Watson Supply Chain files developed by IBM, which allows companies that adopt it a secure and reliable data exchange. It also received the "silver award" for being a point of reference in the Digital Workplace: SIA Greece's Digital Workplace solutions can manage over 1,700 devices, giving employees the possibility to easily interact with their customers via any device that is able to connect to the network.

- In June 2019 Cassa Depositi e Prestiti and IBM signed an agreement to carry out a study on the impact and possible applications of "blockchain" technology in the financial world. SIA will contribute to a "white paper" that will carry forward analysis of the effects of the blockchain, identify potential economic areas and drive growth through the use of this new technology.

- On June 27, 2019, through the subsidiary SIA Greece, SIA signed a five-year agreement with Market In, one of the main Greek retailers, which envisages the construction of a new technological infrastructure for digital payments and the management of transactions carried out through cards. SIA's infrastructure aims at further strengthening Market In's customer orientation by combining the quality of services with the speed, security and reliability of transactions in line with the latest trends in the global digital payments market. The partnership will allow customers to use over 1,000 innovative POS terminals that can also accept contactless card payments in 188 Market In supermarkets, including seven "Daily's Convenience" outlets.

- After approval of the strategic plan for the three-year period 2019-2021 in February, SIA has completed its management approach with the hiring of new managers from the market. On June 10, 2019, after having held the position of Global Head of Corporate Organization in UniCredit and Chief Transformation Officer in BNL, Adolfo Pellegrino was appointed Customer Operations Manager. Lastly, on July 1, 2019, Fabio Balbinot, former Deputy Chairman of Fortress, CEO of Italfondiario and Chief Servicing Officer of do-Bank, took on the role of Chief Financial Officer.

- On July 1, 2019 the absorption of Ubiq S.r.l. by P4cards S.r.l., approved by both companies' Shareholders' Meetings on May 24, 2019, took effect for tax and accounting purposes retroactively from January 1, 2019.

- On July 4, 2019, SIA inaugurated in Verona a new center specializing in payment cards, capable of managing every stage of issuance, from concept to distribution, through a monitoring system compliant with the highest security standards.
  This center of technological excellence uses state-of-the-art equipment capable of producing on average 10 million cards per year, carrying out customization activities for all types of bank cards (debit, credit and prepaid cards), loyalty cards or cards associated with specific services, such as university, fuel or mobility cards.
  In addition to traditional PVC cards, the structure is able to make cards in metal and with eco-sustainable materials, based on different technologies such as chip, contactless or biometric recognition that replace keying in your PIN with a digital fingerprint.

- In July 2019, SIA signed a strategic partnership agreement with HPS, one of the leading payment software companies, to increase the processing of card payments in Greece and other European countries through an innovative digital platform.
  The agreement with HPS allows SIA to process all different types of credit, debit and prepaid card transactions for its banks and financial customers on a single integrated platform in a faster, safer and more efficient way, also helping to reduce transaction costs and mitigate operational risk.
  In addition, HPS plans to create a dedicated PowerCARD "Center of Excellence" in Athens, exclusively to support SIA in the development and implementation of all payment card initiatives in Greece. The PowerCARD platform will be managed completely by SIA Greece with the support of a specialized team.

- On August 1, 2019 SIA and Supply@ME, the AvantGarde Group's scale-up, signed a partnership agreement to integrate the innovative "Inventory Monetization" service based on blockchain technology on the SIAchain infrastructure, designed by the Milanese fintech to optimize the working capital of enterprises.
  Supply@ME has in fact developed an innovative solution that allows companies to create value from their inventories. Thanks to the use of advanced tools such as "smart contracts", these are sold commercially to companies established directly by Supply@ME in various European countries with a global perspective.

- On September 5, 2019, SIA and the AVM (Venetian Mobility Company) Group signed an agreement for the creation of an innovative digital platform that will allow citizens and tourists to buy tickets via payment cards and smartphones, also in contactless mode, directly on board the vaporetti (ferries).
  Once the system is up and running, the sailors on board will have 650 SmartPOS with Android technology and, thanks to the innovative digital infrastructure designed and developed by SIA, they will be able to select the passenger's travel pass, accept payment by card or smartphone and print it together with a receipt, through a single device that is light, handy and safe. The terminal is also able to read the Venezia Unica Card for transport in Venice, already in possession of regular customers, and to validate travel tickets purchased from the direct sales network (ticket offices), dealership (retailers) and automatic vending machines, possibly also recognizing bar codes or QR codes.
  SIA will also make available to the AVM Group a dedicated App Store capable of managing additional applications, in addition to the payment of travel tickets, specifically designed for the SmartPOS of sailors, thereby expanding the range of innovative services for all passengers.

- On September 18, 2019, thanks to the innovative digital platform, SIA enabled the new Tap to Move service which allows payment of Atac metro and railway network ticket directly at the turnstile via contactless credit and debit cards (Mastercard, VISA and American Express), also virtualized on smartphones and

wearable devices, easily, quickly and safely. The advanced features of the platform, to support the development of Smart Mobility, allow Atac to manage, authorize, account for, report payment transactions and calculate the best available rate based on the number of trips made.
Furthermore, thanks to SIA's infrastructure, it is also possible for the first time to use your credit card as though it were a monthly subscription: an innovative method available to users who after purchasing their subscription online on the Atac portal with a contactless credit card, can in fact use the same card to travel on the entire public transport network managed by Atac.

- On November 27, 2019, SIA and the UNICOCAMPANIA Consortium signed an agreement to start testing in the second half of 2020 for the payment of tickets on local public transport using contactless credit and debit cards in Naples, Salerno, Avellino and their respective provinces.
The innovative service, based on SIA's technological infrastructure, once fully operational will allow citizens and tourists who travel to Campania to pay for their ticket for the underground, railway, funicular and bus networks with cards equipped with NFC technology, also virtualized on smartphones and wearable devices, easily, quickly and safely.
The system will also allow people to use their credit card as though it were a subscription: an innovative method available to users who, after purchasing their subscription online with a contactless credit card, will be able to use it to travel on the entire public transport network in Campania.

- On November 29, 2019, SIA Greece, a wholly owned subsidiary of SIA, launched an advanced center of excellence based in Athens to increase digital transformation in Greece, taking the country one step closer to the culture of digital transformation and cashless payments.
The new Center of Excellence, one of the largest in Greece, is able to process all different types of credit, debit and prepaid card transactions for banks and financial customers, offering innovative services through a single integrated platform in a faster, safer and more efficient way.
With this initiative, SIA strengthens its strategic development plan in Greece, as the Center of Excellence has the objective of supporting the entire Group for activities related to the development of card payments and providing advanced card processing services in Greece and other European countries.

- On December 12, 2019, the SIA Board of Directors appointed Federico Lovadina as the new Chairman to replace Giuliano Asperti, who resigned.
During the same meeting, the Board also co-opted four other new directors onto the Board, designated by Cassa Depositi e Prestiti (CDP): Andrea Cardamone, Fabio Massoli, Andrea Pellegrini and Carmine Viola.

STRATEGIC PLAN 2020-2022

On February 6, 2020, the Board of Directors of SIA S.p.A. approved the new Strategic Plan 2020-2022 for the SIA Group (the "Plan").

With this plan and important strategic shareholders, the Group's objective will be to optimize its international growth history and consolidate its position as a leading player on the global market in the Card & Merchant Solutions, Digital Payment Solutions and Capital Market & Network Solutions segments with the following main services:

- full processing and value-added services for payment cards;
- digital payments (e.g. mobile payments, instant payments);
- clearing, settlement and other services related to financial markets.

These services will be strategically distinct in order to satisfy the following main types of business customers, according to the highest quality and efficiency standards, taking advantage of the solidity of its constantly growing customer base and with a global footprint:

- Financial Institutions;
- Corporate Companies;
- Public Administration;
- Central Banks.

The Group will continue to leverage its reliability and excellence in "service delivery", further strengthening its role as a "mission-critical" provider of services and payment infrastructures in Europe, always in compliance with strict regulations and their evolution over time.

In fact, the SIA Group boasts a successful track record in terms of its ability to innovate and adapt to sudden and profound changes in the market, also thanks to the progressive upgrade of its technological platforms through the following main drivers:

- migration of its infrastructures towards "open" systems and "cloud" platforms;
- development of "Robotic Process Automation" ("RPA") technologies on a large scale;
- redefinition of the organizational model based on the establishment of Competence Centers focused on specific areas; this model provides for the activation of a Competence Center in Greece for the development of the Issuing and Acquiring application platforms, as well as the focus of the various Customer Operations sites on services such as fraud management, card activation, disputes, etc.
- implementation of new "agile" working methods inspired by market best practice.

To ensure achievement of the challenging objectives of the Plan in the context of the new governance, the SIA Group increasingly puts the development of its people center-stage, also through dedicated talent management, diversity and welfare programs, with a view to further strengthening their distinctive skills.

Please refer to the paragraph "Significant events subsequent to the end of the financial year" for the effects of the spread of Coronavirus pandemic.

GROUP'S CONSOLIDATED RESULTS

For details on the scope of consolidation, please refer to the following paragraph "Performance of Group companies".

The table below is a summary together with the related explanatory notes to the consolidated reclassified economic, equity and financial results for the period ended December 31, 2019, compared with the corresponding periods relating to 2018 and to restated figures as at December 2018.

Consolidated reclassified statement of profit or loss

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change	%	31/12/2018	Change	%
Revenues (**)	727,858	613,886	113,972	18.6%	613,886	113,972	18.6%
Other revenues and income	4,077	1,305	2,772	212.4%	1,305	2,772	212.4%
Production Value	**731,935**	**615,191**	**116,744**	**19.0%**	**615,191**	**116,744**	**19.0%**
Purchases and services (**)	(226,016)	(205,921)	(20,095)	9.8%	(205,921)	(20,095)	9.8%
Payroll costs	(215,020)	(182,501)	(32,519)	17.8%	(182,501)	(32,519)	17.8%
Other operating expenses	(33,000)	(25,382)	(7,618)	30.0%	(25,382)	(7,618)	30.0%
Operating costs	**(474,036)**	**(413,804)**	**(60,232)**	**14.6%**	**(413,804)**	**(60,232)**	**14.6%**
Adjusted operating margin	**257,899**	**201,387**	**56,512**	**28.1%**	**201,387**	**56,512**	**28.1%**
Depreciation, amortization and impairment of tangible and intangible assets	(118,101)	(82,712)	(35,389)	42.8%	(78,283)	(39,818)	50.9%
Provisions for risks	(1,678)	(823)	(855)		(823)	(855)	
Operating Income	**138,120**	**117,852**	**20,268**	**17.2%**	**122,281**	**15,839**	**13.0%**
Management of financial assets and liabilities	-	(396)	396		(396)	396	
Financial income	2,617	347	2,270	654.2%	347	2,270	654.2%
Financial expenses	(18,113)	(11,977)	(6,136)	51.2%	(11,977)	(6,136)	51.2%
Net Income before taxes	**122,624**	**105,826**	**16,798**	**15.9%**	**110,255**	**12,369**	**11.2%**
Income taxes	(27,343)	(29,410)	2,067	-7.0%	(30,719)	3,376	-11.0%
Net income from continuing operations	**95,281**	**76,416**	**18,865**	**24.7%**	**79,536**	**15,745**	**19.8%**
Net Income from assets held for sale or discontinued operations	-	-	-		-	-	
Profit/(loss) for the period	**95,281**	**76,416**	**18,865**	**24.7%**	**79,536**	**15,745**	**19.8%**
Net Income to minority interests	-	-	-		-	-	
NET INCOME ATTRIBUTABLE TO THE GROUP	**95,281**	**76,416**	**18,865**	**24.7%**	**79,536**	**15,745**	**19.8%**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose definitive figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

(**) Adjusted revenues at December 31, 2019 and 2018 include the net commissions received by SIApay (payment institution), net of the related operating expenses (Euro 5.4 and 0.9 million at December 31, 2019 and 2018 respectively); on the other hand, in the consolidated statement of profit or loss, gross commission income is included in Revenues from services and commission expense in Costs for Services.

To understand the evolution of the Group's economic results, it is necessary to consider the following elements that significantly impacted the Group's performance in 2019:

- the contribution of SIA Greece and SIA Slovakia acquired at the end of the third quarter of the previous financial year; in the reporting period, the two companies generated total revenues of approximately Euro 98.1 million, contributed to the Group's Adjusted operating margin approximately Euro 31.6 million, to Operating Income around Euro 17.7 million and to the net result Euro 12.9 million; the increased indebtedness of the parent company SIA to finance the acquisition led to the recording of 3.1 million euro of higher interest expense compared with the previous year;
- the entry into force of IFRS 16 starting from January 1 2019; the methods envisaged by the standard for recognition in the statement of financial position of the rights of use of the assets with a contra-entry to lease liabilities have had a positive impact on the Group's Adjusted operating margin for around 8.6 million euro, as rental fees are no longer recognized as costs of services. Against this, higher amortization costs (7.5 million euro) and interest expense (2.1 million euro) were recorded;
- the conclusion of the purchase price allocation process for SIA Greece and SIA Slovakia, acquired on September 28, 2018. In particular, as part of the Purchase price allocation of the Magnolia deal, SIA's management identified contractual relationships with customers as intangible assets with a finite life and a fair value of approximately 43.6 million euro for SIA Greece and 46.3 million euro for SIA Slovakia. The useful life of these contractual relationships is estimated at five years, generating total amortization for the period of 13.4 million euro, gross of the related deferred tax effect of around 4.0 million euro (so with a negative net impact on the consolidated statement of profit or loss of around 9.4 million euro);
- the tax amortization (for a portion of the first of five years) of the goodwill recognized following the acquisition of P4cards, stepped-up by the parent company SIA in 2017, led to lower current taxes and therefore a benefit to the Group's net profit for 2019 of 6.1 million euro. It should be remembered that income taxes for the year benefited from Euro 3.8 million thanks to application of the Patent Box rules (slightly higher than the previous period when it came to Euro 3.3 million).

The Group also confirms its ability to generate profitability and to maintain the expected development prospects, also through organic growth driven in particular by the results of the period of the parent company SIA, which increased its revenues compared with 2018 by 31.9 million euro (+7.7%) and P4cards by 13.1 million euro (+8.6%).

To consider the extraordinary items from a management point of view and adequately appreciate their effects in terms of profitability, please refer to the following paragraph which explains the estimate of the Adjusted EBITDA.

Consolidated Adjusted EBITDA

	For the year ended December 31,			Changes			
(Thousands of euro)	**2019**	**2018 (*)**	**2017**	**2019 vs 2018 (*)**	**%**	**2018 (*) vs 2017**	**%**
Profit/(loss) for the year	**95,281**	**76,416**	**80,083**	**18,865**	***24.70%***	**-3,667**	***-4.60%***
Income taxes	27,343	29,410	19,980	-2,067	*-7.00%*	9,430	*47.20%*
Financial expenses	18,113	11,977	9,711	6,136	*51.20%*	2,266	*23.30%*
Financial income	-2,617	-347	-284	-2,270	*>100.0%*	-63	*22.20%*
Bank charges (i)	-629	-592	-669	-37	*6.20%*	76	*11.40%*
Depreciation and amortization	110,824	77,530	64,264	33,294	*42.90%*	13,266	*20.60%*
EBITDA	**248,315**	**194,394**	**173,085**	**53,921**	***27.70%***	**21,309**	***12.30%***
Management/trading of financial assets and liabilities	-	396	-960	-396	*-100.00%*	1,356	*(>100.0%)*
Impairment of tangible and intangible assets	3,607	3,962	461	-355	*-9.00%*	3,501	*>100.0%*
Impairment of trade receivables	3,670	1,220	6,370	2,450	*>100.0%*	-5,150	*-80.80%*
Provision for risks	1,678	823	200	855	*>100.0%*	623	*>100.0%*
Consultancy costs for M&A and Corporate projects (ii)	7,314	6,722	3,779	591	*8.80%*	2,944	*77.90%*
Non-deductible VAT on Consultancy costs for M&A and Corporate projects (iii)	600	299	-	302	*101.10%*	299	*n.a.*
Long Term Incentives (iv)	5,740	5,659	14,996	81	*1.40%*	-9,337	*-62.30%*
Restructuring charges (v)	4,796	9,148	6,209	-4,352	*-47.60%*	2,939	*47.30%*
Other income and costs (vi)	-	-491	-1,182	491	*-100.00%*	691	*-58.50%*
Adjusted EBITDA	**275,720**	**222,131**	**202,958**	**53,589**	***24.10%***	**19,173**	***9.40%***

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose definitive figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

Note:

i. Bank charges, entered in the "Bank charges" item of the "Financial expenses", refer to bank charges and commissions.

ii. In 2019 the Issuer recorded legal and consultancy costs incurred for the process of drafting the Business Plan for € 502 thousand, for M&A projects for € 4,605 thousand and for the integration project of the companies purchased in the 2018 (SIA Greece and SIA Slovakia) for € 2,207 thousand. In 2018, the Issuer recorded legal and consultancy costs incurred for the First Data Acquisition process for € 5,305 thousand and for the restructuring of the outsourcing contract for € 1,417 thousand. In 2017, the Issuer recorded legal and consultancy costs incurred for M&A projects for € 3,779 thousand. Please refer to the table below for the classification of the abovementioned costs.

iii. The Non-deductible VAT refers to the consultancy costs for M&A and Corporate projects, entered in the "Not-deductible VAT" item of the "Other Operating Expenses".

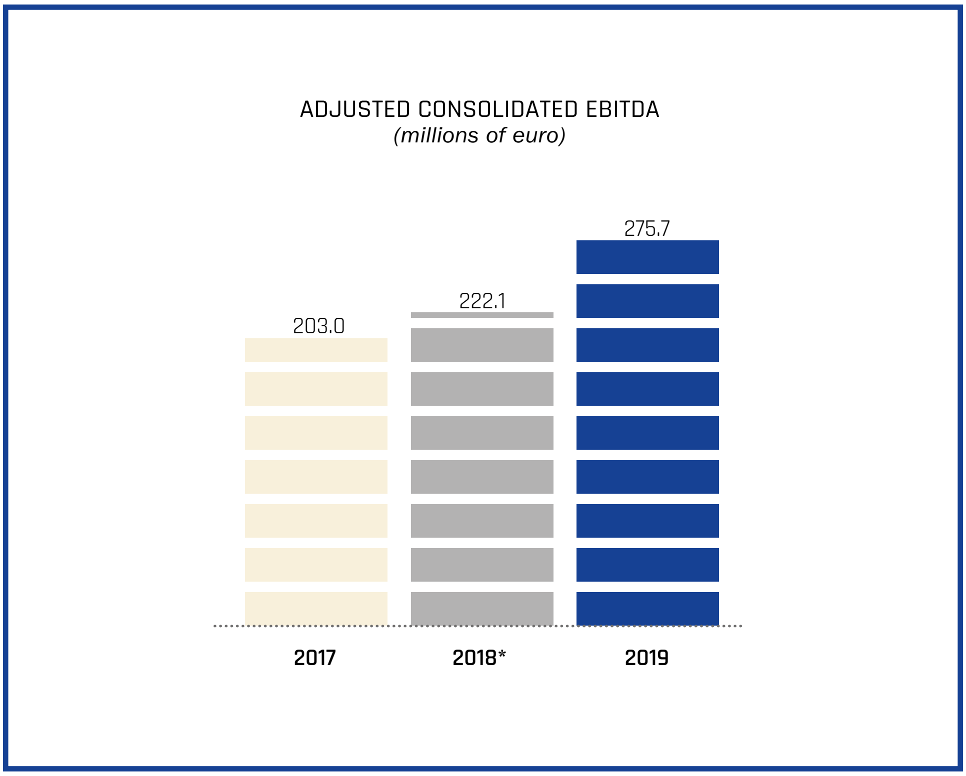
iv. The "Long Term Incentives", entered in the "Salaries and Wages" item of the "Personnel costs", include monetary incentives for management linked to the achievement of long-term results (Three-year Strategic Plan).

v. The "Restructuring charges", entered in the "Restructuring costs" item of the "Personnel costs", include the costs for the early termination of employment relationships carried out through redundancy incentives, solidarity plans and agreed plans.

vi. The "Other income and costs" include certain income and charges such as contingent income or expenses, losses on assets' disposal and discount on leasing contract.

Note that the difference between EBITDA and adjusted operating margin is represented by impairment adjustments to tangible and intangible assets and trade receivables, by result on financial assets and liabilities management, by bank charges, as well as by provisions for risks.

The "Adjusted operating margin" as reported in the statement of profit or loss for the year ended December 31, 2019 amounts to Euro 257.9 million, an increase of 28.1% compared with 2018 (when it amounted to 201.4 million euro).



E-MARKET SDIR CERTIFIED

Consolidated reclassified statement of financial position

(Thousands of euro)

		31/12/2019	31/12/2018 (*)	Change	%	31/12/2018	Change	%
Inventories		3,926	4,375	(449)	-10.3%	4,375	(449)	-10.3%
Trade receivables		219,892	188,764	31,128	16.5%	188,764	31,128	16.5%
Trade payables		(95,996)	(85,397)	(10,599)	12.4%	(85,397)	(10,599)	12.4%
Trade Working Capital	A	**127,822**	**107,742**	**20,080**	**18.6%**	**107,742**	**20,080**	**18.6%**
Other receivables	B	121,659	77,061	44,598	57.9%	77,061	44,598	57.9%
Other payables	C	(87,836)	(93,799)	5,963	-6.4%	(93,799)	5,963	-6.4%
Net Working Capital	D=A+B+C	**161,645**	**91,004**	**70,641**	**77.6%**	**91,004**	**70,641**	**77.6%**
Goodwill		569,139	571,621	(2,482)	-0.4%	629,269	(60,130)	-9.6%
Intangible assets		325,372	342,986	(17,614)	-5.1%	257,672	67,700	26.3%
Tangible assets		150,761	89,674	61,087	68.1%	96,808	53,953	55.7%
Investments		725	720	5	0.7%	720	5	0.7%
Fixed Assets	E	**1,045,997**	**1,005,001**	**40,996**	**4.1%**	**984,469**	**61,528**	**6.2%**
Provisions for Employee benefits		(25,866)	(23,145)	(2,721)	11.8%	(23,145)	(2,721)	11.8%
Other provisions		(3,041)	(1,822)	(1,219)	66.9%	(1,822)	(1,219)	66.9%
Deferred tax liabilities		(49,233)	(61,422)	12,189	-19.8%	(37,770)	(11,463)	30.3%
Provisions	F	**(78,140)**	**(86,389)**	**8,249**	**-9.5%**	**(62,737)**	**(15,403)**	**24.6%**
Net Invested Capital	G=D+E+F	**1,129,502**	**1,009,616**	**119,886**	**11.9%**	**1,012,736**	**116,766**	**11.5%**
Non-current financial liabilities		685,005	714,410	(29,405)	-4.1%	714,410	(29,405)	-4.1%
Current financial liabilities		230,394	105,997	124,397	117.4%	105,997	124,397	117.4%
Cash and cash equivalents		(97,435)	(94,652)	(2,783)	2.9%	(94,652)	(2,783)	2.9%
Current financial assets		(5,583)	(1,825)	(3,758)	205.9%	(1,825)	(3,758)	205.9%
Non current financial assets		(12)	(50)	38	-76.0%	(50)	38	-76.0%
Net Financial Position	H	**812,369**	**723,880**	**88,489**	**12.2%**	**723,880**	**88,489**	**12.2%**
Shareholders' Equity	I	**317,133**	**285,736**	**31,397**	**11.0%**	**288,856**	**28,277**	**9.8%**
NET FINANCIAL POSITION AND SHAREHOLDERS' EQUITY	**L=H+I**	**1,129,502**	**1,009,616**	**119,886**	**11.9%**	**1,012,736**	**116,766**	**11.5%**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose definitive figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

The increase in net invested capital at December 31, 2019, compared with the previous year, is partly explained by the adoption of IFRS 16 from January 1, 2019, which led to the recognition in tangible assets of the rights of use of the assets under operating leases, as a contra-entry to the financial payables (lease liabilities) for a total of 60.9 million euro at January 1, 2019. The adoption of this standard therefore also had effects on the net financial position for the same amount.

Net working capital has increased significantly on December 31, 2018 mainly as a result of the increase in current taxes following payment of the flat-rate substitute tax of 40 million euro (accounted for as an advance on current taxes) for the step-up of a portion of the goodwill recognized following the acquisition of SIA Greece and SIA Slovakia (this step-up will begin to produce benefits in terms of lower current taxes from the second year after payment of the substitute tax, i.e. from 2021), and the increase in trade receivables due to the growth in volumes invoiced by the Group.

As highlighted at the beginning of the paragraph, the net financial position was affected by the adoption of IFRS 16, which led to the recognition of financial payables for 60.9 million euro at January 1, 2019, which explains about half of the increase in this item compared with December 31, 2018 (at June 30, 2019 the net financial position came to 802.2 million euro). In the first half of 2019, the parent company SIA paid dividends to its shareholders for about 60 million euro and repaid the principal portion of the medium/long-term loan in June and December for a total of 70 million euro. In addition, in the second half of the year, SIA used new short-term credit lines of 100 million euro at December 31, 2019 to meet cash flow needs. The Group's shareholders' equity increased benefiting from the positive economic results for the period, despite the significant distribution of dividends.

SEGMENT INFORMATION

SIA Group management has identified the following three business segments:

- **Card & Merchant Solutions**[1]: it groups together the payment acceptance and issuing services, some of which are national (e.g. PagoBANCOMAT), others international (e.g. Visa, Mastercard, Alipay, Wechatpay, etc.). Traditional (e.g. card based) and digital (e.g. ApplePay, SamsungPay, etc.) and a wide range of services dedicated to physical commerce and e-commerce are included, including all processing services and value-added services. In addition to the parent company SIA, the Group companies in this segment are P4cards, PforCards, SIA Slovakia, SIA Greece and SIApay.
- **Digital Payment Solutions**[2]: it groups together activities related to account to account payments, from acceptance and processing solutions for retail and corporate payments (e.g. SEPA, Instant and domestic) to clearing and settlement systems (e.g. Real-Time Gross Settlement (RTGS) systems, Automated Clearing House, etc.) for central institutions. It also includes digital banking services, corporate remote banking, PSD2 and Open Banking platforms and specific collection tools for the public administration. The Group companies in this segment include the parent company SIA, SIAadvisor and Perago FSE.
- **Capital Market & Network Solutions**[3]: it groups together network services and access to Eurosystem (ESMIG), innovative blockchain-based solutions and the services and solutions dedicated to capital markets. The segment includes the capital market activities and network solutions offered by the parent company SIA.

In consideration of the very recent and profound developments inherent, first and foremost, to the change in the corporate governance of SIA, to the approval of the new SIA Group business plan for the three-year period 2020-2022 and the foreseeable significant new strategic business initiatives, to continuous technological innovation, as well as the resolution to start the process aimed at listing SIA's ordinary shares on the MTA organized and managed by Borsa Italiana, Group management has launched some in-depth analyses to review and update its view on segment reporting, also taking into account market best practices. Following the start of these in-depth analyses, starting from the segment information included in the consolidated financial statements for the year ended 31 December 2019, Group management has updated the names of the segments (as shown above) and reclassified certain initiatives and projects among the various segments with respect to the information provided in 2018, which has therefore been restated as follows:

[1] Segment previously called "Cards".
[2] Segment previously called "Payments".
[3] Segment previously called "Institutional Services".

(Thousands of euro)

	Reclassification to segment:	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions
Reclassification from segment:				
Cards	**389,223**	379,530	9,693	0
Payments	**115,145**	0	74,962	40,184
Institutional Services	**110,434**	0	60,715	49,719
Total 2018	**614,802**	**379,530**	**145,370**	**89,902**

The reclassifications of 2018 revenues concerned:

- the transfer from the Card & Merchant Solutions segment to the Digital Payment Solutions segment of revenues for a total of 9.7 million euro, relating to payment services such as gateway services (front-end), consulting and business intelligence;
- the transfer from the Capital Market & Network Solutions segment to the Digital Payment Solutions segment of revenues for a total of 60.7 million euro, relating to payment services to individuals, corporate, public administrations and central banks (EBA, PagoPA, corporate banking, etc.);
- the transfer from the Digital Payment Solutions segment to the Capital Market & Network Solutions segment of revenues for a total of 40.2 million euro, for logical network services (i.e. the transfer of data from one subject to another, guaranteeing security, integrity and no refusal).

The change in the contribution of the individual segments (reclassified) to total revenues in 2018 can therefore be summarized as follows:

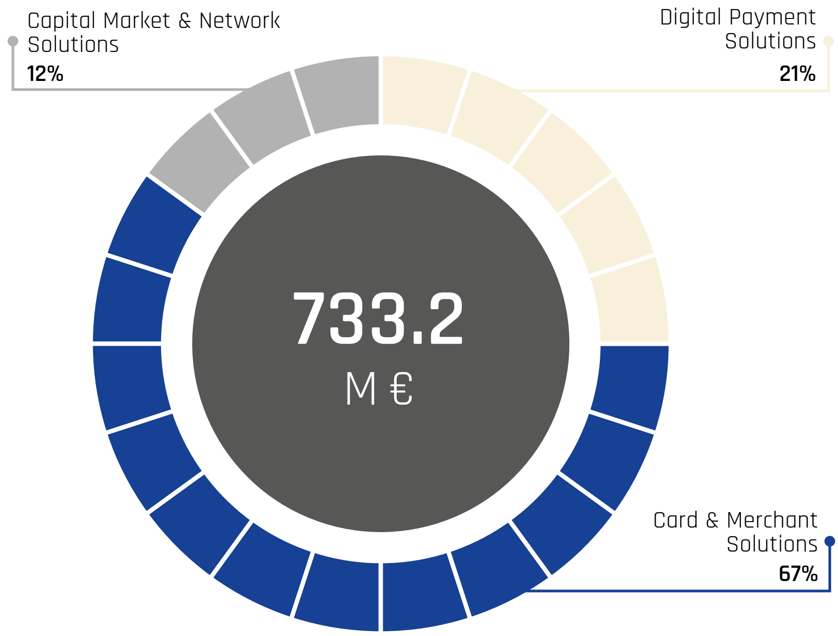
	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions	Total
Contribution to revenues 2018 for segments - new view	62%	24%	14%	100%
Contribution to revenues 2018 for segments - previous view	63%	19%	18%	100%

In consideration of the above, the revenues attributed to each of the above three segments for 2019, compared with the figures for 2018 reclassified according to the new management view explained above, are as follows:

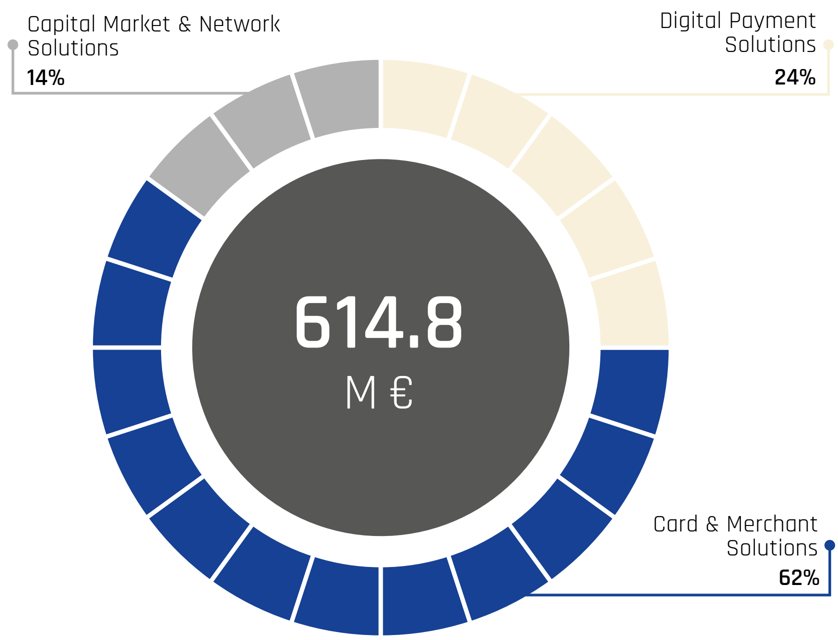
(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Card & Merchant Solutions	490,474	379,530	110,944	29.2%
Digital Payment Solutions	150,761	145,370	5,391	3.7%
Capital Market & Network Solutions	92,002	89,902	2,100	2.3%
Total revenues	**733,237**	**614,802**	**118,435**	**19.3%**

Revenues 2019 by business segment



Revenues 2018 by business segment



Finally, it should be noted that there are no revenues between the various operating segments.

The following tables show the "Adjusted operating margin", in aggregate and as a percentage of revenues, for each of the three business segments described above; in fact, consistently with the new SIA Group Business Plan for the three-year period 2020-2022 and with management reporting, Adjusted operating margin represents, together with revenues, the main measure on the basis of which the SIA Group management monitors and evaluates the economic performance of the sectors identified and the related allocation of resources:

CARD & MERCHANT SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues (*)	490,474	379,530	110,944	29.2%
Adjusted operating margin	172,370	126,836	45,534	35.9%
Adjusted operating margin/ Revenues	35%	33%	2%	

(*) Net revenues amounted to approximately 485 million euro at December 31, 2019, net of approximately 5.4 million euro relating to SIApay's fee and commission expense (see paragraph "Consolidated results of the Group - Reclassified consolidated income statement" of the Management Report).

DIGITAL PAYMENT SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues	150,761	145,370	5,391	3.7%
Adjusted operating margin	52,336	45,178	7,158	15.8%
Adjusted operating margin/ Revenues	35%	31%	4%	

CAPITAL MARKET & NETWORK SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues	92,002	89,902	2,100	2.3%
Adjusted operating margin	33,193	29,374	3,819	13.0%
Adjusted operating margin/ Revenues	36%	33%	3%	

These three segments represent total consolidated revenues and consolidated Adjusted operating margin for the years 2019 and 2018.

At the same time as reviewing the process of identifying and aggregating the business segments and the related determination of revenues as shown above, in order to calculate the Adjusted operating margin of each segment, the related costs have been defined consistently with the new aggregations used and in continuity with the existing allocation criteria, which also provide for the distribution of costs proportionally to the revenues of each operating segment.

In 2019, compared with the previous year, all segments posted higher profitability in terms of EBITDA; in particular:

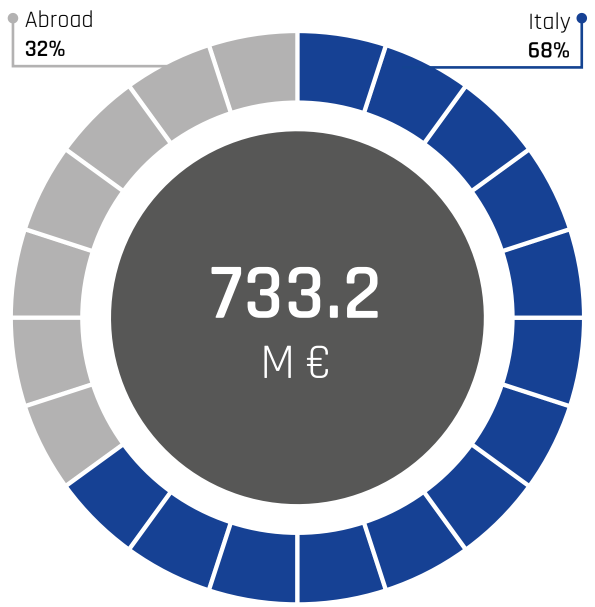
- the Adjusted operating margin of the Card & Merchant Solutions segment benefited mainly from the contributions of SIA Greece and SIA Slovakia for the whole of 2019 (these companies were acquired at the end of 2018), as well as the positive performance of the SIA business and P4cards in 2019;
- the Adjusted operating margin of the Digital Payment Solutions segment benefited mainly from particular efficiency in terms of operating leverage, which meant savings in costs incurred for 2019 from the payment services connected to electronic invoicing, payment hub and transportation;
- the Adjusted operating margin of the Capital Market & Network Solutions segment benefited mainly from particular efficiency in terms of operating leverage, which meant savings in costs incurred for 2019 from services related to connectivity and secure messaging. Moreover, profitability in benefited fully from the extension to the first half of 2020 of

the existing contract with four Central European Institutions for the provision of connectivity services.

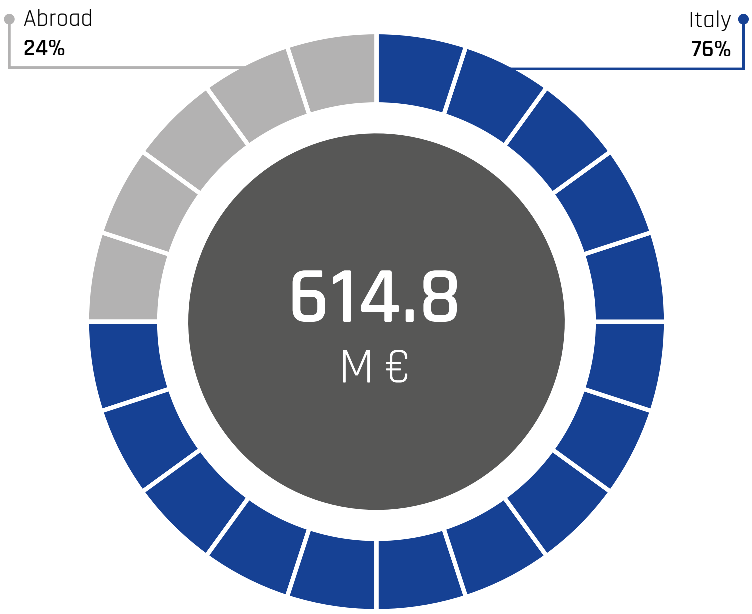
The SIA Group continues to closely monitor the performance of the business segments, also with regard to the significant new initiatives covered by the Business Plan for the period 2020-2022 approved in February (see the paragraph on Strategic Plan 2020-2022), as well as developments in the Coronavirus emergency (see "Significant events subsequent to the end of the financial year").

Lastly, the breakdown of total consolidated revenues by geographical area between Italy and abroad is illustrated below, which shows how the Group is successfully pursuing its path of growth and strengthening on foreign markets:

Revenues 2019 by geographical area



Revenues 2018 by geographical area



At a geographical level, the turnover achieved in Italy is equal to 501 million euro, an increase of 35 million euro (+7.5%) compared with 2018, while the foreign contribution came to 232 million euro, an improvement of 84 million euro (+56%) thanks to the internationalization policy pursued by the Group in recent years; in particular, as a result of the Magnolia deal, SIA has positioned itself as the no. 1 operator in Greece and in other countries of central-south-eastern Europe including Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia, which represent one of the most important and fastest growing areas in Europe for the electronic payments sector.

REVENUE BREAKDOWN BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA *(Thousands of euro)*

	Italy	Abroad	Total 2019
Card & Merchant Solutions	316,970	173,504	490,474
Digital Payment Solutions	100,696	50,065	150,761
Capital Market & Network Solutions	83,696	8,306	92,002
Total	**501,362**	**231,875**	**733,237**

A detailed analysis of the three segments' performance is provided below.

Card & Merchant Solutions segment

The increase in revenues about Card & Merchant Solutions segment is partly due to the acquisition of the First Data business in south-eastern Europe concluded on September 28, 2018, but also to the positive performance of SIA and P4cards.

In 2019 in Europe, the strong growth trend of payments via smartphone was confirmed and to date they represent one third of the total digital payments by card.

This method allows a substantial decrease in the average amount of transactions, which combined with the change in the user experience, favors the push to no cash transactions even for small amounts.

In particular, there has been an increase in transactions by Apple Pay, Samsung Pay and the most recently Google Pay, which was launched by one of the major Italian players towards the end of 2018.

During the first half of the year, thanks to SIA Slovakia and its direct subsidiaries, SIA permitted the launch and activation of the Samsung Pay service by Volksbank and Findomestic, and the Apple Pay service by Granit in Hungary and by Postova banka and J&T Bank in Slovakia. Furthermore, the Alipay service was launched at UniCredit Hungary and the Garmin Pay service at Alpha Bank in Greece.

Benefiting from the complete offer in the field of POS acquiring services and from the creation of synergies with local partners, the SIA Group has managed to expand its geographical coverage by providing POS terminals to the Slovenian market.

Thanks to its specific know-how, the subsidiary SIA Greece, has managed to expand its BPO business (e.g. card personalization, print & mail and contact center services) by significantly expanding the customer base served.

Still remaining in Europe, SIA issued the first co-branded VISA cards in April for a leading German issuer.

Considering the domestic market, the diffusion in Italy of digital payment methods is increasing constantly, especially in the e-commerce sector. This is evidenced by the data collected during the week of Black Friday: SIA recorded an increase of over a third of collections with electronic money, going from 13.7 million transactions last year to 18.4 million recorded in 2019. Furthermore, in the domestic market, the Digit PagoBANCOMAT service was launched for the BANCOMAT S.p.A. circuit with the banks participating in the pilot phase, through which PagoBANCOMAT card holders can virtualize the card on their smartphone (initially via Samsung Pay). The BANCOMAT Pay service has been active since January and was born from the agreement between SIA and BANCOMAT S.p.A. for the use of the Jiffy technological platform to support the digital transformation of BANCOMAT and allow 37 million PagoBANCOMAT card holders to pay in stores and on e-commerce, send and receive money in real time from their smartphone in total security by simply using their own mobile phone number with P2P, P2B, P2C and P2G services.

The SIA Group has prepared circuit Apps, both for the user and for the merchant, through which the member banks will be able to offer their customers the provision of services with reduced deadlines and impacts. Together with BANCOMAT, SIA has defined and implemented value-added services by equipping BANCOMAT Pay with innovative use cases.

In the second half of 2019, SIA, in collaboration with an Italian University, activated a solution based on personalized contactless cards that allow students to access the various services offered by the University easily and safely.

The second version of the payment services directive (3DS v2 - PSD2) and the related implementing legislation on September 14, 2019 set the deadline for the mandatory adoption by banks and other payment service providers of payment systems with strong customer authentication, based on the use of at least two factors to allow customers to access online accounts and make electronic payments securely. In view of the complexity of the adjustments, particularly relevant in the field of online card payments, and the need for active involvement of users, the European Banking Authority (EBA) has recognized the possibility for national authorities to allow additional time beyond September 14, to allow completion of the interventions and the adoption of new authentication tools by all customers, with exclusive reference to the category of payments. This authentication method has generated structural changes in the operating methods of all counterparties (merchants, acceptance networks, technical service providers), also with impacts on payment routes and a new user experience on the part of our customers. A Risk Based Authentication system has been introduced to analyze purchasing behavior and make the authentication process simpler or even unnecessary if certain conditions are met.

SIA continues to offer Card Management services in the Digital Banking area starting with digital on-boarding and contracting services. For the offer of terminals, thanks to the subsidiary P4cards, SIA has enriched the smartPOS line, based on the Android system. This solution guarantees the offer of multiple Apps that allow operators of the different market segments to enjoy services aimed at expanding the services aimed at their customers, such as booking taxis and accepting meal vouchers and making payment management more efficient, for example with cash register and electronic invoicing solutions.

During 2019 an important insurance group chose SIA to create the Payment Hub which, integrated with the company's new sales processes, will allow the collection of policies on the physical (via POS terminals) and virtual channels. SIA will work closely with the insurance company, offering its service to over 2,200 agencies in Italy. The solution developed by SIA, integrated with the company's back-end and front-end systems, will allow timely reporting of each policy and each payment. The new infrastructure will replace the current system, again provided by SIA from 2012, thus confirming the validity of the partnership between the two companies.

Favored by SIApay and strong growth volumes, the issue of payment cards is confirmed as an essential element in guaranteeing complete support for the initiatives of customer payment institutions.

Lastly, in December 2019 the subsidiaries SIApay and P4cards completed the final phase of the migration of POS terminals for an important banking group, an initiative that resulted in the massive roll out of over 22,000 merchants and the migration of 23,000 POS terminals from Nexi Acquirer/GT POS to P4cards Acquirer SIApay/GT POS. The project introduced a new commercial proposition model, in which the Customer/Partner holds the contractual relationship with the merchant, while SIApay, as Principal Member towards the International Circuits, is responsible for the operational and financial management of all the processes.

The Transaction Collection infrastructure completed the on-boarding process of the traffic deriving from the Triveneto Consortium in view of the migration to the new NEXI-Blue platform.

E-MARKET SDIR CERTIFIED

Digital Payment Solutions segment

The Digital Payment Solutions segment consolidated its system dynamics during 2019, taking into account, in particular, the rationalization of exchanges between German commercial banks.

During the first half of 2019, the mandatory introduction of electronic invoicing produced a strong increase in volumes and a significant increase in service revenues, including the conservation component, which also generated interesting opportunities for discussion on the topic of ancillary payment services.

Also in the first half of 2019, two important tenders launched by the Bank of Italy were successfully completed:

- renewal of the concession for the provision of the Interbank Alarm Center - CAI;
- assignment of the middleware implementation project for the treatment of domestic payments.

The development of the Payment HUB solutions that integrate the instant payments service connected to the requirements of the PSD2 regulation continued. Near real time execution, 24/24 availability and irrevocability make instant payment a hybrid method between card transfer and transaction.

In the field of smart mobility, the group's commitment continues, which not only confirms itself as the ideal partner for the development of technology and supporting infrastructure, but also proposes itself as a developer of ad hoc solutions capable of integrating all the players involved in the value chain.

In the transport sector, the payment service for travel tickets with contactless cards stood out and was acquired and made operational by several metropolitan and regional transport companies.

This service allows citizens and tourists to access the means of transport easily, quickly and with secure payment via contactless cards or smartphones. SIA plays the role of a technological "hub" by connecting the company's information system, the financial institution that interacts with the payment card circuits and the operator of the POS terminals.

The strong impact of the smart mobility service is evidenced by the numbers made public by a leading Italian transport company, which in 2019 recorded an increase of over 300% in the use of contactless cards as an access tool to the metro lines compared with 2018.

As already introduced in the Card & Merchant Solutions segment, SIA plans to consolidate the alliance with BANCOMAT through the further development of the ATM Pay platform and the offer of new value-added features. In particular, the commercial launch of two mobile applications developed entirely by SIA is planned to facilitate and speed up the spread of the BANCOMAT service.

These applications are addressed both to the retail world, allowing the exchange of money between individuals, and to the merchant world, allowing to collect payments in App-to-App mode.

SIA has guaranteed excellent service levels, reaching 100% availability of the service to EBA Clearing and its customers for the sixth consecutive year.

The strong interest on the part of many operators for solutions that guarantee real-time settlement of retail payments ("Instant Payments") was further confirmed in 2019, during which there was a strong and constant growth in volumes for a total of 85 million transactions, peaking in December at over 730,000 transactions per day. This type of payment represents an important support to the ever greater diffusion of the use of payment instruments on mobile platforms and the development of e-commerce.

During the second half of 2019, ongoing project activities continued for the following customers:

- RTGS system for the Central Bank of a North American country;
- RTGS system and Instant Payments for the Central Bank of a European country;
- RTGS and CSD Equities system for a Central Bank in Oceania;
- CSD Equities system for a CSD from an African country;
- Realization of the new RAC system for BANCOMAT S.p.A.

Finally, SIA has participated in various international tenders still in progress, among which we have to mention:

- Retail payments from an important European country, for which SIA is accredited for the subsequent procurement phases;
- creation of a national Mobile Payments system for a European country;

- implementation of an RTGS system for two important countries in the Middle East area;
- implementation of an Instant Payments system for two important countries in the North America area.

Given the growing emphasis by the Regulators on the issues of cybercrime and operational continuity of critical system infrastructures, the following have been prepared:

- an offer of extended maintenance services with stringent application security controls, which most European customers have joined;
- a service providing the RTGS service from our data centers (Remote Extreme Contingency Service - RECS) to be used in case of unavailability of the primary systems on site, signed by a Central Bank in Oceania and under evaluation by a European Central Bank.

In the corporate sphere, the need to offer consumers digital and omnichannel payment solutions is increasingly central, requiring an integrated vision and centralized control of the channels. In recent months, there has been growing interest in solutions for accessing customer accounts through the digital interfaces of companies made possible by the introduction of the PSD2 and in this sense SIA and the subsidiary SIAadvisor have already acquired an important customer in the utility sector for studying and creating new use cases.

As part of the multichannel collection services, we wish to underline the development of a solution for the management of the flows coming from the foreign subsidiaries of multinationals, which is already being released on a primary Italian group starting from the Spanish and English subsidiaries, as first steps of a tight schedule of releases to numerous countries, including the USA and Latin America. Still in the context of collections, the positive performance of the MultiNetwork service is confirmed once again, especially in the utility sector, where in the first half of the year there was a new important customer and the start of the extension of the service by a primary customer to all Group companies.

The multichannel gateway service held up reasonably well, despite a significant drop in volumes of telephone top-ups, due to the change in operators' tariff policies and the entry of a new operator.

At the end of 2018, a prestigious utility company chose SIA for the creation of the Electronic Money Institute which received authorization to operate from the Bank of Italy at the beginning of 2019. SIA through its subsidiary SIAadvisor has supported the company in preparing the application to the Bank of Italy and, at the same time, has made available to the new financial subject the technological infrastructures necessary for the provision of new services in the digital payments area. The initiative, which has an international scope, will allow the company to complete the current offer to its customers with payments services, also to support electric mobility.

During 2019 there was a significant increase in the number of Local Public Administrations participating in the EasyPA solution and in the payment transactions made electronically by citizens and businesses to public administrations.

The technological collaboration between SIA and AGID continued and, from September 2019, close collaboration began with PagoPA S.p.A., a company that has taken over control of the national pagoPA platform.

In 2019, the volume of payment transactions more than tripled compared with the previous year. There has also been an increase in transactions carried out through the F24 automated collection management service which, thanks to a unique digital recognition code, allows entities to manage all the emission and reporting phases of the F24 model in an integrated manner and to citizens to pay quickly and easily.

Since the beginning of 2019, a significant number of new entities have been activated for the SIOPE+ service. This service allows individual bodies to talk to the central system managed by the Bank of Italy on behalf of the Ministry of Economy and Finance in a safe and standardized way.

Capital Market & Network Solutions segment

The performance of the segment in question confirms the excellence of the services provided by SIA also during 2019; among other things, the London Stock Exchange Group continued to choose SIA as the technological partner of reference for MTS and Monte Titoli, thanks to the proven quality of the services provided, both in terms of availability and guaranteed performance and in terms of new features developed in fixed income trading and T2S post-trading.

As regards trading, during the first half of the year SIA collaborated with MTS in evolving the markets with a view to continuously improving the usability of the functions and services by traders. In parallel, SIA is developing a new release of MMF (Repo Market), with expected benefits in terms of both trader-system interaction and trading mechanisms.

As regards post-trading, the evolution of Monte Titoli services continued, in terms of compliance with the central Target2-Securities platform (release T2S 3.0), and new features for pre-settlement services in line with the road map defined by the customer.
With reference to the segment of financial intermediaries, the TODEAL service continued to consolidate into the European government bonds in the primary market, acquiring important new customers in the Italian market.

Lastly, investment continued in the evolution of the capital market offer in line with market needs, particularly in the following areas:

- the SIA EAGLE product has been enriched with new features and modules, which allow it to be marketed in other geographical areas, such as central-eastern Europe, French-speaking countries and the Middle East;
- evolution of the "SIA Collateral Management System" platform for the advanced management of guarantees by central securities depositories and central banks;
- analysis of new offer lines based on DLT technology, through a new platform dedicated to the management of guarantees on SME credit portfolios.

The group has signed SIAnet contracts with 6 primary Payment Service Providers (PSP) for access to EBA or ECB Instant Payments services, further strengthening its proposition and European presence.

In view of the entry into operation of the CIT interbank procedure in the first half of 2019, the Secure Messaging service, created to address traffic and manage all the flows required by the reference application standard, supported the significant increase in volumes traffic on the SIAnet network.

SIA, in partnership with Colt, has been awarded one of the two ten-year concessions for the provision of access network services to the Eurosystem's market infrastructures. Thanks to these services, financial institutions will be able to access through a single interface (Eurosystem Single Market Infrastructure Gateway, ESMIG) the platform for the TARGET2 settlement of payments of significant amounts, the TIPS instant payments settlement service, the platform for the settlement of TARGET2-Securities (T2S) securities, the ECMS Eurosystem collateral management system and possibly other new services and applications. ESMIG represents a fundamental component of the T2-T2S consolidation project, one of the key proposals of the Eurosystem's "Vision 2020" strategic plan. The assignment of the license to SIA-Colt will allow to provide secure and managed services for the transport of data relating to payment transactions with particular attention to the Instant Payments systems for which SIA is also credited to the EBA Clearing platform called RT1. ESMIG will be in production from November 2021.

In the second half of 2019, an important "Inventory Monetization" initiative was launched, managed by the Supply @ Me company of the Advanguarde group, which saw the birth on SIAchain, in Hyperledger Fabric technology, of an innovative financial management system for corporate warehouses. Activities on the FINSEC project, an initiative financed by the European Union, of testing on the security of European critical payment infrastructures, continue as planned.

In December 2019, the SIAchain infrastructure was released into production to support ABI Lab's new Spunta Banche ("Tick Banks") application which will see the first banks operate on the system in the first months of 2020. This application, by virtue of a new ABI self-regulation, thus becomes the standard for proceeding with the reconciliation of open items of payments on reciprocal accounts. During the year, the testing of an innovative tourism promotion system sponsored by the Autonomous Province of Trento was completed, which sees SIA as primary player in the supply as well as the SIAchain infrastructure, including the framework for the issue and management of tourist coupons, managed in the form of digital tokens.

Regarding the development of innovative services for the PA, SIA has started experimenting with a primary Italian municipality a more efficient management process of current guarantee foreseen in the process of issuing tender notices, through blockchain technology, ensuring transparency to all the subjects involved (PA, banks, insurance companies). The experiment continued with the establishment of a community that includes universities, local and central PAs and financial institutions in order to create a national system of management of guarantees in blockchain logic. Furthermore, always in the blockchain sector, SIA has activated an experiment with a Ministry and some financial institutions for the management of the financial flows related to the transfer of a fifth of salary (for salary-backed loans).

PERFORMANCE OF GROUP COMPANIES

The scope of consolidation has changed compared with December 31, 2018 following the absorption of Ubiq by P4cards.

So at the reference date the scope of consolidation included the parent company SIA, its foreign subsidiaries Perago FSE, PforCards, SIA Central Europe, SIA Greece and SIA Slovakia, and its Italian subsidiaries Emmecom, P4cards, SIAadvisor and SIApay. SIA Slovakia directly controls SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia. P4cards and SIA Greece respectively control QuenIT Consortium in liquidation and DMAN in liquidation, which from 2019 are included in investments carried at cost (the impact of these companies in liquidation on the consolidated financial statements of the SIA Group is not significant, neither at an individual level nor at an aggregate level).

SIA S.p.A.

In addition to acting as the Group's holding company, SIA is also the main operating company in terms of both volumes and the breadth of services that it offers its customers. As a holding company, SIA provides technological and administrative outsourcing services, as well as logistics services to a number of Group companies on the basis of contracts negotiated at normal market conditions.

During 2019 SIA recorded an increase in revenues, due to a very positive performance especially in the Card & Merchant Solutions segment. Operating costs increased on the comparison period mainly because of higher variable costs incurred for the increase in volumes and business initiatives.

During the year, the company benefited from dividends recognized by various Group companies and, in particular, by P4cards for an amount of 28 million euro, which led to a net result significantly higher than in the previous year.

2019 shows revenues of 443.8 million euro (411.9 million euro in 2018), an operating result of 110.9 million euro (97.4 million euro in 2018) and a net result of 105.6 million euro (84.6 million euro in 2018). Shareholders' equity at the end of the year amounted to 316.2 million euro, including profit for the year.

Emmecom S.r.l.

The company, with registered office in Turin, is 100% owned by SIA S.p.A. and specializes in fixed, mobile and satellite telecommunications networks; from January 1, 2020 it was absorbed by SIApay. Founded in 2000, Emmecom integrates the quality services of the main telephone operators, developing solutions for selected target customers that feature optimization of expenditure, certainty of savings (benchmark, reporting, tariff consultancy) and completeness of service (telephony, internet access, value-added services, mobile telephony).

2019 shows revenues of 13.3 million euro (16.5 million euro in 2018), an operating result of 2.1 million euro (2.0 million euro in 2018) and a net result of 1.6 million euro (1.4 million euro in 2018). Shareholders' equity at the end of the year was Euro 3.3 million.

Perago FSE Ltd

The company, based in Pretoria (South Africa), offers high quality solutions in the areas of payment systems (Real Time Gross Settlement, Automated Clearing House, Instant Payments and Government Payments), securities management systems (Central Securities Depository and Collateral Management) and Smart application integration solutions (Straight Through Processing and Payment Hub), aimed in particular at Central Banks (including RTGS, CSD, Instant Payments) and financial institutions.

2019 closed with revenues of 4.7 million euro (4.6 million euro in 2018), an operating loss of 1.9 million euro (negative 3.9 million euro in 2018) and a net loss of 1.9 million euro (negative 4.0 million euro in 2018). The share capital amounts to 30,000 rand (corresponding to 2,000 euro at December 31, 2019). In the first half of 2019, the parent company SIA decided to cover 3.6 million euro of the subsidiary's losses by waiving financial receivables of 2 million euro and trade receivables for 1.6 million euro; The shareholders' equity at the end of the 2019 was negative for 1.0 million euro (under South African law there are no minimum capital requirements).

The parent company SIA S.p.A., as sole shareholder, has issued a letter of financial and capital support to allow Perago FSE to be considered a going concern for at least the whole of 2020; in this regard, in January 2020, taking into account the provisions of the three-year plan 2020-2022 approved by the Board of Directors of Perago FSE, the Board of Directors of SIA S.p.A. approved granting a loan to this subsidiary for 3.5 million euro (of which 1 million euro already disbursed in February 2020), at the maximum interest rate allowed by South African law and lasting 2 years, to cover forecast cash requirements up to June 30, 2020. Group management carefully monitors the economic, equity and financial performance of the subsidiary, also evaluating the most appropriate measures to be adopted for the next redefinition of its organizational and strategic structure.

The impairment test carried out on the reference date of December 31, 2019 led to a total write-down of the carrying amount of the equity investment in the separate financial statements of SIA S.p.A. of approximately 263 thousand euro, so the balance at that date is zero; it should be noted that no goodwill and/or other tangible and/or intangible assets related to the past purchase price allocation of this subsidiary are recorded in the consolidated financial statements of the SIA Group.

P4cards S.r.l.

The company, based in Verona, was acquired on December 31, 2016 from the UniCredit Group. The transaction was completed through the purchase of 100% of the company's shares, which at the same time benefited from the transfer of the UniCredit Group's payment card processing activities and management of POS and ATM terminals in Italy and Germany. Lastly, it should be noted that P4cards outsources the processing of transactions carried out with debit, credit and prepaid cards and management of the POS and ATMs of the UniCredit Group to UniCredit Services, on the basis of a specific 10-year contract that began on 1 January, 2017; certain aspects of this contract were being renegotiated at the date of approval of the financial statements of the SIA Group and of SIA S.p.A. for the year ended 31 December 2019. P4cards directly controls **QuenIT consortium in liquidation**. 2019 shows revenues of 164.4 million euro (151.3 million euro in 2018), an operating result of 46.5 million euro (41.8 million euro in 2018) and a net profit of 34.1 million euro (30.8 million euro in 2018). Shareholders' equity is equal to 90.4 million euro, including the profit for the year. In the first half of 2019, the company distributed dividends to the parent company SIA for 28 million euro. The QuenIT Consortium in liquidation closed the year with shareholders' equity of 10 thousand euro.

PforCards GmbH

The company is based in Vienna and was acquired on December 31, 2016 as part of the wider acquisition from the UniCredit Group of its activities in payment card processing and management of POS and ATM terminals in Italy, Germany and Austria. The transaction was completed through the purchase of 100% of the company shares.

2019 shows revenues of 4.7 million euro (3.5 million euro in 2018), an operating loss of 1.1 million euro (1.1 million euro in 2018) and a net loss of 1.1 million euro (negative 1.2 million euro in 2018). Shareholders' equity amounts to 1.6 million euro. The operating result has so far been penalized by the depreciation of assets relating to the old technological infrastructure, which at December 31, 2019 are almost completely depreciated. Following investments that were considerably less expensive than those for the old infrastructure, in 2020 the company will migrate to the technological infrastructure of the SIA Group. Depreciation of these investments will have a significantly lower impact on the operating result, so the company is expected to make an operating profit in 2020.

SIA Central Europe Zrt

The company, 100% owned by SIA and acquired in 2007, is based in Budapest (Hungary). It has a share capital of 177 million Hungarian forints (about 536,000 euro at December 31, 2019) and shareholders' equity, including the operating result, of 6.4 million euro. Leader in Hungary in payment systems and processing, SIA Central Europe mainly provides Financial Institutions, Corporates, Issuers and Acquirers of payment cards, ATM and POS Terminal management services, transaction switching, fraud monitoring and other services on payment systems.

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

2019 shows a revenue of 12.6 million euro (12.4 million euro in 2018) and an operating result of 2.4 million euro (2.5 million euro in 2018). The year ended with a net profit of 2.1 million euro (2.3 million euro in 2018). In the first half of 2019, the company distributed 2.1 million euro of profits to the parent company.

As of January 1, 2020, the company was absorbed by SIA Slovakia (see the previous paragraph "Structure of the SIA Group at December 31, 2019").

SIApay S.r.l.

The company is based in Milan and is 100% directly controlled by SIA. It was established in 2009 and became operational in 2010. In 2011 SIApay was authorized by the Bank of Italy to register in the Register of Payment Institutions.

Shareholders' equity amounted to 8.6 million euro as of December 31, 2019, including the result for the year. The company closed 2019 with revenues of 20.0 million euro (12.8 million euro in 2018), an operating result of 1.3 million euro (0.9 million euro in 2018) and a net profit of 0.8 million euro (0.5 million euro in 2018). In the first half of 2019, the company distributed 0.5 million euro of profits to the parent company. On October 10, 2019 the respective Shareholders' Meetings of Emmecom and SIApay approved the absorption of Emmecom by SIApay with effective date January 1, 2020.

SIA Slovakia a.s.

The company, based in Bratislava (Slovak Republic), together with its direct subsidiaries, provides issuing and acquiring services throughout Central and Eastern Europe.

With effect from September 20 2019, SIA Slovakia s.r.o. became a joint stock company, changing its name to SIA Slovakia a.s..

During 2019, the company achieved revenues of 42.2 million euro, an operating result of 11.6 million euro and a net result of 9.0 million euro. Shareholders' equity at the end of the period amounted to Euro 33.3 million, including the result for the year.

The companies controlled directly by SIA Slovakia are:

- **SIA Croatia d.o.o.** based in Zagreb, in the reference year it totaled revenues of 2.3 million euro and closed with a shareholders' equity of 360 thousand euro.
- **SIA Romania Payment Technologies S.r.l.** based in Bucharest, in the reference year it totaled revenues of 94 thousand euro and closed with a shareholders' equity of 139 thousand euro.
- **SIA RS d.o.o. Beograd** based in Belgrade, in the reference year it reached revenues

of 2.3 million euro and closed with a shareholders' equity of 444 thousand euro.

- **SIA Hungary Kft.** based in Budapest, in the reference year is achieved revenues of 1.6 million euro and closed with a shareholders' equity of 994 thousand euro.
- **SIA Czech Republic s.r.o.** based in Prague, in the reference year it totaled revenues of 73 thousand euro and closed with a shareholders' equity of 184 thousand euro.

As of January 1, 2020, the company absorbed SIA Central Europe Zrt (see the previous paragraph "Structure of the SIA Group at December 31, 2019").

SIA Greece S.A.

The company, based in Athens (Greece), provides a complete set of high value-added payment services along the entire payments value chain. The company manages POS and ATM, offers card production and personalization services and manages back-office and call center services. Services reach seven different countries in Southern and Eastern Europe. The company directly controls **DMAN in liquidation.**

In 2019, the company achieved revenues of 56.0 million euro, an operating result of 6.0 million euro and a net result of 3.9 million euro. Shareholders' equity at the end of the year was Euro 48.9 million. DMAN in liquidation closes the year with a net equity of Euro 412 thousand.

Lastly, it should be noted that at the date of approval of the financial statements at December 31, 2019, there was still in progress the tender procedure for the renewal of card processing services launched by an important listed Greek bank, towards which SIA Greece has a significant concentration of its turnover; this tender procedure will be completed by end of October 2020. SIA Group management carefully monitors its evolution, also for impairment purposes.

SIAadvisor S.r.l.

The company is based in Rome and was acquired on January 13, 2016 through the purchase of 51% of the shares. On December 1, 2018 the company changed its name from LM Enterprise S.r.l. into SIAadvisor S.r.l. However, the company is consolidated 100% as it is believed that the derivative instruments present (exercisable until December 31, 2021) give SIA immediate access to SIAadvisor's returns. Established in 2011, the company specializes in providing consultancy services in the Marketing & Sales, IT/Operations and Organization fields. Close collaboration with the company makes it possible to meet the needs of SIA customers in terms of support, implementation and development of their business strategy. It also provides specialist skills on innovative issues and creates potential market synergies.

2019 closed with revenues of 5.5 million euro (4.1 million euro in 2018), an operating result of 1.3 million euro (1.0 million euro in 2018) and a net result of 0.9 million euro (0.7 million euro in 2018). Shareholders' equity at the end of the year was Euro 3.3 million.

Associated companies

ATS S.p.A.

In December 2000, SIA acquired a 30% stake in ATS S.p.A., a software development company, mainly for the banking and financial sector, and has been SIA's qualified partner for many years. The company is based in Milan.

The figures for 2018, as the latest approved figures available at the date of these financial statements, show a positive result of Euro 106 thousand, in line with previous years. The share capital amounted to Euro 120 thousand at December 31, 2018 and the shareholders' equity to Euro 2.6 million.

TECHNOLOGY AND INNOVATION

During 2019, integration of the ex-First Data companies continued, having been acquired in 2018 in the Central, Eastern and South-Eastern European (CESEE) countries and Greece.

In particular, as regards the Technology & Infrastructures Department, the main initiatives of this Program are:

a) the construction of a new global high-speed network connecting the Italian data centers with those in Greece and Slovakia, which was completed in the first half of 2019. The IT, network, and security services originally provided by First Data to the acquired companies will be progressively insourced, a process that will be completed by the end of the first quarter of 2020;
b) consolidation of the two data centers now located in Bratislava in SIA's two Italian data centers.

This project is scheduled for the end of the third quarter of 2020. Still on the subject of the integration of Group companies, the activities planned as part of the P4cards Transition Program continued, which will see the start-up on the Group's open platforms of various services: Acquiring Authorization, POS Terminal Manager and ATM Terminal Manager. Other relevant initiatives that deserve to be mentioned are:

a) The progressive extension to the open platforms of the Geographic Active/Active architecture with the start of the PSD2, NodoPa and Payment Hub services, which will also fully benefit from the new distributed geographical infrastructure.
b) The design of the network solution, based on SIAnet.XS, for the reply to the ECB's ESMIG tender which allowed SIA to win the contract to serve the Eurosystem. As part of ECB's T2/T2S Consolidation Project, ESMIG (Eurosystem Single Market Infrastructure Gateway) represents the single component for managing connectivity between ECB systems and Participants, through authorized network service providers (NSP).
c) Preparation of the SIAchain 2.0 Production Infrastructure based on the Corda Blockchain solution that will allow banks to activate the business service called Spunta Banche, wanted by ABI Lab.

As regards cybersecurity issues, again following the acquisition of the ex-First Data companies, a new Group cybersecurity organizational model has been defined, having as its main focus the integration of the organization, processes, standards and cybersecurity tools for all Group companies.

SIA's contribution and collaboration in the financial ecosystem continues to grow, also by participating in international public-private cooperation forums, the ECB's Euro Cyber Resilience Board (ECRB) and national initiatives, such as the Italian Financial CERT.

Lastly, certain cybersecurity initiatives implemented in 2019 are worthy of mention:

a) Strengthening detection capabilities by integrating the consolidated technologies of analysis and correlation of events with Machine Learning and Data Lake infrastructures; this infrastructure, called UEBA (User and Entity Behavior Analytics), makes it possible to monitor the behavior of systems and users and to detect anomalous deviations to be investigated, where appropriate.
b) Implementation of technical and operational procedures for the EBA Step2 service, aimed at guaranteeing that the service would restart within the time limits set by sector regulations, even in the event of a cyber accident.

RISK MANAGEMENT

The SIA Group intends to counter and minimize its operational, financial, compliance and reputation risks. It acts on business processes for customers, cybersecurity, fraud management and business continuity. It pays attention to suppliers/partners and personal safety.

Following acquisitions in various geographical areas and business combinations, it defined an integrated risk management method in order to ensure consistent risk management at a Group level. This involved establishing shared principles and approaches, taking into account the specific operating characteristics of the individual companies, especially with regard to financial, compliance and customer/supplier risks. This model provides for a breakdown into centralized and decentralized functions with appropriate information and reporting flows.

The SIA Group pays particular attention to the topic of risk culture and has carried out annual interventions over time with different levels of learning and different teaching methods (online platform training program, thematic workshops developed on the basis of pre-eminent business risks conducted with different company professionals, an in-depth seminar on reputational risk, face-to-face sessions). An American company that specializes in staff training, in the context of a world-wide campaign, awarded SIA the “Gold Excellence in Learning” award in the “Compliance” category for excellence in staff training for our online course, “The ABC of Risk Culture”.

Risk management process

Aware of the type, nature and extent of the risks to which the company is exposed, the top management of the SIA Group supports the risk management process and defines the risk objectives.

This process defines the methods by which to identify, evaluate, contrast, monitor and prevent the risks to which the Group is exposed.

The risk management process:

- is organized according to the ISO 31000:2018 standard and was updated at Group level in 2019;
- is aimed at pursuing the objectives and protecting the value of the company;
- is an integral part of the organizational systems and business processes, the initiatives being defined and the services provided;
- addresses the conditions of uncertainty and is a component of corporate decision-making processes;
- is carried out in a systematic, structured, timely and documented manner;
- considers the human, perceptual and cultural factors that facilitate risk reporting and impact assessments;
- is periodically verified to ensure that it meets the corporate objectives.

From an organizational point of view, SIA has three lines of defense which include:

- the Corporate Organizational Structures - which identify, govern and control the risks of their areas of action (first level);
- the Risk Governance Department - which is responsible for second-level risk control and the governance of compliance, business continuity, personal data protection and Health and Safety systems. This structure is part of the CEO’s staff and reports to the Chief Financial Officer;
- the Internal Audit Department - which ensures third-level control over corporate risks. It operates independently and reports to the Chairman’s Office.

In addition:
- the members of top management are periodically brought up to date and intervene in risk assessment decisions;
- there is a “Risk Team” - made up of “risk representatives” who operate in their own areas - to oversee and monitor risk assessment and risk treatment plans.

Main activities in 2019

The main activities in 2019 at Group level were:
- to update the risk policy;
- to develop the risk management process at Group level;
- to prepare the risk analysis of the services/products of the Parent Company and of the Subsidiaries;
- to monitor the risks associated with the most important business initiatives;
- to gradually extend the monitoring of business certifications and approvals to the Group;
- to monitor IT, technological and security risks;
- to carry out the actions of the internal GDPR improvement program extended to Group level;
- to strengthen the culture of risk with appropriate training solutions.

Operational risk in new initiatives

The SIA Group is strongly committed to the design development of new initiatives and technological solutions to respond promptly to customer demand and anticipate its evolutionary lines.

The SIA Group manages the risks for new initiatives by assessing the impacts of developing new solutions from the early stages (by-design).

Main activities carried out in 2019:
- to monitor the risk for new project initiatives with specific checklists to evaluate the impacts of developing new solutions from the early stages (by-design);
- to prepare specific risk analyzes of significant initiatives.

Operational risk in the services provided

Monitoring of the risks associated with the main production services continues.

The risk analysis method of the services is consistent with best practices. It involves the use of a checklist that considers the characteristics of the offered services/products and the standards for risk analysis.

Actions continued to standardize the ways in which the risks of the services of the Group companies are analyzed, assessed and treated.

Also noteworthy are the ISO 9001 quality controls of SIA, carried out on services and products which are now also risk-oriented controls.

Technological risk

On-going monitoring of technological infrastructures and related risks continues with organizational solutions for centralized monitoring of technological infrastructures, systems and networks responsible for providing services.

To reduce risks in the production environment, specific testing environments have been organized and a form of centralized governance of all requests for interventions and changes to production environments has been established.

Furthermore, the analysis of the technological risk profile of the main SIA Group sites is being updated.

Operational risk for suppliers and partners

The analysis of operational risks in services and products also pays attention to:
- impacts that suppliers could cause on the services provided to customers in the case of dependence on specific suppliers;
- protection measures for suppliers who also process personal data;
- the business continuity requirements expressed and expected by customers.

Actions were launched in 2019 which will take effect from 2020 to integrate the SIA Group's procurement solution with a specific module to manage supplier risk. This solution makes it possible to verify the riskiness of a supplier during the selection phase and subsequently to re-evaluate its riskiness for the Company.

Compliance risk

Monitoring compliance risk is ensured by a specific compliance management system that operates as a second level control. Attention is paid to the main regulatory deadlines and to the new regulations that impact companies and customers.

Considerable attention is paid to the rules regarding critical infrastructures for payment systems and financial markets, the card processing world and regulations on cyber resilience.

Action was taken in 2019:
- to coordinate requests for information, documents and data received by the Central Bank's Surveillance structure on the basis of art. 146 of the TUB;
- to monitor changes in the rules following the PSD2 directive and the recent issues of technical standards by the European Banking Authority (EBA) and the European Central Bank (ECB);
- to monitor the certifications and approvals of business card processing (PCI-DSS, PCI-PIN Program and 3DS, of other standards provided by international circuits and Bancomat approvals) by extending monitoring to the Group;
- to assist the renewal of PCI-DSS certifications with particular regard to the areas of SIA Greece, and SIA CEE;
- to identify the risks arising from the major contracts with Group customers;
- to maintain the Quality, Operational Continuity, IT Services and Safety systems for ISO certifications (9001 - 22301 - 20000 - 27001). In particular, Group companies hold the certifications needed for their particular business;
- to obtain ISO 27017 and ISO 27018 certification for the replacement conservation and EasyPA services and maintain AgID certification for the replacement conservation services;
- to coordinate the preparation of ISAE 3402 Type 2 reports;
- to maintain the organizational model pursuant to Legislative Decree 231/2001 for the Italian Group companies that have appointed a Supervisory Body;
- to extend the alerting service for newsletters and members' letters of international circuits to Group companies.

Risks inherent to the processing of personal data

In order to comply with the requirements set out in the privacy legislation and to minimize the risks deriving from it, SIA uses a special Governance System, which involves all members of staff, each according to their role and skills. At Group level, monitoring is guaranteed by SIA's Data Protection Officer (DPO), who has also been designated by the other companies, and who uses the collaboration of a focal point/privacy officer at local level.

Activities in 2019 continued:
- to perform the steps for the internal GDPR improvement program, to ensure effective and efficient responses to requests of people to exercise their rights;
- to keep the Data Protection policies, procedures and documentation up to date, in line with the evolution of the regulatory scenario and the organizational model;
- to update the Processing Register with particular attention to the processing of personal data as part of services provided to Customers;
- to optimize the handling of requests from Customers, Suppliers and internal structures in the field of Data Protection;

- to deliver a training program in line with the contents of the GDPR and improve awareness with specific campaigns;
- to check that the processing of personal data is carried out according to the regulations and in compliance with the contractual agreements in force;
- to guarantee periodic reporting to top management.

Operational security and cybersecurity risk

The financial sector is characterized by dependence on information, information systems and computer networks and hence increasingly exposed to cyber threats due to the importance of the data processed and its critical nature for the economy. The occurrence of threats to the data processed by the services offered by SIA can determine significant effects on the services themselves and on the customers, which means they could impact the Company's results and reputation.

SIA intends to respond to the expectations of customers and institutions regarding the security and protection of critical infrastructures and, therefore, to provide the best response to cybersecurity threats in line with the directives for the Financial Market Infrastructure (IMF) defined to improve resilience in the face of cyber threats.

During the period, the continuous monitoring of technological infrastructures and related risks continued with organizational solutions for centralized monitoring of technological infrastructures, systems and networks responsible for providing services, also aimed at facing technological risk and guaranteeing segregation of roles.

As mentioned in the previous chapter "Technology and security of services", SIA has put in place a series of complex operational controls and security countermeasures at an organizational, logical and physical level, whose application is aligned with the business guidelines and at the same time adequate for risk assessments about the confidentiality, integrity and availability of information.

The initiatives that have been launched are organized along the following lines:

- To ensure prevention against cyberattacks according to an "defense in depth" approach through the distribution of security measures on different layers, so that one protection measure is covered by a subsequent line of defense;
- To increase effectiveness and speed in identifying and responding to security threats, through the analysis and use of information obtained from technical probes and external information-sharing sources;
- To harmonize coverage of the entire group by aligning protection procedures and measures.

The security and cybersecurity risk mitigation initiatives have been developed within an ISMS Information Security Management System, according to the ISO/IEC 27001 standard and certified by a qualified third party.

Business continuity risk

Business continuity risks are inherent in the type of services that SIA provides to its customers.

SIA has a specific "Business Continuity System" to counter these risks.

SIA operates in compliance with national and European banking regulations, as defined in contracts with customers and in compliance with the ISO 22301 standard.

For its own operational continuity and that of the services provided to its customers and to the financial community: "SIA guarantees the restoration of business services as well as support activities relevant to the company in compliance with the Bank of Italy's Guidelines on business continuity, contracts with customers taking into account the technological characteristics of the systems".

Activities in 2019 continued:

- to keep the procedures and documentation of the business continuity management system up to date;
- to update the emergency and crisis response teams to the organizational structure;
- to test the Business Continuity and Disaster Recovery solutions, with the

participation of customers in extreme risk scenarios;
- to participate in the CODISE tests (structure chaired by the Bank of Italy for continuity of the financial marketplace);
- to ensure constant monitoring and assistance to customer inquiries about business continuity.

Actions were initiated in 2019 to develop Group business continuity plans which will take effect from 2020.

Financial risk

The qualitative information on the financial risks to which the Group is exposed are shown below, pursuant to art. 2428, paragraph 2, point 6-bis of the Italian Civil Code. The quantitative information on financial risks, on the other hand, is reported in the notes to the financial statements in the section called "Financial risk management policy".

SIA is exposed to the main financial risks detailed below.

Exchange rate risk. Most Group companies operate mainly in the Euro Area and are not therefore significantly exposed to exchange rate risk. The parent company SIA monitors the strategic plans, the mix of revenues and costs and the customers of the companies that operate with reference currencies other than the euro (in particular Perago FSE and SIA Central Europe), also with reference to the exchange rate trend, to prevent unexpected fluctuations from affecting the results and book values of the investments, which, if they occurred, would give rise to indicators that would have to be considered in an impairment test.

Credit risk. Group companies operate mainly with well-known customers that have a high standing, many of them belonging to the world of finance. Whenever new customers are acquired, if there is any doubt about their reliability as a counterparty, precise checks are carried out on the financial solidity of the potential customer. As regards debt collection activities, procedures have been put in place to monitor expected cash flows and for any recovery actions, aimed mainly at facilitating the process of validating invoices at commercial counterparties to speed up their collection. External lawyers are also used to recover non-performing exposures. Looking at past years as well, the phenomenon of credit losses has never been particularly significant.

Liquidity risk. The business model and the approach to operational management implemented at Group level have, over the years, shown that they are able to generate positive cash flows, also during economic crises, both cyclical and structural. Also in 2019, the Group generated significant positive operating cash flows, as shown in the cash flow statement, taking into account the extraordinary increase in acquisitions of external companies over the past few years and the substantial distribution of dividends to shareholders. The net financial position (understood as the difference between the total financial payables and liquid assets) is positive thanks to the loan obtained from a syndicate of banks to cope with the strategic acquisitions for inorganic growth concluded in previous years. In light of the periodic analyses of the variances between forecast and actual figures and the strategic objectives that the Group set itself, there are no liquidity risks at the year-end date, even taking into account the short-term credit lines negotiated with certain banks to deal with any temporary cash imbalances. Most of the liquidity belongs to SIA and P4cards, and extremely prudent criteria are used in terms of the type of investments and their duration.

The non current loan agreement entered into in July 2018 by SIA S.p.A. with a syndicate of banks to acquire the investments in SIA Greece and SIA Slovakia, with the simultaneous renegotiation of the previous loan entered into for the acquisition in 2017 of the investment in P4cards, is subject to two financial covenants concerning early repayment of the loan and the distribution of dividends; these covenants, in line with best market practices, express limits linked to the ratio between the Adjusted operating margin variables and the Group's net financial position. At December 31, 2019, the covenant limits were respected.

Interest rate risk. The Group invests its liquid resources in current accounts and bank deposits, with fixed returns or at floating rates. Changes in interest rates can influence the yields on investments, marginally affecting financial income, also depending on the amounts involved. The only significant financial payables recognized by the Group, in addition to the medium-long term loan contracted with a syndicate of banks for the acquisition of P4cards, SIA Greece and SIA Slovakia, are connected to finance lease contracts, normally at floating rates.

As regards this bank loan disbursed by a syndicate of banks in favor of the parent company SIA, to avoid possible negative effects deriving from future interest rate fluctuations, in December 2018, a hedge was taken out with the banks in the syndicate using interest rate swaps (IRS) for an original notional amount of 575 million euro (reduced to 505 million euro on December 31, 2019 after repayment of the installments on the loan being hedged). This can be classified as a cash flow hedge for hedge accounting purposes under IAS 39, which changes the floating interest rate of the loan into a fixed market rate determined at the time of signing the contract. For further information of a quantitative nature, please refer to the section of the notes on "Financial Risk Management Policy".

Monitoring of financial risk continues in line with what is explained in the directors' report and the financial statements at December 31, 2018.

There are mitigation activities through the application of specific internal practices and procedures to manage treasury and liquidity, monitor trade receivables and control financial indebtedness.

Lastly, it should be noted that particular attention is also paid to monitoring the performance of investee companies to verify the carrying amount of consolidated goodwill and of the investments, for which reference is made to the paragraphs "Impairment test of the consolidated goodwill and of other non-financial assets" and "Impairment test of investments" in the notes to the consolidated and separate financial statements at December 31, 2019.

Health, safety and environmental risk

SIA carries out regular and systematic prevention and control actions to protect health in the workplace, also in accordance with the provisions of the relevant legislation.

With regard to the risks associated with the occurrence of events that could have effects on the environment or on the health of the population residing in the areas affected by its activities, the SIA Group has not caused any damage to the environment for which it has been found guilty, nor has it been subject to fines 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 the administrative, safety and environmental responsibilities regarding the risk of committing offenses, as defined by Legislative Decree 231/2001.

The second level control led to regular and systematic prevention and control actions to protect health in the workplace, also according to the provisions of the relevant legislation.

In particular, in 2019, through the Health and Safety in the Workplace Management System, the following were updated:

- powers, delegations and appointments regarding health and safety in the workplace;
- the Risk Assessment Document (RAD).

The following were also carried out:

- periodic meeting with the Statutory Employer;
- health surveillance program;
- application of the training plan;
- training update of emergency workers with first aid, defibrillator and fire prevention courses;
- training for new emergency workers;
- update of emergency plans;
- evacuation exercises;
- risk assessment for electromagnetic fields in the Milan offices;
- inspections for the safety risk assessment for the new offices in Milan and Rome.

Lastly, a corporate dashboard was developed for monitoring the application of Health and Safety laws in the various countries where the SIA Group has a legal entity.

Reputational risk

Service interruptions or reductions in the quality of the services provided can affect the reputation of the Company and of the customers who work with SIA.

To this end, the SIA structure in charge of external relations and communications constantly monitors the presence, visibility and image of SIA on the main entities and channels of information and communication such as media, press agencies, web, social networks.

Monitoring and communication activities have also begun in the countries of Central and Eastern Europe where SIA has been present since the last quarter of 2018.

During 2019 some atypical and unusual facts emerged relating to a few suppliers of goods and services, which in previous years had relationships with a non-core function of SIA S.p.A.; as soon as they were known, the Company promptly handled the situation with the support of qualified third-party experts, taking every action and adopting every measure deemed necessary and appropriate to protect the Company's interests. Management continues to monitor developments, with particular reference to the progressive consolidation of the design and effective operation of the Company's procedures and controls, as well as the evolution of the related legal and judicial profiles.

Personnel and organization risk

During the period, the availability of resources and skills were strengthened - particularly in the digital and innovation fields - to support the Company's growth and development initiatives.

In particular, the following actions were implemented in 2019, with the aim of mitigating some of the risks in the personnel and organizational fields:

- periodic "know the rules" communications (mailing and intranet) to all Group companies regarding updates and innovations to processes and procedures;
- enhancement and continuous training on cybersecurity issues, with the extension of training content to new hires and employees of the Group's foreign companies and the course on "Cybersecurity and SIA, between technologies and challenges";
- new awareness training methods on issues such as GDPR and Risk, with the consequent launch of dedicated innovative e-learning projects.

Risk reporting

During the period, a liaison was ensured with Group companies on risk management, while the ongoing link between risk management, business, technological operational and staff structures continued, with in-depth meetings, specific risk teams and risk committees.

The discussion on corporate risks with Internal Audit (third level of control) with information flows and meetings also continued. This monitoring is also maintained for sustainability reporting purposes.

CONTROL FUNCTIONS

The design of controls in SIA is split into several levels, the fundamental one being line controls, aimed at ensuring the correct execution of transactions. These controls are part of the operating structures and are incorporated in the design of internal processes and procedures.

Specific functions are entrusted with so-called "second level" controls, aimed at monitoring and managing corporate risks, in particular operational risk, including compliance risk (see the specific section of this Report).

The Risk & Compliance, DPO & Privacy Support, and Business Continuity & Tech risks functions operate within the Risk Governance structure.

A role of particular relevance in SIA's Internal Control and Risk Management System is attributed to the Risk & Compliance function, which intervenes to ensure compliance with regulatory requirements and, more generally, to promote knowledge of laws, regulations and industry operating standards.

Third level controls are entrusted by SIA to the Internal Audit Department, which provides objective and independent assurance and consultancy services, designed to add value and improve the operations of the organization. In particular, Internal Audit Department helps the company to achieve its objectives through a systematic professional approach, aimed at evaluating and improving the effectiveness of the company's control, risk management and governance processes.

Following the acquisitions in various geographic areas and company integrations, the Risk Governance of the Parent Company and Subsidiaries was updated.

The new risk governance model is divided into centralized and decentralized functions of the Group and envisages roles of Headquarters, Area Representatives and specific Focal Points. This new approach harmonizes the governance and risk control of SIA Group companies and ensures centralized governance.

There are also specific reporting flows for second level controls (Group Reporting Matrix).

The Control System is completed by the highest level made up of the Corporate Bodies: the Board of Statutory Auditors, which represents the top level of the Supervisory System, the Board of Directors, as the strategic oversight body, and the Supervisory Body referred to in Legislative Decree no. 231/2001, called upon to monitor the effectiveness of the organizational models adopted in order to prevent the risk of offenses.

The Internal Audit Department of the SIA Group, reporting directly to the Chairman, informs him, the Board of Statutory Auditors and the Supervisory Body on the results of each verification and reports to the Board of Directors on the progress of the audit plan and remedial actions defined by management and the most significant risks.

Following the Group's geographical and dimensional expansion, on February 14, 2019 the Parent Company's Board of Directors approved a new Charter of the Internal Audit function, under which it performs audits in SIA and in its subsidiaries, in the interest of the Group. In order to ensure centralized governance of the audit checks, while respecting the management autonomy of the subsidiaries, a three-year audit plan is defined centrally by the Group Internal Audit function, on the basis of a global risk assessment, which is then subjected to the approval of the individual Boards of Directors who can ask for further checks to be carried out. All audit activities are normally carried out by the Group Internal Audit Department.

The 2019-2021 three-year Group Audit Plan, approved by the Board of Directors on February 14, 2019 is being completed as planned.

The Internal Audit function has provided support in the audit activities carried out by customers and other external subjects and has provided contractual and organizational opinions.

Lastly, Internal Audit Department carried out extra-plan audits and responded to requests from top management for updates on ongoing activities by the corporate functions.

HUMAN RESOURCES AND ORGANIZATION

At December 31, 2019 the Group has 3,551 employees, 3,495 FTE (Full Time Equivalent), with an increase of 2% compared with the previous year.

The average age of employees is 43 years and females account for around 43% of the total.

The month of March saw a radical transformation of the Parent Company's organizational structure through the establishment of 4 line Departments:

- Marketing & Sales aimed at:
  - preparing marketing plans for specific customer segments/commercial regions,
  - coordinating the Group's commercial initiatives,
  - promoting cross-selling initiatives between the Group's regions,
  - overseeing the ongoing relationship with customers through the Client Support functions.
- Innovation & Business Solutions aimed at:
  - overseeing the Group's innovation and digital development,
  - coordinating business planning and development activities,
  - managing the Group's pool of applications and products/services,
  - identifying target service platforms and managing migration projects.
- Customer Operations, in order to:
  - centrally supervise all the Group's call center and back-office services,
  - make cross-country and cross-company disbursement processes efficient through the use of innovative tools such as business process automation,
  - ensure the implementation of artificial intelligence projects.
- Technology & Infrastructures, aimed at:
  - overseeing and managing ICT infrastructures and architectures and delivery of processes,
  - governing the cybersecurity system and ensuring the protection of the Group's systems and information assets,
  - managing purchases, optimizing costs and procurement strategy,
  - governing data center consolidation projects and initiatives to migrate to open systems.

The expansion of the Group required the definition of a Group Reporting Matrix, through which to direct the corporate governance of the various organizational areas. The Group Reporting Matrix is a tool that is complementary to the corporate organization charts, allowing the integration process between SIA and the other Group companies, as well as ensuring the coordination and direction of the processes, through organizational reporting lines that integrate the individual organization charts.

During the year, the usual attention was given to reconciling private life and work and, with reference to issues such as flexibility and digital skills, smart working was promoted even more.

In 2019, negotiations began for the renewal of supplementary second-level contracts for SIA, SIApay and P4cards Romania. An important agreement was also signed with the Trade Unions in connection with the retirement incentive for employees with pension requirements already accrued or being accrued with the so-called "quota 100".

As regards the management of HR tools, the digitization of administrative processes and integration with the payroll provider continues, also to implement automatic flows towards accounting to ensure a fast close of the books.

The HCM Talentia application is used by all of the Group's HR functions, with centralized management of the main core processes (administration, selection, compensation, job rotation, performance appraisal).

During 2019, particular attention was given to the development of the Group's business intelligence and HR reporting tools through the use of data analytics.

With regard to the corporate document review initiatives, in 2019 the plan to renew the system of governance, business and commercial processes continued: publication of a Group newsletter on the most relevant news, updating and translation of the system, creation of policies and procedures valid for the entire Group, introduction of new directives (expat regulation).

2019 saw various projects at work for the consolidation of the Group's "quick guides", intended to make shared procedures regarding change, project & feasibility, audit, problem-solving and bid management accessible and immediate.

In 2019, the skills mapping project was launched, which started with the focus groups of the Marketing & Sales and Customer Operations areas. The project will continue in 2020 with the mapping of IT and development skills, in order to create a tool to support the various processes involved in recruiting, job rotation, training and performance assessment.

Ubiq was absorbed by P4cards on July 1, 2019. Its services have maintained their presence on the market, making use of the technological infrastructure of the parent company SIA and the financial services of SIApay.

Again in 2019, the foundations were laid for further consolidation of the Group's organizational structure, with implementation from January 1, 2020:

- absorption of Emmecom by SIApay,
- absorption of SIA Central Europe, SIA Slovakia and SIA Hungary.

TREASURY SHARES

The Company has not made any purchases or sales of its own shares, so at the end of the year there were no treasury shares in portfolio.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In addition to the approval of the Group's Strategic Plan for 2020-2022 (see the specific paragraph above), which did not entail any adjustment to the financial statements nor require further disclosures, the main significant events subsequent to the end of the year are as follows:

- On February 6, 2020, SIA's Board of Directors decided to commence the procedure for listing the Company's ordinary shares on the Mercato Telematico Azionario (MTA), organized and managed by Borsa Italiana, which is expected to take place by the end of the summer of 2020.
- On February 13, 2020, Swedbank, the leading bank in the national markets of Sweden, Estonia, Latvia and Lithuania, announced that it had chosen SIA's high-speed fiber optic network infrastructure to enable instant payments by connecting to RT1, the pan-European EBA Clearing system. Thanks to SIAnet and TietoEVRY's real-time payment platform, a leading digital services and software company, which allows efficient and secure integration between the bank's systems and SIA's innovative network services, Swedbank's customers have already carried out more than 30 million instant payments.
- On February 26, 2020, the Reserve Bank of New Zealand (RBNZ), the central bank of New Zealand, and SIA launched the new systems for the real-time settlement of payments of significant amounts and securities transactions, replacing the two previous platforms: Exchange Settlement Account System (ESAS) and Central Securities Depository System (NZClear).

The spread of the Coronavirus pandemic

Since last January, the SIA Group has monitored the spread of the so-called pandemic. "Coronavirus" or "Covid-19" with the aim of being ready to react to different scenario changes. The procedures and business plans for business continuity have been put in place and the recommendations and measures published by the World Health Organization (WHO), the Ministry of Health, the Istituto Superiore di Sanità (ISS), have been constantly followed. National and local (regional and municipal) authorities.

Business continuity profiles

Since the beginning of February 2020, the first indications have been taken for staff to limit business trips to risk areas (China, Korea and Southeast Asia) and to promote behaviours to prevent contagion risk. Also for preventive purposes, from Friday 21 February - the day on which the first cases of Coronavirus in Lombardy were confirmed - to all colleagues residing in the Province of Lodi and in the surrounding areas and to those who have had significant and continuous contacts with the geographical areas at risk, the SIA Group asked to scrupulously follow the instructions of the competent local authorities and to work telework / smart working from their home. With a subsequent update, on Sunday 23 February, the smart working mode was extended to all employees working in the SIA Group's Lombardy and Veneto offices. The Human Resources Department informed the employees with frequent messages on the evolution of the situation, provided suggestions and behavioural instructions. Communications have been sent to suppliers and consultants to block their access to the Group's Lombardy and Veneto offices. From Monday 24 February, the information was also sent to customers and foreign subsidiaries.

The communications sent fall within the business continuity measures provided by SIA in the context of the management of emergencies, organizational crises and, in particular, of pandemic risk scenarios. As required by the business continuity plans, on February 21, a "Crisis team" was set up composed of the CEO and his direct reports, including the Human Resources Director. The Crisis team met daily to oversee the evolution of the scenario. In parallel - as of February 23 - SIA has taken part in the activities of Codise, the working group chaired by the Bank of Italy for the coordination of emergency and crisis situations in the Italian financial centre and national payment systems.

Following the initiatives undertaken, in the week from February 24 to March 1, almost all the employees of the SIA Group of the Milan and Verona offices worked from home with extended smart working solutions. The services provided continued to be in line with the quality standards usually offered. On Friday 28 February, while maintaining the utmost caution and in compliance with the ordinances and prescriptions already issued, SIA has planned to continue for the week open from Monday 2 March with smart working solutions accompanied by a minimum and gradual return of staff to their Lombardy and Veneto offices.

The Crisis Team is continuing to operate on a daily basis, promptly transposing all the directives imposed by law and regional ordinances and updating its employees through communications from the HR Department, in order to continue to guarantee maximum safety for Group staff, as well as the excellent levels of service required given its systemically critical mission. In particular, the effective use of the "smart working" mode is highlighted. In fact, the monitoring of this health emergency has led to an extensive use of remote work and to applying best practices for business continuity. At the beginning of February, staff business trips to the geographical areas with the highest risk were limited.

The measures provided for by the parent company operational continuity plan for pandemic risks have taken precautionary measures since Friday 21 February, were confirmed in an emergency meeting held on Sunday 23 February and allowed to have more than 1,500 people ready to work from Monday 24 February remotely. The following weeks have led to the extension of the number of people on tele-work (now there are about 3,500 people who, in all the companies of the Group, connect remotely every day) and to limit the presence of staff (there are less than 50 employees who access the 4 national offices every day) without impacting the operation of the services. There was also a widespread information plan towards customers - with dedicated channels - and towards suppliers.

The foreign components of the Group have also been informed of the operational steps taken in Italy to manage the emergency. Since mid-March, foreign companies have also activated their specific emergency and continuity plans and have their emergency teams. On a daily basis, foreign structures are now reporting developments in the scenario to the parent company.

Particular attention was paid to dialogue with the national Supervisory Authorities; since the beginning of the emergency, SIA has taken part in all the tele-conferences organized by CODISE - the structure for the coordination of the operational crises of the Italian financial centre chaired by the Bank of Italy - and in other comparison initiatives that the Authority has deemed appropriate to start.

The preventive and prompt reaction was made possible by a system of business continuity in operation for some time and by already tested technologies capable of ensuring operational controls and remote interventions, thus limiting as much as possible the risks of contagion in the workplaces and following the directives of the Istituto Superiore della Sanità (Institute of Health) without affecting the services provided to customers.

However, almost two months after the beginning of the emergency, it is still not possible to have clear indications of when a return to normal will be possible. For this reason, analyses are underway to assess resilience and overall sealing capacity in the event that this status continues for the next few months.

Financial reporting profiles

The Group's management constantly monitors the possible impacts of the phenomenon in question on the most significant assumptions underlying the main estimates reflected in the financial statements, with particular reference to revenue recognition, the occurrence of impairment indicators on goodwill and equity investments, as well as the evolution of the liquidity situation, taking into account the high level of uncertainty regarding the incidence and duration of the effects attributable to the pandemic in question on the performance of the Group's operating segments.

In this regard, it should be noted that, as confirmed with specific recommendations issued by ESMA and CONSOB respectively, the significant events under examination relating to the aforementioned pandemic do not impact the determination of the results and the net equity of the consolidated and separate financial statements as at 31 December 2019, as it represents a "Non adjusting events", according to the definition given by the International Accounting Atandard IAS 10; in this regard, it should be noted that on 30 January 2020 the WHO declared the existence of an international emergency phenomenon (although the first information on the infection in China dates back to the end of 2019) and on 11 March 2020 declared the Coronavirus pandemic.

It should be remembered that IAS 10 requires that an indication of the nature of the event occurred after the end of the year and the estimate of the related effects on the financial statements be given; if in particular circumstances, due to the unpredictability of the outcome of the phenomenon, the estimate of any effects is not reliably quantifiable, or even impossible, the notes to the financial statements should provide adequate information.

In line with what is stated in the aforementioned IAS 10, the following is reported in the ESMA recommendation mentioned above with specific reference to financial reporting:

"Financial Reporting - issuers should provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 year-end financial report if these have not yet been finalized or otherwise in their interim financial reporting disclosures."

In this context, the profound uncertainty connected to the spread and duration of the pandemic in question must be reiterated and, in view of the continuous evolution of the phenomenon, it is particularly complex to foresee its effects also on economic activities both at macro and micro level. This entails a high complexity and uncertainty of the estimates made by the management, whose assumptions could necessarily be revisited and updated over the next few months, also in very significant terms, following the evolution of facts not under their control.

In the context of the evaluation of the potential effects attributable to the spread of the Coronavirus pandemic, the level of complexity and uncertainty of the estimates is without precedent in its kind, potentially affecting numerous aspects such as:

- the different propagation times and the possible differences in the persistence and extent of the contagion in the different Italian regions, in Europe and in the world (primarily, in the USA);
- the lack of visibility about the overall duration of the infection and, above all, the effects of the related containment measures, that is, the methods and timing with which they will be removed;
- the particular difficulty of predicting the timing and extent of recovery of national and global economic activities, both at macro and micro level, once the emergency is over.

Given the above, the management of the SIA Group, in accordance with the requirements of IAS 10 and taking into account the recommendations of ESMA and CONSOB, conducted an analysis in order to identify the areas of potential greatest impact in terms of financial reporting 2019 for the Group and, consequently, has developed scenarios based on the information currently available and the forecasts reasonably formulated at present in a context of extreme uncertainty and without considering the effects connected with any extraordinary corporate operations.

The analyses conducted concerned in particular:

- the development of forecast scenarios

for the economic trend for the year 2020. From the first results of the analyses conducted, there would be an appreciable reduction in the operations and profitability of the business for the year 2020 while for subsequent years it is not considered possible to formulate reasonable impact estimates, due to the significant uncertainties of the final results in terms of duration and intensity of the phenomenon, all the more so with reference to time horizons beyond twelve months.

- The update of the sensitivity analyses carried out on the impairment tests of goodwill and equity investments at 31 December 2019 to highlight the potential impact on the estimates of a reasonably possible change relating to the results of the forecast economic performance scenarios. In light of the forecast scenarios updated with reference to 2020 described above and taking into account the results of the impairment tests as at 31 December 2019, it is reasonably foreseeable that: i) the value in use of the "SIA Greece" and "SIA CE" CGUs, already substantially aligned with the accounting values, could be affected by the effects of the crisis context induced by the tragic spread of the pandemic; ii) the value in use of the "P4cards" CGU could be affected by the effects of the crisis context induced by the tragic spread of the pandemic in Italy, albeit mitigated by the excess of value in use compared to the book value that the impairment test at 31 December 2019 showed.
  In this regard, therefore, the Group's management continues to monitor the continuous evolution of the situation and the related effects on the business operations of the aforementioned CGUs and will update its assessments and the results in the periodic financial reports subsequent to that closed on 31 December 2019.
- Updating the Group's liquidity situation. As described in the 2019 financial statements, the business model and the operational management implemented at the Group level have shown, over the years, including 2019, that they are able to generate positive cash flows, even during economic crises, both cyclical and structural.

  In light of the best information available to date, the following is highlighted in particular to cover liquidity risk:
  – there are unused short-term credit lines for 30 million euro;
  – in March 2020, the renewal of two short-term credit lines for 100 million euros was completed with leading banks, at favourable conditions;
  – new committed credit lines are in the process of being finalized for a total amount of 150 million euro, with the possibility of being used on a medium / long-term time horizon (approximately 3 years, expiry 2023);

  Therefore, taking into account the above, having regard to the best information currently available in the context described above of unprecedented uncertainty caused by the emergency COVID-19, it is reasonably believed that, in the 12 months following the reference date of these financial statements, there are no risks significant liquidity, or risks inherent in the ability to repay the debt and to comply with the financial covenants, borne by the SIA Group.

Finally, it is known that, pursuant to IAS 10, the date on which the Financial Statements were authorized for publication by the Board of Directors is April 9, 2020; in accordance with its Company Statute, SIA S.p.A. took advantage of the possibility of calling the General Meeting of Shareholders for the approval of the separate Financial Statements at 31 December 2019 within 180 days from the closure of reference.

OUTLOOK

2020 is confirmed as a particularly critical period in the Group's competitive sector, also taking into account the effects of the spread of the "Coronavirus" pandemic (please refer to the previous paragraph "Significant events subsequent to the end of the financial year").

The digitization of services, which has been underway for a number of years, is no longer a development option, but a necessity if the business is to be sustainable. Despite this, competitive pressure from new players, also taking into account the evolution of the regulations applicable to the various operating sectors of the SIA Group, and a situation of still turbulent global growth have made customers very selective about investments. Payment systems are no longer part of the core business of customers, but are nevertheless a fundamental component of the digitization of the customer relationship. In this context, even large groups are moving towards outsourcing management of their payment systems by selling the related activities or business units. Investments in innovation are therefore entrusted to third parties which guarantee a high level of innovation combined with price competitiveness.

It is well-known that the markets in which the Group operates continue to feature various situations of international consolidation. SIA intends to play an important role in this context, as explained in the paragraph "Strategic Plan 2020-2022", confirming itself as an operator capable of responding to the needs of different types of customers and distinguishing itself for innovative solutions which can also improve the its customers' relationship with their end-customers.

As regards the expected results for 2020 and in the context of the decisions that will be taken by the controlling shareholder, the Group will pursue the challenging growth objectives outlined in the new Strategic Plan for the three-year period 2020-2022 (see paragraph "Strategic Plan 2020-2022").

On the internal operations front, attention will continue to be on improving operational and management efficiency, also through the progressive integration of the foreign subsidiaries acquired at the end of 2018 and a review of the administrative-accounting procedures in light of the recent profound evolution of governance and of the Group's organizational and strategic structure.

PROPOSED ALLOCATION OF THE NET RESULT FOR THE YEAR

After explaining the separate financial statements of SIA S.p.A. for the year ended December 31, 2019, we would like to submit to the shareholders our proposal for the allocation of the net profit made by SIA S.p.A. of 105,575,320 euro.

We would reiterate that SIA S.p.A. and the SIA Group have objectives of growth and stabilization of profitability over time. Taking into account the extraordinary uncertainty caused by the impacts of the spread of the so-called pandemic "COVID-19", we would propose not to distribute any ordinary dividend for the 2019.

We propose not to allocate any amount to the legal reserve as the legal limits have already been reached, as required by art. 2430 of the Italian Civil Code.

It is therefore proposed to allocate, as shown below, the amount of the net profit for the year 2019 to the capital reserves of "Retained earnings", without prejudice to the possibility of distributing these reserves subject to approval by the corporate bodies competent (amounts in euros):

Legal Reserve, according to the legal provisions	0
No ordinary dividend per share	0
Retained earnings	105,575,320
SIA S.p.A.'s earning for 2019	**105,575,320**

If the dividend distribution is approved as indicated above, the shareholders' equity of SIA S.p.A. will be as follows (amounts in euros):

Share capital	22,274,620
Legal reserve	4,454,924
Share premium reserve	5,316,654
Other reserves	79,408,534
Valuation reserve	-8,759,350
Retained earnings	213,542,757
SIA S.p.A.'s Equity	**316,238,139**

SIA S.p.A.

Chairman of the Board of Directors
Federico Lovadina

3 CONSOLIDATED FINANCIAL STATEMENTS OF THE SIA GROUP AT DECEMBER 31, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheet - Assets

TOTAL ASSETS *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)
Plant and machinery	1	64,479	61,645
Industrial and commercial equipment	1	456	1,464
Land and buildings	1	71,383	16,844
Other assets	1	3,666	1,616
Tangible assets in progress and advances	1	5,712	4,003
Leasehold improvements	1	5,065	4,102
Tangible assets		**150,761**	**89,674**
Goodwill	2	569,139	571,621
Other intangible assets	2	275,162	315,222
Intangible assets in progress and advances	2	50,210	27,764
Intangible assets		**894,511**	**914,607**
Investments	3	725	720
Non current financial assets	4	12	50
Non current contract work-in-progress	5	566	-
Non current trade receivables	6	-	6
Other non current assets	7	837	-
Deferred tax assets	8	13,162	12,755
Total non current assets		**1,060,574**	**1,017,812**
Inventories and contract work-in-progress	9	3,926	4,375
Current financial receivables	10	5,456	1,703
Current financial assets	11	127	122
Current tax assets	12	87,200	39,375
Current trade receivables	13	219,892	188,757
Other current assets	14	33,056	37,687
Cash and cash equivalents	15	97,435	94,652
Total current assets		**447,092**	**366,671**
TOTAL ASSETS		**1,507,666**	**1,384,483**

(*) The figures for the year ended December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In addition, following the adoption of IFRS 16 from January 1, 2019, leasehold improvements have been reclassified to property, plant and equipment and rights of use have been booked to "Land and buildings" in accordance with IFRS 16. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of the comparative balances at December 31, 2018".

Consolidated balance sheet - Liabilities and shareholders' equity

TOTAL LIABILITIES AND EQUITY *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)
Share capital	16	22,275	22,275
Share premium reserve	16	5,317	5,317
Reserves	16	204,779	187,921
Valuation reserve	16	(10,519)	(6,198)
Profit/(loss) for the year attributable to the Group	16	95,281	76,416
Equity attributable to owners of the Company		**317,133**	**285,731**
Profit/(loss) - third parties	16	-	-
Consolidation reserve - third parties	16	-	5
Non-controlling interests		**-**	**5**
TOTAL EQUITY		**317,133**	**285,736**
Non current financial payables	17	679,150	709,178
Non current financial liabilities	18	5,855	5,231
Provisions for employee benefits	19	25,866	23,145
Deferred tax liabilities	20	62,395	73,643
Provisions for risks	21	3,041	2,357
Other non current liabilities	22	1,723	9,928
Total non current liabilities		**778,030**	**823,482**
Current financial payables	23	227,807	105,997
Current financial liabilities	24	2,587	-
Current tax liabilities	25	4,314	4,922
Current trade payables	26	95,996	85,397
Other current liabilities	27	81,799	78,949
Total current liabilities		**412,503**	**275,265**
TOTAL LIABILITIES		**1,190,533**	**1,098,747**
TOTAL LIABILITIES AND EQUITY		**1,507,666**	**1,384,483**

(*) The figures for the year ended December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of the comparative balances at December 31, 2018".

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)
Revenues from sales and services	28	733,237	614,802
Other revenues and income	29	4,077	1,305
Costs for raw materials, supplies, consumables and goods	30	(14,206)	(13,750)
Costs for services	31	(217,189)	(193,087)
Payroll costs	32	(215,020)	(182,501)
Other operating expenses	33	(33,000)	(25,382)
Adjusted operating margin		**257,899**	**201,387**
Depreciation and amortization	34	(110,824)	(77,530)
Adjustments to tangible and intangible assets	34	(3,607)	(3,962)
Adjustments to trade receivables	35	(3,670)	(1,220)
Provision for risks	36	(1,678)	(823)
Operating Income		**138,120**	**117,852**
Profit/(loss) on financial assets and liabilities management	37	-	(396)
Management/trading of financial assets and liabilities	**37**	**-**	**(396)**
Interest income	38	442	347
Other financial income	38	2,175	-
Financial income	**38**	**2,617**	**347**
Interest expenses	39	(17,484)	(11,385)
Bank charges	39	(629)	(592)
Financial expenses	**39**	**(18,113)**	**(11,977)**
Net income before taxes		**122,624**	**105,826**
Income taxes	**40**	**(27,343)**	**(29,410)**
Net income from continuing operations		95,281	76,416
Profit/(loss) for the year		**95,281**	**76,416**
NET INCOME ATTRIBUTABLE TO THE GROUP		**95,281**	**76,416**
Net Income to minority interests		**-**	**-**
Earnings per share	**41**	**0.56**	**0.45**

(*) The figures for the year ended December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of comparative balances at December 31, 2018".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)
Profit/(loss) for the year		**95,281**	**76,416**
Remeasurement of net defined benefit liability		(2,889)	(841)
Income taxes relating to items that will not be riclassified subsequently to profit and loss		693	202
Items that will not be reclassified subsequently to profit and loss	**16**	**(2,196)**	**(639)**
Foreign exchange differences on translation of foreign operations		11	(236)
Cash flow hedges		(2,267)	(2,303)
fair value gain (loss) on hedging instruments during the period		*(3,210)*	*(2,303)*
less cumulative (gain)/loss arising on hedging instruments reclassified to profit and loss		*943*	*-*
Income tax relating to items that may be reclassified subsequently to profit and loss		544	553
Items that may be reclassified subsequently to profit and loss	**16**	**(1,712)**	**(1,986)**
Other comprehensive income for the year, net of tax		**(3,908)**	**(2,625)**
Total comprehensive income for the year		**91,373**	**73,791**
Total comprehensive income attributable to non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**91,373**	**73,791**

(*) The figures for the year ended December 31, 2018 have been restated as a result of the effects on the Group's net result of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of the comparative balances at December 31, 2018".

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY DURING 2019 *(Thousands of euro)*

	Share capital	Share premiun reserve	Reserves	Valuation reserve	Profit/(loss) for the period	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 1 January 2019	22,275	5,317	187,921	(6,198)	76,416	285,731	5	285,736
Change in opening balances	-	-	827	(413)	-	414	-	414
Balance at 1 January 2019 as Restated	**22,275**	**5,317**	**188,748**	**(6,611)**	**76,416**	**286,145**	**5**	**286,150**
Allocation of profit			76,416		(76,416)	-	-	-
Distribution of dividends			(59,970)			(59,970)	-	(59,970)
Changes in the scope of consolidation/IFRS 3			(415)			(415)	(5)	(420)
Total net comprehensive income				(3,908)	95,281	91,373	-	91,373
Exchange rate differences				*11*		*11*	-	*11*
Cash flow hedging				*(1,723)*		*(1,723)*	-	*(1,723)*
Actuarial gain/(losses)				*(2,196)*		*(2,196)*	-	*(2,196)*
Result of the year					*95,281*	*95,281*	-	*95,281*
Balance at 31 December 2019	**22,275**	**5,317**	**204,779**	**(10,519)**	**95,281**	**317,133**	**-**	**317,133**

On April 29, 2019, the Shareholders' Meeting of SIA S.p.A. approved the allocation of the profit from 2018 to a dividend of 59,970,129 euro (equal to 0.35 euro per share).

CHANGES IN SHAREHOLDERS' EQUITY DURING 2018 *(Thousands of euro)*

	Share capital	Share premiun reserve	Reserves	Valuation reserve	Profit/(loss) for the period	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 1 January 2018	22,275	5,317	167,824	(3,573)	80,083	271,926	5	271,931
Change in opening balances	-	-	(16)	-	-	(16)	-	(16)
Balance at 1 January 2018 as Restated	**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)
Total net comprehensive income				(2,625)	76,416	73,791	-	73,791
Exchange rate differences				*(236)*		*(236)*		*(236)*
Cash flow hedging				*(1,750)*		*(1,750)*		*(1,750)*
Actuarial gain/(losses)				*(639)*		*(639)*		*(639)*
Result of the year					*76,416*	*76,416*	-	*76,416*
Balance at 31 December 2018 Restated (*)	**22,275**	**5,317**	**187,921**	**(6,198)**	**76,416**	**285,731**	**5**	**285,736**

(*) The figures for the year ended December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of comparative balances at December 31, 2018".

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 euro (equal to 0.35 euro per share).

CONSOLIDATED CASH FLOW STATEMENT - INDIRECT METHOD

CASH FLOW STATEMENT – INDIRECT METHOD *(Thousands of euro)*

	31/12/2019	31/12/2018 restated (*)
Profit/(loss) for the year	**95,281**	**76,416**
Income taxes	27,343	29,410
Financial income	(2,617)	(347)
Financial expenses	18,113	11,977
Result on financial assets and liabilities management	-	396
Depreciations and write-off of tangible assets	36,367	22,927
Amortizations and write-off of intangible assets	78,064	58,565
Adjustments to trade receivables	3,670	1,220
Provision for risks	1,678	823
Operating cash flow before movements in working capital	*257,899*	*201,387*
Income taxes paid	(46,194)	(27,284)
Witholding tax paid to recognize goodwill for tax purpose	(40,000)	-
Change in trade receivables	(34,799)	(14,952)
Change in trade payables	10,599	1,425
Change in non current contract work-in-progress	(566)	-
Change in inventories and current contract work-in-progress	449	656
Change in provisions for employees	(168)	1,519
Change in provisions for risks	(994)	(3,222)
Changes in other assets	3,794	10,228
Changes in other liabilities	(5,355)	(12,526)
Change in operating financial receivables	(3,753)	(1,703)
Net cash from operating activities	**140,912**	**155,528**
Purchases of tangible assets	(18,618)	(20,496)
Purchases of intangible assets	(57,968)	(33,277)
Consideration paid for business combinations net of cash acquired	-	(371,864)
Net cash (used in) from investing activities	**(76,586)**	**(425,637)**
Dividends paid	(59,970)	(59,970)
Repayments of non current term loans	(70,000)	(420,000)
Proceed from non current term loans	-	775,000
Proceed from committed credit lines	105,132	10,084
Interest paid on non current financial liabilities	(10,420)	(10,274)
Differentials paid for hedging derivatives	(2,682)	(2,475)
Change in financial payables	(24,580)	10,804
Change in financial liabilities	944	(123)
Change in financial assets	33	366
Net cash (used in) from financing activities	**(61,543)**	**303,412**
Net increase/(decrease) in cash and cash equivalents	**2,783**	**33,303**
Cash and cash equivalents at beginning of year	94,652	61,349
Change in cash and cash equivalents	2,783	33,303
Cash and cash equivalents at end of year	**97,435**	**94,652**

(*) The figures for the year ended December 31, 2018 have been restated to take into account the effects of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of the comparative balances at December 31, 2018".

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NOTES

Statement of compliance with international accounting standards

The consolidated financial statements of the SIA Group at December 31, 2019 consist of the compulsory accounting statements set forth in IAS 1, i.e. the statement of financial position, the statement of profit or 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 on the results of the SIA Group and the parent company SIA S.p.A..

The consolidated financial statements of the SIA Group at December 31, 2019 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Commission and in force on the date of approval of this document. By IFRS we mean all *"International Financial Reporting Standards"*, all the *International Accounting Standards (IAS)* and all the interpretations of the *"International Financial Reporting Interpretations Committee" (IFRIC)*, formerly 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 made.

The consolidated financial statements of the SIA Group are audited by the independent auditors Deloitte & Touche S.p.A., in execution of the shareholders' resolution of April 29, 2019, which conferred the mandate until the approval of the financial statements at December 31, 2021.

General accounting principles

The Group has presented the statement of profit or loss by nature of expense, while the assets and liabilities of the statement of financial position 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 is expected to be realized within twelve months of year-end close;
- it consists of cash and cash equivalents (unless the asset is prohibited from being exchanged or used 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 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 goods for the production process and their realization in cash or cash equivalents. When the normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

The cash flow statement is prepared according to the indirect method; it should be noted that, in addition to the effects of the restatement made on completion of the PPA of the Magnolia transaction (for which reference is made to the specific paragraph), the cash flow statement has been revised, using the indirect method and in compliance with IFRS, for the year-end close at December 31, 2019 and the comparative figures for 2018, to provide the reader of the financial statements with a better and more detailed view of the contribution made by the separate parts of the business to the cash flows generated by the Group and the parent company.

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 have been prepared 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 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 have been prepared 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.

Please refer to the paragraph "Significant events subsequent to the end of the financial year" for the effects of the spread of "Coronavirus" pandemic.

The assets and liabilities, costs and revenues are not offset, unless this is permitted or required by international accounting standards. If an asset or liability is split between various headings of the balance sheet, the notes explain the situation if this is needed to understand the financial statements properly.

Items of a different nature or purpose have been presented separately, unless they were considered immaterial.

Use of estimates

The application of IFRS requires management to make important estimates and assumptions that could have a material impact on many of the figures in the financial statements and the disclosures on contingent assets and liabilities.

In reiterating that the use of reasonable estimates is an essential part of preparing financial statements, the items for which the use of estimates and assumptions is particularly significant are: the quantification of provisions for risks and charges; the definition of the depreciation and amortization charges on tangible and intangible assets with a finite useful life and the assessment of any impairment indicators (also with reference to certain assets resulting from past business combinations involving the Parent Company, for which some residual physical inventory counts are still in progress); the measurement of intangible assets with an indefinite useful life, goodwill and equity investments; the measurement of receivables and the related bad debt provision; the measurement of employee benefits; the quantification of deferred taxation.

An estimate can be corrected if there have been changes in the circumstances on which it was based or having gained new information or greater experience. If in the future these estimates and assumptions, which are based on the best assessment by management at the date of these financial statements, differ from the actual circumstances, they will be modified appropriately in the period in which the circumstances vary. The estimates and assumptions are reviewed periodically and the effects of every change are reflected in the statement of profit or loss in the period concerned or, if needs be, in future periods.

In this regard, it should be noted that 2019 did not feature any changes in the estimation criteria applied when preparing the financial statements at December 31, 2018.

Key sources of estimation uncertainty

The risk of uncertainty in the estimates is primarily connected to the measurement of goodwill, the quantification of which may vary over time, even significantly, depending on the trend of the national and international macroeconomic outlook and the consequent effects on the Group's profitability and the trend of the financial markets, which can influence the fluctuation of interest rates. For further information, please refer to the specific section on impairment tests, which also describes the valuation methods and sensitivity analysis to changes in the parameters and information used.

There are no other items in the Consolidated Financial Statements subject to key sources of estimation uncertainty.

Information on the restatement of comparative balances at December 31, 2018

This section describes in detail the impacts of restating the comparative balances at December 31, 2018 to take into account the net assets identified upon completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures were not therefore included in the financial statements at December 31, 2018, in accordance with IFRS 3.

CONSOLIDATED BALANCE SHEET – ASSETS *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)	Change	%	31/12/2018	Change	%	Changes in comparative figures
Plant and machinery	1	64,479	61,645	2,834	4.6%	61,645	2,834	4.6%	-
Industrial and commercial equipment	1	456	1,464	(1,008)	-68.9%	1,464	(1,008)	-68.9%	-
Land and buildings	1	71,383	16,844	54,539	323.8%	23,978	47,405	197.7%	(7,134)
Other assets	1	3,666	1,616	2,050	126.9%	1,616	2,050	126.9%	-
Construction in progress and advances	1	5,712	4,003	1,709	42.7%	4,003	1,709	42.7%	-
Leasehold improvements (**)	1	5,065	4,102	963	23.5%	4,102	963	23.5%	-
Tangible assets		**150,761**	**89,674**	**61,087**	**68.1%**	**96,808**	**53,953**	**55.7%**	**(7,134)**
Goodwill	2	569,139	571,621	(2,482)	-0.4%	629,269	(60,130)	-9.6%	(57,648)
Other intangible assets	2	275,162	315,222	(40,060)	-12.7%	229,908	45,254	19.7%	85,314
Intangible assets in progress and advances	2	50,210	27,764	22,446	80.8%	27,764	22,446	80.8%	-
Intangible assets		**894,511**	**914,607**	**(20,096)**	**-2.2%**	**886,941**	**7,570**	**0.9%**	**27,666**
Investments	3	725	720	5	0.7%	720	5	0.7%	-
Non current financial assets	4	12	50	(38)	-76.0%	50	(38)	-76.0%	-
Non current contract work-in-progress	5	566	-	566		-	566		-
Non current trade receivables	6	-	6	(6)	-100.0%	6	(6)	-100.0%	-
Other non current assets	7	837	-	837		-	837		-
Deferred tax assets	8	13,162	12,755	407	3.2%	10,646	2,516	23.6%	2,109
Total non current assets		**1,060,574**	**1,017,812**	**42,762**	**4.2%**	**995,171**	**65,403**	**6.6%**	**22,641**
Inventories and contract work-in-progress	9	3,926	4,375	(449)	-10.3%	4,375	(449)	-10.3%	-
Current financial receivables	10	5,456	1,703	3,753	220.4%	1,703	3,753	220.4%	-
Current financial assets	11	127	122	5	4.1%	122	5	4.1%	-
Current tax assets	12	87,200	39,375	47,825	121.5%	39,375	47,825	121.5%	-
Current trade receivables	13	219,892	188,757	31,135	16.5%	188,757	31,135	16.5%	-
Other current assets	14	33,056	37,687	(4,631)	-12.3%	37,687	(4,631)	-12.3%	-
Cash and cash equivalents	15	97,435	94,652	2,783	2.9%	94,652	2,783	2.9%	-
Total current assets		**447,092**	**366,671**	**80,421**	**21.9%**	**366,671**	**80,421**	**21.9%**	**-**
TOTAL ASSETS		**1,507,666**	**1,384,483**	**123,183**	**8.9%**	**1,361,842**	**145,824**	**10.7%**	**22,641**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the column "Changes in comparative figures" shows the following adjustments:

- *decrease in the value of "Land and buildings" of 7.1 million euro following recognition at fair value of properties owned by SIA Greece;*
- *decrease in "Goodwill" of 57.6 million euro, representing the final result of the allocations made as part of the PPA process for SIA Greece and SIA Slovakia;*
- *increase in "Other intangible assets" of 85.3 million euro following the identification and recognition at fair value of the customer relationships identified in SIA Greece and SIA Slovakia, net of their amortization for the last quarter of 2018 of 4.5 million euro;*
- *increase in "Deferred tax assets" for recognition of deferred tax assets of 2.1 million euro following the recognition of a lower fair value for the properties of SIA Greece with respect to their carrying amount.*

(**) Following the adoption of IFRS 16 from January 1, 2019, leasehold improvements have been reclassified to property, plant and equipment and their rights of use have been booked to "Land and buildings" in accordance with IFRS 16.

CONSOLIDATED BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)	Change	%	31/12/2018	Change	%	Changes in comparative figures
Share capital	16	22,275	22,275	-		22,275	-		-
Share premium reserve	16	5,317	5,317	-		5,317	-		-
Reserves	16	204,779	187,921	16,858	9.0%	187,921	16,858	9.0%	-
Valuation reserve	16	(10,519)	(6,198)	(4,321)	69.7%	(6,198)	(4,321)	69.7%	-
Profit/(loss) for the year attributable to the Group	16	95,281	76,416	18,865	24.7%	79,536	15,745	19.8%	(3,120)
Equity attributable to owners of the Company		**317,133**	**285,731**	**31,402**	**11.0%**	**288,851**	**28,282**	**9.8%**	**(3,120)**
Profit/(loss) - third parties	16	-	-	-		-	-		-
Consolidation reserve - third parties	16	-	5	(5)	-100.0%	5	(5)	-100.0%	-
Non-controlling interests		**-**	**5**	**(5)**		**5**	**(5)**		**-**
TOTAL EQUITY		**317,133**	**285,736**	**31,397**	**11.0%**	**288,856**	**28,277**	**9.8%**	**(3,120)**
Non current financial payables	17	679,150	709,178	(30,028)	-4.2%	709,178	(30,028)	-4.2%	-
Non current financial liabilities	18	5,855	5,231	624	11.9%	5,231	624	11.9%	-
Provisions for employee benefits	19	25,866	23,145	2,721	11.8%	23,145	2,721	11.8%	-
Deferred tax liabilities	20	62,395	73,643	(11,248)	-15.3%	48,416	13,979	28.9%	25,227
Provisions for risks	21	3,041	2,357	684	29.0%	1,823	1,218	66.8%	534
Other non current liabilities	22	1,723	9,928	(8,205)	-82.6%	9,928	(8,205)	-82.6%	-
Total non current liabilities		**778,030**	**823,482**	**(45,452)**	**-5.5%**	**797,721**	**(19,691)**	**-2.5%**	**25,761**
Current financial payables	23	227,807	105,997	121,810	114.9%	105,997	121,810	114.9%	-
Current financial liabilities	24	2,587	-	2,587		-	2,587		-
Current tax liabilities	25	4,314	4,922	(608)	-12.4%	4,922	(608)	-12.4%	-
Current trade payables	26	95,996	85,397	10,599	12.4%	85,397	10,599	12.4%	-
Other current liabilities	27	81,799	78,949	2,850	3.6%	78,949	2,850	3.6%	-
Total current liabilities		**412,503**	**275,265**	**137,238**	**49.9%**	**275,265**	**137,238**	**49.9%**	**-**
TOTAL LIABILITIES		**1,190,533**	**1,098,747**	**91,786**	**8.4%**	**1,072,986**	**117,547**	**11.0%**	**25,761**
TOTAL LIABILITIES AND EQUITY		**1,507,666**	**1,384,483**	**123,183**	**8.9%**	**1,361,842**	**145,824**	**10.7%**	**22,641**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the column "Changes in comparative figures" shows the following adjustments:

- *increase in "Deferred tax liabilities" due to the recording of deferred tax liabilities of 25.2 million euro following recognition of the fair value of contractual relationships identified in SIA Greece and SIA Slovakia, net of the reversal in the last quarter of 2018 for 1.3 million euro;*
- *decrease in the 2018 profit due to the amortization recognized on the assets identified in the PPA process, net of deferred taxes, for 3.1 million euro;*
- *increase for 0.5 million euro for contingent tax liabilities.*

Consolidated statement of profit or loss

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)	Change	%	31/12/2018	Change	%	Changes in comparative figures
Revenues from sales and services	28	733,237	614,802	118,435	19.3%	614,802	118,435	19.3%	-
Other revenues and income	29	4,077	1,305	2,772		1,305	2,772		-
Costs for raw materials, supplies, consumables and goods	30	(14,206)	(13,750)	(456)	3.3%	(13,750)	(456)	3.3%	-
Costs for services	31	(217,189)	(193,087)	(24,102)	12.5%	(193,087)	(24,102)	12.5%	-
Payroll costs	32	(215,020)	(182,501)	(32,519)	17.8%	(182,501)	(32,519)	17.8%	-
Other operating expenses	33	(33,000)	(25,382)	(7,618)	30.0%	(25,382)	(7,618)	30.0%	-
Adjusted operating margin		**257,899**	**201,387**	**56,512**	**28.1%**	**201,387**	**56,512**	**28.1%**	**-**
Depreciation and amortization	34	(110,824)	(77,530)	(33,294)	42.9%	(73,101)	(37,723)	51.6%	(4,429)
Adjustments to tangible and intangible assets	34	(3,607)	(3,962)	355	-9.0%	(3,962)	355	-9.0%	-
Adjustments to trade receivables	35	(3,670)	(1,220)	(2,450)		(1,220)	(2,450)		-
Provision for risks	36	(1,678)	(823)	(855)		(823)	(855)		-
Operating Income		**138,120**	**117,852**	**20,268**	**17.2%**	**122,281**	**15,839**	**13.0%**	**(4,429)**
Profit/(loss) on financial assets and liabilities management	37	-	(396)	396	-100.0%	(396)	396	-100.0%	-
Management/trading of financial assets and liabilities	**37**	**-**	**(396)**	**396**	**-100.0%**	**(396)**	**396**	**-100.0%**	**-**
Interest income	38	442	347	95	27.4%	347	95	27.4%	-
Other financial income	38	2,175	-	2,175		-	2,175		-
Financial income	**38**	**2,617**	**347**	**2,270**	**654.2%**	**347**	**2,270**	**654.2%**	**-**
Interest expenses	39	(17,484)	(11,385)	(6,099)	53.6%	(11,385)	(6,099)	53.6%	-
Bank charges	39	(629)	(592)	(37)	6.3%	(592)	(37)	6.3%	-
Financial expenses	**39**	**(18,113)**	**(11,977)**	**(6,136)**	**51.2%**	**(11,977)**	**(6,136)**	**51.2%**	**-**
Net income before taxes		**122,624**	**105,826**	**16,798**	**15.9%**	**110,255**	**12,369**	**11.2%**	**(4,429)**
Income taxes	**40**	**(27,343)**	**(29,410)**	**2,067**	**-7.0%**	**(30,719)**	**3,376**	**-11.0%**	**1,309**
Net income from continuing operations		95,281	76,416	18,865	24.7%	79,536	15,745	19.8%	(3,120)
Profit/(loss) for the year		**95,281**	**76,416**	**18,865**	**24.7%**	**79,536**	**15,745**	**19.8%**	**(3,120)**
NET INCOME ATTRIBUTABLE TO THE GROUP		**95,281**	**76,416**	**18,865**	**24.7%**	**79,536**	**15,745**	**19.8%**	**(3,120)**
Net Income to minority interests		**-**	**-**	**-**		**-**	**-**		**-**

(*) The figures at December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the column "Changes in comparative figures" shows the following adjustments:

- *recognition of depreciation and amortization for the period of 4.4 million euro generated by the assets identified in the PPA process ("Depreciation and amortization");*
- *reversal of deferred tax liabilities set aside on recognition of the fair value of the contractual relationships identified in SIA Greece and SIA Slovakia, for the portion pertaining to the period, with a positive effect on the operating result of 1.34 million euro ("Deferred tax assets/liabilities");*
- *reversal of deferred tax assets set aside on recognition of the lower fair value of SIA Greece's properties compared with their carrying amount, for the portion pertaining to the period, with a negative effect on the operating result of 29 thousand euro ("Deferred tax assets/liabilities").*

Changes in shareholders' equity during 2019

CHANGES IN SHAREHOLDERS' EQUITY DURING 2019 *(Thousands of euro)*

	Share capital	Share premiun reserve	Reserves	Valuation reserve	Profit/(loss) for the period	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 31 December 2018	22,275	5,317	187,921	(6,198)	79,536	288,851	5	288,856
Adjustment for PPA completion (*)					*(3,120)*	*(3,120)*	-	*(3,120)*
Balance at 31 December 2018 restated (*)	**22,275**	**5,317**	**187,921**	**(6,198)**	**76,416**	**285,731**	**5**	**285,736**
Change in opening balances (**)	-	-	827	(413)	-	414	-	414
Balance at 1 January 2019 as Restated	**22,275**	**5,317**	**188,748**	**(6,611)**	**76,416**	**286,145**	**5**	**286,150**
Allocation of profit			76,416		(76,416)	**-**	-	**-**
Distribution of dividends			(59,970)			(59,970)	-	(59,970)
Total net comprehensive income			(415)	(3,908)	95,281	90,958	(5)	90,953
Exchange rate differences				*11*		*11*	-	*11*
Cash flow hedging				*(1,723)*		*(1,723)*	-	*(1,723)*
Actuarial gain/(losses)				*(2,196)*		*(2,196)*	-	*(2,196)*
Changes in the scope of consolidation/IFRS 3 (***)			*(415)*			*(415)*	*(5)*	*(420)*
Result of the year					*95,281*	*95,281*	-	*95,281*
Balance at 31 December 2019	**22,275**	**5,317**	**204,779**	**(10,519)**	**95,281**	**317,133**	**-**	**317,133**

(*) Shareholders' equity at December 31, 2018 have been restated to take into account amortization on the intangible assets identified on completion of the purchase price allocation process for the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018 in accordance with IFRS 3. This amortization had an impact on the net result for 2018 of 3.1 million euro.

(**) The changes to the opening balances at January 1, 2019 concerned non-material differences between the reporting packages at December 31, 2018 approved by the Boards of Directors of the subsidiaries and used in preparing the consolidated financial statements and the local financial statements at December 31, 2018, which were approved subsequently.

(***) The change in non-controlling interests is due to the exclusion of Consorzio QuenIT in liquidation from the scope of consolidation, but included among the investments carried at cost (see the paragraph "Consolidation criteria and methods" in the 2019 consolidated financial statements).

Consolidation criteria and methods

The scope of consolidation has changed compared with December 31, 2018 because of the merger of Ubiq in P4cards, which did not have any effect on the Group's consolidated financial statements. So at the reference date the scope of consolidation included the parent company SIA, as well as the foreign subsidiaries Perago FSE, PforCards, SIA Central Europe, SIA Greece and SIA Slovakia, and the Italian subsidiaries Emmecom, P4cards, SIAadvisor and SIApay. SIA Slovakia directly controls SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia. P4cards and SIA Greece control respectively Consorzio QuenIT in liquidation and DMAN in liquidation, which from 2019 were excluded from the scope of consolidation and are recognized as investments carried at cost (the amounts involved are not material, both individually and in aggregate).

(Thousands of euro)

	Share capital	Equity	Result for the period	Ownership Interest
SIA	**22,275**	**316,238**	**105,575**	
Subsidiaries				
Emmecom	40	3,308	1,579	100%
Perago FSE	2	(957)	(1,870)	100%
P4cards	49,240	90,425	34,112	100%
PforCards	35	1,646	(1,094)	100%
SIA Central Europe	536	6,428	2,136	100%
SIApay	600	8,574	827	100%
SIA Slovakia	4,906	33,256	8,982	100%
SIA Croatia	3	360	130	100%
SIA Czech Republic	142	184	16	100%
SIA Hungary	860	994	134	100%
SIA Romania	90	139	11	100%
SIA Serbia	-	444	140	100%
SIA Greece	43,852	48,898	3,893	100%
SIAadvisor (*)	10	3,249	923	51%
Associates				
ATS (**)	120	2,632	106	30%

(*) SIA holds 51% of SIAadvisor, but the company is 100% consolidated, in accordance with IFRS 10, as there are derivative instruments (put&call options) on the non-controlling interests which are thought to give SIA the de facto benefit of SIAadvisor's earnings.
(**) The figures refer to 2018, as these are the latest approved financial statements.

As regards the consolidation methods, the investments in subsidiaries are consolidated on a line-by-line basis, while the interests over which the Group exercises significant influence are measured using the equity method. The adequacy of the carrying amounts of goodwill and equity investments in accordance with IAS 36 is checked at least once a year 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 on all assets with a finite useful life.

Line-by-line consolidation

Equity investments in subsidiaries are consolidated line-by-line. In compliance with IFRS 10, the concept of control is based on all three of the following elements: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement in it; (c) ability to use that power to influence the amount of the variable returns. To assess whether an investor has control over the investee, IFRS 10 requires them to focus on the parts of the business that most affect the investee's returns (the concept of "relevant activities"). IFRS 10 also requires that, in assessing the existence of control, only substantive rights are taken into consideration, i.e. those that can be exercised in practice when important decisions have to be taken about the investee.

This method of consolidation involves aggregating subsidiaries' balance sheet and statement of profit or loss items line by line. To this end, the following adjustments are made:

(a) the carrying amount of the 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 recognized as a separate item.

The results of these adjustments, if positive, are recognized - after any allocation to the subsidiary's assets or liabilities - as goodwill in "Intangible assets" on the date of first-time consolidation, if the conditions exist. If negative, the differences are normally charged to the statement of profit or loss.

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

The economic results of a subsidiary acquired during the year are included in the consolidated financial statements from the date of acquisition of control. Similarly, the economic results of a subsidiary sold are included in the consolidated financial statements up to the date on which control ceased.

The accounting situations used in preparing the consolidated financial statements are prepared as of the same date. The consolidated financial statements have been prepared using uniform accounting standards for similar transactions and events. If a subsidiary uses accounting standards other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, adjustments are made to its financial statements for the consolidation of the statement of profit or loss and balance sheet balances.

Equity method

Equity investments 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 reflect the investor's share of the profit or loss that the investee makes after the acquisition date. The investor's share of the investee's results for the period is recognized in the investor's statement of profit or loss. Dividends received from an investee reduce the carrying amount of the 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 statement of profit or loss. 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 these changes is recognized directly in its shareholders' equity.

The consolidating company discontinues the use of the equity method from the date on which it ceases to exercise significant influence or joint control over the investee and records this investment as "Current financial assets" or "Non-current financial assets", according to the logic mentioned previously, starting from that date, on condition that the associate or jointly controlled company does not become a subsidiary.

The balance sheets and statement of profit or loss of Group companies operating in areas other than the Eurozone are translated into euro by applying the exchange rates current at the balance sheet date to assets and liabilities and the average exchange rates for the year to statement of profit or loss items.

The exchange differences arising from translation of the financial statements of these companies, deriving from the application of different exchange rates to assets and liabilities and to the statement of profit or loss, are recognized in the "Foreign exchange translation reserve" under shareholders' equity. All exchange differences are reversed to the statement of profit or loss in the year in which the equity investment is disposed of.

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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 in the annual financial statements at December 31, 2018, with the exception of IFRS 16 which has been applied from January 1, 2019. The impacts of applying IFRS 16 are explained in the section entitled *"IFRS accounting standards, amendments and interpretations applied from January 1, 2019"* and in the sections of the notes relating to the items concerned.

Financial assets and receivables

Financial assets at fair value through profit or loss

Financial assets other than those classified under "Financial assets at fair value through other comprehensive income" and " Financial assets at amortized cost". In particular, this item includes:

- financial assets held for trading, essentially represented by debt and equity instruments and by 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 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.

Initial recognition of financial assets takes place on the settlement date for debt and equity instruments, and on the subscription date for derivative contracts. On initial recognition, the financial assets at fair value through profit or loss are recognized at fair value, without considering the transaction costs or income directly attributable to the instrument. On subsequent reference dates, they are measured at fair value and the valuation effects are recognized in the statement of profit or loss. Financial assets are derecognized only if the sale has led to the substantial transfer of all the risks and benefits associated with the assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been 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, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, non-controlling equity investments are valued at fair value, and the amounts recognized as a contra-entry in equity (Statement of comprehensive income) must not subsequently be transferred to the statement of profit or loss, even in the case of disposal. The only component of these equity instruments subject to recognition in the statement of profit or loss is their 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 meaningful estimate. Financial assets are derecognized only if their sale entails the substantial transfer of all risks and rewards connected to such assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been transferred.

Financial receivables and financial assets at amortized cost

Financial assets (in particular, loans and debt securities) that meet both of the following conditions are included in this category:
- 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, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, the financial assets in question are valued 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 applying the discounting logic negligible, for those without a defined maturity and for revocable loans. Financial assets are derecognized only if the sale has led to the substantial transfer of all the risks and benefits associated with the assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been transferred.

Hedging transactions

The SIA Group takes advantage of the possibility, envisaged at the time IFRS 9 was introduced, to continue applying all of the provisions of IAS 39 "Hedge accounting" for all type 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 (the hedging instrument). IAS 39 provides for 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 evaluated on the basis of a continuity approach; so prospectively it must remain highly effective for all the reference periods for which it was designated. Effectiveness is assessed at each annual or interim reporting date. A hedge is considered 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 certain range (80%-125%).

If the verifications do not confirm the effectiveness of the hedge, from 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 redeemed
- it is no longer highly likely that the future hedged transaction will be carried out.

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Tangible assets

The categories of assets included in tangible assets are shown in the following table, which also includes the depreciation criteria used:

Category	Subclasses	Depreciation rate
Land and buildings	Land	-
	Civil/industrial buildings	3%
Plant and machinery	Plant	10% - 25%
	Hardware	20% - 25%
	Machinery	15% - 25%
Equipment	Commercial and industrial equipment	12% - 20%
	Electric machines	12% - 20%
Other assets	Office machines	12% - 20%
	Furniture and furnishings	12% - 20%
	Motor vehicles and cars	20% - 25%

Costs for restructuring properties that are not owned ("leasehold improvements") are capitalized considering the fact that for the term of the rental agreement the company using the assets has control over them and can obtain future economic benefits from them. Assets that can be clearly identified and separated are not included in this category.

Accounting for property, plant and machinery among tangible assets occurs only when the following conditions occur simultaneously:

- it is probable that the company enjoys future economic benefits attributable to the asset
- the cost can be determined reliably.

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 operating practice, depreciation is calculated from the first day of the month in which the asset is available for use.

At the end of each year, the Group 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 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 statement of profit or loss. The carrying amount of a tangible asset is reversed in full when it is disposed of or when the company does not expect to obtain any economic benefit from its sale.

In accordance with IFRS 16, leased assets are recorded in tangible assets if the following conditions exist: identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from its use and the right to direct the use of the asset underlying the contract.

The rights of use of leased assets, including those under operating leases, are recorded in this item with a financial liability as the contra-entry. Lease assets with a contractual duration of less than one year and leases where the underlying asset is configured as a low-value asset are not recognized.

Please refer to *"IFRS Accounting standards, amendments and interpretations applied from 1 January 2019"* for details on the first-time application of IFRS 16.

Intangible assets

An intangible asset is an asset that simultaneously meets the following conditions:

- it is identifiable
- it is non-monetary
- it has no physical consistency
- it is under the control of the company that prepares the financial statements
- it is expected to produce future economic benefits for the enterprise.

If an asset does not meet the above requirements to be defined as an intangible asset, the expense incurred to purchase it or to generate it internally is accounted for as a cost when it is incurred. However, if the asset in question is acquired during a business combination, it forms part of the goodwill recognized at the time of the acquisition.

Intangible assets are initially recognized at cost.

The cost of the intangible assets acquired externally includes the purchase price and any directly attributable costs. The main types of intangible assets acquired separately include software purchased from third parties or used under license. 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 statement of profit or loss.

Intangible assets acquired through business combinations are initially recognized at cost, corresponding to their fair value on 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

- it is technically feasible to complete the intangible asset to make it available for use or for sale;
- management's intention is to complete the intangible asset so that it can be used or sold;
- the company is able to use or sell the intangible asset;
- there must be a way for the intangible asset to generate future economic benefits and, in particular, there must be a market for the product of the intangible asset or for the intangible asset itself or, if it has to be used for internal purposes, it has to be useful to the business;
- there have to be adequate technical, financial and other resources available to complete the development and to use or sell the asset;
- the company must be able to reliably assess the cost attributable to the intangible asset during its development.

The main types of intangible assets generated internally are represented by software projects. The following costs are considered directly attributable, incurred to bring the business to normal operating conditions, and capitalizable:

- costs for materials and services used or consumed for the generation of the intangible asset
- taxes to register a legal right
- the amortization of patents and licenses that are used for the realization of the intangible asset
- financial expenses
- the cost of personnel assigned and planned for the development of the project
- fees paid to external consultants for services received directly on the project already started and identified.

Intangible assets are measured at cost according to one of the two criteria envisaged by IAS 38 (the cost model and the revaluation model). The cost model provides that after initial recognition an intangible asset must be shown in the financial statements at cost, net of accumulated amortization and impairment losses.

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

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

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

Category	Subclasses	Amortization rate
Intangible assets acquired separately and/or through business combinations	Patents and other industrial rights Trademarks Software licenses Other	10% - 33%
Intangible assets generated internally	Software projects developed internally	20% - 33%

Intangible assets that are infrastructural in nature and particularly important from a strategic point of view, or linked to contracts with a duration exceeding three years, are examined on a case-by-case basis to assess their correct technical/economic useful life, which in exceptional cases may be greater than three years.
Intangible assets with an indefinite useful life and those not yet available for use are not amortized, but, in accordance with IAS 36, they are subjected to an impairment test. The impairment test is carried out at least once a year, and in any event any time there is an indication that an intangible asset may have suffered impairment. Within the Group, the only intangible asset with an indefinite useful life is represented by goodwill arising as a result of business combinations.
Intangible assets with a finite useful life are monitored on an annual basis to identify any impairment or review the amortization rate.
Intangible assets are completely reversed upon disposal or when it is expected that no future economic benefit will derive from their disposal. The gain or loss generated from the derecognition of an intangible asset is recognized in the income statement 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.

Investments

Equity instruments qualified as equity investments have as their common denominator the acquisition of a more or less significant part of the power of governance over 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 hence any goodwill. Investments in subsidiaries, joint ventures and associates are initially recognized at cost and subsequently measured under the equity method. In accordance with the cost method, every time the accounts are closed an assessment is carried out to verify whether an asset has suffered from impairment, resulting in the need to adjust the carrying amount of the investment. 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 transaction 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, a set of accounts 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 a maximum of 12 months. If there are no reliable accounts available as of that date, the Group assumes as the acquisition date - for these purposes - the first day of the quarter immediately following the actual acquisition date or, if closer, the last day of the preceding quarter.

The assets acquired and the liabilities assumed are valued by the acquiring company at their fair value at the acquisition date, based on 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. On the acquisition date it is measured as the surplus between the fair value of the net identifiable assets of the acquired company 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.

In accordance with the provisions of IAS 36 and the specific guidelines approved by the Board of Directors of SIA S.p.A., the verification of the fairness of the carrying amount of the goodwill recorded following the business combinations and any other intangible assets with an indefinite life or not yet in use is performed at least once a year and, in any case, whenever there is an indication that an asset may have suffered from impairment.

The impairment test for goodwill is always carried out within a cash-generating unit (CGU) or group of CGUs, as goodwill does not generate cash flows independently of the other assets. For the goodwill emerging in the consolidated financial statements of the SIA Group deriving from the acquisition of a business included in a legal entity, the impairment test is carried out by estimating the recoverable amount of the legal entity to which the goodwill refers. In other words, for the purpose of the impairment, the cash-generating unit with which goodwill is associated is the legal entity by which it was generated. For the remaining goodwill not attributable to a single legal entity and/or resulting from business combinations (such as mergers), the impairment test is carried out by identifying the CGUs that represent the business to which the goodwill is associated.

The impairment test on investments in subsidiaries included in SIA S.p.A. the stand alone financial statement is carried out on individual legal entities, in line with the provisions of IAS 36, as it is believed that they present autonomous capacity for the generation of cash flows. In the event that a high level of integration of the businesses does not make it possible to carry out the test for a single legal entity, the impairment test is carried out for the CGU represented by the consolidated financial statements, as only at this level is it possible to determine the recoverable value of the CGU.

An asset has suffered from impairment when its carrying amount exceeds its recoverable amount. For the determination of the recoverable value, reference is made to the greater of the value in use and the net realizable value, i.e. 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 discount rate used is the pre-tax rate which reflects current market assessments of the time value of money and the specific risks of the asset for which estimates of future cash flows have not been adjusted. This rate is estimated through the implicit rate used for similar assets in the negotiations currently present on the market or through the weighted average cost of capital of a listed company that has a single activity (or a portfolio of activities) similar to one being considered in terms of service and risks. When the rate of a specific activity is not available directly from the market, the company uses other techniques to estimate its discount rate (taking into account, for example, the following rates: the weighted average cost of capital for the entity determined using valuation techniques such as the Capital Asset Pricing Model (CAPM); the firm's marginal financing rate; other financing rates available on the market).

An impairment loss is recognized if the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs). The impairment loss is primarily attributed to reducing the book value of any goodwill allocated to the CGU or group of CGUs and therefore to the other assets of the CGU (or group of CGUs) in proportion to the carrying amount of each asset that forms part of the CGU (or group of CGUs).

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, inevitably contain 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 laid down in IAS 36, an impairment loss recognized for 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.

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, particular the paragraph entitled "Impairment test of consolidated goodwill and other non-financial assets".

Inventories

Inventories are goods:

- held for sale in the ordinary course of business
- used in production processes for sale
- in the form of materials or supplies of goods for use in the production process or in the provision of services.

In the specific case of the company, the inventories of finished products and goods refer essentially to chip cards and card readers purchased from third parties and due to be sold to fulfill obligations under contracts with customers.

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

In accordance with the provisions of IAS 2, the weighted average cost method on an annual basis is used to determine the cost of inventories, unless there are anomalous price fluctuations that cause a distorting effect.

The net realizable value of inventories is determined by referring to the estimated sale price in the ordinary course of business, net of estimated costs of completion as well as those considered necessary to carry out the sale, which can be deduced from contracts already concluded for the supply of services or from the most recent prices for similar transactions already carried out in the recent period, providing they can be documented.

When the net realizable value is lower than the cost, the excess is immediately written down in the statement of profit or loss. The write-down must be made on the basis of an assessment carried out item by item and therefore it is not considered appropriate to write down inventories based on their classification or if they are part of a particular operating sector.

Trade receivables

Trade receivables from the provision of services are recognized according to the terms laid down in the contract with the customer on the basis 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 IFRS 9. IFRS 9 paragraph 5.5.15 allows for a simplified approach, which also take in account other factors like forecasted economic outlook, 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. During 2019, the internal criteria adopted for estimating both analytical and general write-downs were refined, taking into account the practices developed in the meantime since the entry into force of IFRS 9 on 1 January 2018 and the experience gained over time.

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 not more than 3 months.

Employee benefits

Employee benefits include benefits paid to employees or their dependents and can be liquidated by means of payments (or with the supply of goods and services) made directly to employees, spouse, children or other dependents. or to third parties, such as insurance companies and are divided 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 represented by annual bonuses, MBOs and one-off renewals of national collective agreements, are accounted for as liabilities (provision of costs) after deducting any amount already paid, and as a cost, unless some other IFRS standard requires or allows the inclusion of the benefits in the cost of an asset (for example the cost of personnel employed in the development of 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 fall into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans mainly include:
- supplementary pension funds which involve the contribution of a set amount by the company
- the employee severance indemnity provision, limited to the portions accrued since January 1, 2007 for companies with more than 50 employees, irrespective of the allocation option chosen by the employee
- the portions of severance indemnity accrued since January 1, 2007 and destined for supplementary pensions, in the case of companies with less than 50 employees
- supplementary health care funds.

The defined benefit plans include:
- the severance indemnity, limited to the portion accrued up to December 31, 2006 for all companies, as well as the portions accrued from January 1, 2007 and not intended for supplementary pensions for companies with less 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.

In defined contribution plans, the obligation of the company drawing up 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 a contra-entry to shareholders' equity (in the valuation reserve) as required by IAS 19.

Provisions for risks and 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 fulfill the obligation. Given their different nature, 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 implied obligation as a result of past events
- it is likely that the use of resources capable of producing economic benefits will be necessary to fulfill 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 fulfill 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 the discounting are reported in the same item used for the recognition of the contingent liability.

Contingent assets are assets that lack

the requisite of certainty and which cannot be accounted for in the financial statements as a result; instead, they are described in a specific 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 only recognized 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, where considered as a separate performance obligation, is recognized as revenues when the goods or services are provided.

The variable components relating to the invoicing of transactions exceeding a threshold are included in the consideration only when the adjustment is applied.

In the case of contracts where the pricing depends on the annual volume of transactions occurred, revenues are recognized considering the expected annual volume of transactions.

In particular, revenues deriving from the rendering of services falling within the business segments of the Group and related to volumes of transactions of payments and cards or to traffic volumes in the capital markets are recognized on the basis of the date of execution of the transaction or use of network traffic. Further, certain contracts with customers relating to such services provide for annual fees, which are recognized in the income statement consistently with the billing frequency. Revenues related to recurring services (such as platform maintenance, assistance services, POS rental, service desk, etc.) are recognised linearly over the duration of the contracts.

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Project activities

For long-term orders, such as software development for customers, the revenue 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 a contra-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 consolidated financial statements as a reduction of the value of the investment when the right arises to receive the established dividend, or following the shareholders' resolution of the subsidiary (not consolidated), associate or joint venture. In the separate financial statements dividends are recognized in the income statement when the right to receive the established dividend arises.

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 more likely than not 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 deferred tax assets 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 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, in its stand alone financial statements, 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 a consequence, in relation to the items transferred by the subsidiaries, it is recognized a receivable (payable) towards 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, 2019

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time as of January 1, 2019:

- On January 13, 2016 the IASB published the standard **IFRS 16 – *Leases*** which replaced IAS 17 – *Leases*, as well as IFRIC 4 interpretations *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*
  The new standard provides a new definition of lease and introduces a criterion based on control of an asset (right of use) to distinguish lease contracts from contracts for the provision of services, identifying as discriminating factors: identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from its use and 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 contracts for the lessee, which provides for recognition under assets of the leased asset, including those under operating leases, with a financial liability as the contra-entry. On the other hand, the standard does not include significant changes for lessors.
  The Group has chosen to apply the standard retrospectively, without changing the comparative information (IFRS 16 *§ C5 (b)*) and has considered in the determination of the rights of use of the assets under operational leases only the payments subsequent to January 1, 2019 (IFRS 16 *§ C8b (ii)*), i.e. not recognizing differences between the carrying amounts of financial assets and payables at January 1, 2019. In particular, for the lease contracts previously classified as operating leases, the Group has accounted for:

  a) a financial liability, equal to the present value of the residual future payments on the transition date, discounted using the incremental borrowing rate applicable on 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 accrued income and prepaid expenses referring to the lease and recognized in the balance sheet at the year-end close of these financial statements.

The Group has made use of the exemption granted by IFRS 16 *§ 5 (a)* in relation to short-term leases and the exemption granted by IFRS 16 *§ 5 (b)* as regards lease contracts for which the underlying asset is configured as a low-value asset (i.e. the assets underlying the lease contract do not exceed € 5,000 when new). The contracts for which the exemption was applied fall mainly into the following categories:

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

For these contracts, the introduction of IFRS 16 does not entail recognition of the lease's financial liability and the related right of use; instead, the rental payments are recognized in the income statement on a linear basis over the duration of the contract. It should also be remembered that IFRS 16 does not apply to leases falling within the scope of application of other standards, including intellectual property licenses granted by the lessor.

With regard to the incremental borrowing rate, as most of the rental contracts signed by the Group do not include an implicit rate of interest, the discount rate to be applied to future rental payments has been determined as the risk free rate of each country in which the contracts have been signed, with maturities in line with the duration of the specific rental agreement, as increased by the specific credit spread of the subsidiary.

For the definition of lease term, unless explicitly provided for in the contract, the Group has established the following policy:

- for hardware and assets other than properties, renewals are not considered
- for properties used for business purposes, in the absence of other information that can be used to determine the lease term, the following are considered:

– an entire contract renewal period in the event of renewals of contracts with a residual duration of more than one year
– two periods of contract renewal in the case of contract renewals with a residual duration of not more than one year.

The impacts of first-time adoption (FTA) of IFRS 16 on the SIA Group are shown in the following tables.

ASSETS AND LIABILITIES RECORDED ON JANUARY 1, 2019 AND FUTURE OPERATING LEASE PAYMENTS *(Thousands of euro)*

Composition	Assets detected at 01/01/2019		Liability value at 01/01/2019	Value of future rentals from 01/01/2019 (nominals)	
	Buildings	Other assets		Buildings	Other assets
SIA	47,003	1,681	48,684	55,857	1,767
Perago FSE	172	-	172	208	-
SIApay	289	23	311	297	23
SIA Central Europe	559	91	650	600	97
Emmecom	236	34	270	278	35
Ubiq	138	-	138	173	-
SIAadvisor	77	-	77	80	-
P4cards	8,674	136	8,810	11,548	141
PforCards	880	31	911	937	31
SIA Slovakia	356	-	356	357	-
SIA Greece	493	66	559	508	72
Total	**58,878**	**2,061**	**60,939**	**70,844**	**2,167**

The difference between future lease commitments pursuant to IAS 17, on December 31, 2018 and the lease liabilities recorded in the financial statements at the date of FTA of IFRS 16 is due to the effect of the determination of a longer lease term than the timespan considered for the determination of future obligations and on the other hand to the effect of discounting the future cash flows from lease contracts at the incremental borrowing rate.

IMPACT OF FTA OF IFRS 16 ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JANUARY 1, 2019

TOTAL ASSETS *(Thousands of euro)*

	31/12/2018 restated (*)	Change IFRS 16	01/01/2019
Plant and machinery	61,645		61,645
Industrial and commercial equipment	1,464		1,464
Land and buildings	16,844	58,878	75,722
Other assets	1,616	2,061	3,677
Construction in progress and advances	4,003		4,003
Leasehold improvements (**)	-	4,102	4,102
Tangible assets	**85,572**	**65,041**	**150,613**
Goodwill	571,621		571,621
Other intangible assets	315,222		315,222
Intangible assets in progress and advances	27,764		27,764
Intangible assets	**914,607**		**914,607**
Investments	720		720
Non current financial assets	50		50
Non current trade receivables	6		6
Other non current assets	4,102	(4,102)	-
Deferred tax assets	12,755		12,755
Total non current assets	**1,017,812**	**60,939**	**1,078,751**
Inventories and contract work-in-progress	4,375		4,375
Current financial receivables	1,703		1,703
Current financial assets	122		122
Current tax assets	39,375		39,375
Current trade receivables	188,757		188,757
Other current assets	37,687		37,687
Cash and cash equivalents	94,652		94,652
Total current assets	**366,671**		**366,671**
TOTAL ASSETS	**1,384,483**	**60,939**	**1,445,422**

(*) The figures at December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

(**) Following the adoption of IFRS 16 from January 1, 2019, leasehold improvements have been reclassified from other non current assets to property, plant and equipment and their rights of use have been booked to "Land and buildings" in accordance with IFRS 16.

TOTAL LIABILITIES AND EQUITY *(Thousands of euro)*

	31/12/2018 restated (*)	Change IFRS 16	01/01/2019
Share capital	22,275		22,275
Share premium reserve	5,317		5,317
Reserves	187,921		187,921
Valuation reserve	(6,198)		(6,198)
Result for the period - Group	76,416		76,416
Equity attributable to owners of the Company	**285,731**		**285,731**
Profit/(loss) - third parties	-		-
Consolidation reserve - third parties	5		5
Non-controlling interests	**5**		**5**
TOTAL EQUITY	**285,736**		**285,736**
Non current financial payables	709,178	53,346	762,524
Non current financial liabilities	5,231		5,231
Provisions for employee benefits	23,145		23,145
Deferred tax liabilities	73,643		73,643
Provisions for risks	2,357		2,357
Other non current liabilities	9,928		9,928
Total non current liabilities	**823,482**	**53,346**	**876,828**
Current financial payables	105,997	7,593	113,590
Current tax liabilities	4,922		4,922
Current trade payables	85,397		85,397
Other current liabilities	78,949		78,949
Total current liabilities	**275,265**	**7,593**	**282,858**
TOTAL LIABILITIES	**1,098,747**	**60,939**	**1,159,686**
TOTAL LIABILITIES AND EQUITY	**1,384,483**	**60,939**	**1,445,422**

(*) The figures at December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

- On June 7, 2017, the IASB published the interpretation ***"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"***. The interpretation deals with the issue of uncertainties on the tax treatment to be adopted for income taxes. In particular, the interpretation requires a company to analyse any uncertain tax treatments (individually or as a whole, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all the relevant information. In the event that the company considers it unlikely that the tax authority will accept the tax treatment followed, the entity must reflect the effect of uncertainty in measuring its current and deferred income taxes. In addition, the document does not contain any new disclosure obligations, but underlines that the company will have to establish whether it will have to provide information on the considerations made by management with regard to the uncertainty inherent in accounting for taxes, in accordance with IAS 1. The new interpretation has been applied since January 1, 2019. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On December 12, 2017 the IASB published the document ***"Annual Improvements to IFRSs 2015-2017 Cycle"*** which explains the changes to certain standards as part of the annual process of improving them. The main changes concern:
  – IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when a company gains control of a business which represents a joint operation, it must re-measure the interest previously held in that business. However, this process is not envisaged in the event of joint control being obtained.

- IAS 12 *Income Taxes*: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as part of equity) should be accounted for in a manner consistent with the transaction that generated the profits (income statement, OCI or equity).
- IAS 23 *Borrowing costs*: the amendment clarifies that, in the case of loans that remain outstanding even after the qualifying asset in question is ready for use or for sale, they become part of the set of loans used to calculate borrowing costs.

Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On February 7, 2018, the IASB published the document ***"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19) "***. The document clarifies how a company should detect a change (i.e. a curtailment or settlement) of a defined benefit plan. The changes require the company to update its assumptions and to re-measure the net asset or liability deriving from the plan. The amendments clarify that after the occurrence of this event, an entity uses updated assumptions to measure the current service cost and interest for the remainder of the reporting period following the event. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On October 12, 2017 the IASB published the document ***"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"***. This document clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associated companies and joint ventures for which the equity method does not apply. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations not yet approved by the European Union, not yet mandatory and not adopted in advance by the Group at December 31, 2019

- On October 31, 2018 the IASB published the document ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***. The document introduced a change in the definition of "material" contained in IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of "material" more specific and has introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles subject to modification. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the primary readers of a set of financial statements an effect similar to that which would have occurred if the information in question had been omitted or incorrect. The changes introduced by the document apply to all transactions subsequent to January 1, 2020. The directors do not expect a significant effect on the Group's consolidated financial statements from adopting this amendment.

- On March 29, 2018, the IASB published an amendment to ***"References to the Conceptual Framework in IFRS Standards".*** The amendment is effective for periods starting on January 1, 2020 or later, but early adoption is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

- On September 26, 2019, the IASB published its ***"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform"***. It also amends

IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures.* In particular, the amendment modifies some of the requirements needed for hedge accounting, providing for temporary exemptions from them, in order to mitigate the impact from uncertainty about the IBOR reform (still in progress) on future cash flows in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships, which are directly affected by the uncertainties generated by the reform and to which the above exemptions apply. The changes take effect from January 1, 2020, but companies can choose early adoption. At present, the directors are evaluating the possible effects of introducing this amendment on the Group's consolidated financial statements. The changes could be relevant for the Group, as it applies hedge accounting to some of its exposures to changes in Euribor interest rates.

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

- On October 22, 2018 the IASB published its ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides clarifications about the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify an integrated set of activities/processes and assets as a business. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and a process which together significantly contribute to the ability to create output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without all of the inputs and processes necessary to create an output. The changes apply to all business combinations and acquisitions of activities after January 1, 2020, but early adoption is permitted. Considering that this amendment will be applied to the new acquisitions that will be concluded from January 1, 2020 onwards, any effects will be recognized in the consolidated financial statements closed after that date.

- On 11 September 2014 the IASB published an amendment to IFRS 10 and IAS 28 ***"Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"***. The document was published to resolve the current conflict between IAS 28 and IFRS 10. The changes introduced provide that in a sale/contribution of assets or a subsidiary to a joint venture or associate, the amount of profit or loss to be recognized in the seller's/contributor's financial statements depends on whether or not the assets or the subsidiary sold/contributed constitute a business, as understood in IFRS 3. In the event that the assets or subsidiary sold/contributed represent a business, the entity must recognize the profit or loss on the entire stake previously held; while, otherwise, the portion of profit or loss relating to the portion still held by the entity has to be eliminated. At the moment, the IASB has suspended application of this amendment. The directors do not expect a significant effect in the Group's consolidated financial statements from adopting these changes

Purchase price allocation of the Magnolia transaction

As explained in the consolidated financial statements at December 31, 2018, the Group has carried out the purchase price allocation (PPA) for the price paid to First Data (the seller) to buy SIA Greece and SIA Slovakia on September 28, 2018. With the support of a primary independent third-party expert, the SIA Group made the final allocation of the cost of the combination on June 30, 2019, recognizing the fair value of the identifiable assets, liabilities and contingent liabilities of the two companies. Pursuant to IFRS 3, due to the complexity of this process, accounting for business combinations could be completed within twelve months from the acquisition date.

Framework of reference

The analysis was carried out by analysing the best information, both financial and non-financial. The main information used, the procedures followed and the conclusions reached as a result of this analysis are shown below.

The analysis refers to the "IFRS Framework" and the following international accounting standards issued by the International Accounting Standards Board ("IASB"), hereinafter jointly referred to as "IFRS":

- International Financial Reporting Standard, No. 3 (R), "Business Combinations" (IFRS 3);
- International Financial Reporting Standard, No. 10, "Consolidated Financial Statements" (IFRS 10);
- International Financial Reporting Standard, No. 13, "Assessment of Fair Value" (IFRS 13);
- International Accounting Standard, No. 27, "Consolidated and Separate Financial Statements" (IAS 27);
- International Accounting Standard, No. 38, "Intangible assets" (IAS 38).

Identification of assets and liabilities in accordance with IFRS

The "Framework for the Preparation and the Presentation of Financial Statements", in paragraph 49 ("Financial Position"), states that *"an asset is a resource controlled by the entity as a consequence of past events and from which future economic benefits are expected for the entity".*

In order to identify intangible assets in particular, the criteria for identifying intangible assets were also applied, in accordance with the provisions of IAS 38.

Intangible assets are identifiable non-monetary assets, devoid of physical consistency. An intangible asset can be entered in the financial statements separately from goodwill, but only if it is identifiable and reliably measurable.

IAS 38 specifies that an intangible asset only meets the identifiability criterion if:

- it is separable, i.e. it can be separated or spun off from the entity and sold, transferred, licensed out, leased or exchanged, individually or together with the related contract, assets or liabilities; or
- it derives from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the company or from other rights and obligations.

It should be remembered that on the basis of IFRS 3, the acquisition of the aforementioned companies must be accounted for using the acquisition accounting method, which provides for Purchase Price Allocation (PPA) process. Pursuant to IFRS 3, in fact, the buyer must allocate at the acquisition date (in this specific case the acquisition date was September 28, 2018), the cost of the combination to assets (including intangibles) and liabilities (including contingent liabilities, improbable ones as well) by recognizing their fair values as of that date. The residual difference between the cost of the combination and the fair value of the net assets (i.e. assets less liabilities), if positive, must be recorded as goodwill, whereas if negative, it expresses negative goodwill (or badwill) which has to be recognized immediately to the income statement in accordance with IFRS 3.

The acquirer has to separately identify the acquired intangible assets on the acquisition date, but only if they meet the definition of intangible asset according to IAS 38 and their fair value can be reliably estimated. There have to be economic benefits deriving from the intangible asset, i.e. income originating from the sale of products or services, cost savings, or other benefits deriving from use of the asset; the entity must also have control over the asset: the entity has control if it has the power to take advantage of future economic benefits deriving from the resource in question and if it can also limit access to these benefits by third parties.

Furthermore, according to the provisions of the IAS Framework, a liability is a current obligation of the company that derives from past events and whose fulfillment is supposed to materialize in the use of resources capable of producing economic benefits. In the case of business combinations, note that "contingent liabilities" also have to be recognized, regardless of the probability or otherwise that there will be a financial outlay, but only if these are measurable with a good level of reliability; in this context, attention must therefore be paid to the fact that the obligation has to arise before and not after the acquisition date.

Fair value measurement

IFRS 13 defines fair value as *"the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular operation in the main (or most advantageous) market on the valuation date, at current market conditions (i.e. a closing price, regardless of whether that price is directly observable or estimated using another market technique)"*.

The purpose of measuring fair value is to estimate the price at which a regular transaction would take place for the sale of the asset or the transfer of the liability between market operators on the measurement date at current market conditions.

An evaluation of the fair value requires an entity to determine:

- The particular asset or liability being valued (in line with its valuation basis)
- In the case of a financial asset, the appropriate valuation assumption for the measurement (in line with its maximum and best use)
- The main (or most advantageous) market for the asset or liability
- Appropriate valuation techniques for the measurement, considering the availability of data with which to process inputs that represent the assumptions that market participants would use to determine the price of the asset or liability and the level of the hierarchy of fair value at which the inputs are classified.

The objective in using a particular valuation method is therefore to estimate the price that would be received for the sale of the asset or that would be paid for the transfer of the liability in a regular operation in the main (or most advantageous) market on the measurement date at current market conditions. The three most frequently used valuation methods are:

- ***Market valuation method.*** It uses the prices and other relevant information generated by market operations concerning identical or comparable (i.e. similar) assets and liabilities, or a group of assets and liabilities, as a corporate asset.
- ***Cost method.*** It reflects the amount that would be required at that moment to replace the service capacity of an asset (often referred to as "current replacement cost").
- ***Income method.*** This method converts future amounts (for example, cash flows or revenues and costs) into a single current (i.e. discounted) amount; when using the income method, the measurement of the fair value reflects current market expectations for these future amounts.

Identified assets and liabilities

It should be remembered that, as already explained in the SIA Group's consolidated financial statements at December 31, 2018 (to which reference should be made for further details), the Magnolia transaction, completed on September 28, 2018, involved the acquisition of 100% of the share capital of two target companies, SIA Slovakia (which in turn directly controls 5 other companies, as detailed in the section entitled "Structure of the SIA Group at December 31, 2019 in the Management Report) and SIA Greece (also referred to jointly as the "subsidiaries"), belonging to the First Data Group and operating in a number of Central and South-Eastern European countries.

Each of these acquired companies constitutes a separate "Cash Generating Unit" (CGU).

The business acquired involved card processing and production services, call centers and back-offices, as well as POS and ATM management; it was financed by signing a new loan agreement with a syndicate of leading banks. The agreement resulted in the transfer of approximately 1,400 employees from First Data to SIA.

As part of the process of identifying the assets and liabilities to which to allocate the price paid, the management of SIA analyzed the items recorded in the financial statements and reporting packages of subsidiaries available at the date of the PPA process, also thanks to the support of a primary auditing company which carried out specific due diligence and agreed audit procedures.

With reference to the acquisition of SIA Greece, it should be remembered that when preparing the consolidated financial statements at December 31, 2018, provisional adjustments had been made to the book value of the assets and liabilities acquired at the acquisition date for a total of 3.5 million euro for SIA Greece (i.e. the total value of the net assets acquired went from approximately 52.0 million euro at the date of acquisition to 48.5 million euro) on the basis of the results of agreed audit procedures entrusted to a third-party expert; the provisional goodwill at December 31, 2018, compared with the purchase price of around 150.3 million euro, was therefore put at 101.8 million euro.

With reference to the acquisition of SIA Slovakia, it should be remembered that when preparing the consolidated financial statements at December 31, 2018, provisional adjustments had been made to the book value of the assets and liabilities acquired at the acquisition date for a total of 2.5 million euro for SIA Slovakia (i.e. the total value of the net assets acquired went from approximately 21.3 million euro at the date of acquisition to 18.8 million euro) on the basis of the results of agreed audit procedures entrusted to a third-party expert; the provisional goodwill at December 31, 2018, compared with the purchase price of around 236.9 million euro, was therefore put at 216.4 million euro.

So, following the completion of the PPA process on June 30, 2019, the main differences between the values provisionally recorded in the financial statements at December 31, 2018 and the definitive figures of the PPA recorded in these financial statements are explained below:

a) With reference to SIA Greece, on the basis of the results of specific real estate appraisals, the market value of the properties owned was lower overall for around 7.2 million euro compared with the carrying amount acquired of approximately 18.9 million euro; the properties in question were therefore recorded in the PPA for a total value of 11.6 million euro and resulting deferred tax assets were calculated at a total of approximately 2.1 million euro out of the difference mentioned above. The net difference of 5.1 million euro therefore had an impact on the identification of the residual goodwill.

b) With reference to SIA Greece, on the basis of the results of specific tax audit activities communicated by the local Greek management, liabilities for tax charges related to 2014 (already paid) were recorded for approximately 1.4 million euro, as well as charges related to 2015-2017 (estimated) for about 0.5 million euro. Liabilities for 2014 were repaid by the seller to SIA on the basis of the sale & purchase agreement and therefore did not have any impact on the determination of the residual goodwill. On the other hand, for the liabilities estimated for the years from 2015 to 2017, the negotiation for obtaining the related reimbursement from the vendor are still in progress and, therefore, the related amount (0.5 million euro) has had an impact on the identification of the residual value of goodwill.

c) With reference to SIA Greece, since the customer portfolio is characterized by a significant concentration of turnover, a customer relationship (or "customer list") has been identified whose fair value is subject to a reliable estimate in accordance with the provisions of IFRS 13 and IAS 38 mentioned above, with the principles and best practices applicable in valuations. The fair value of this customer list (43.6 million euro) was included in the PPA, net of deferred taxes for a total of 12.9 million euro; the net difference of 30.7 million euro therefore had an impact on the identification of the residual goodwill. Amortization of this customer list was set by SIA's management considering a period of 5 years (i.e. an annual charge of 8.7 million euro, gross of a deferred tax reversal effect of 2.6 million euro), a period that is also deemed by IFRS to be the longest that can be reliably considered in the estimation process applicable to long-term company projections.

d) With reference to SIA Slovakia, on the basis of the evidence available at the date of the consolidated financial statements at December 31, 2018 of the SIA Group, a financial receivable had been recorded for compensation requested by SIA from the seller for approximately 1.7 million euro as price adjustments in accordance with the sale & purchase agreement. This financial receivable is therefore an asset already provisionally identified by the Company's management at December 31, 2018, which reduced the residual value of goodwill. This receivable was collected at the end of 2019.

e) With reference to SIA Slovakia, SIA's management decided to identify a customer list to which we can attribute a reliable value, based on the best information available and after further investigations carried out in the period between April and June 2019. The fair value of this customer list (46.3 million euro) was included in the PPA, net of deferred taxes for a total of 13.7 million euro; the net difference of 32.6 million euro therefore had an impact on the identification of the residual goodwill. Amortization of this customer list was set by SIA's management considering a period of 5 years (i.e. an annual charge of 9.3 million euro, gross of a deferred tax reversal effect of 2.7 million euro), a period that is also deemed by IFRS to be the longest that can be reliably considered in the estimation process applicable to long-term company projections.

In accordance with IFRS 3, the fair value of the net assets acquired in the business combination are reported below, as well as the summary tables for determining the differences between the final goodwill recorded in the consolidated financial statements at December 31, 2019 (figures in millions of euro) and the goodwill entered provisionally in the financial statements at December 31, 2018 in connection with these acquisitions:

SIA GREECE *(Thousands of euro)*

		DMAN	Adjustments	Adjustments Measurement Period	*Fair Value Buildings*	Contractual Relationships	Total
	Book Value						*Fair Value*
Cash and cash equivalents	*9,045*						9,045
Trade receivables	*8,051*		-251				7,800
Tangible assets	31,139				- 7,231		23,908
Intangible assets	15,341		-3,095			43,566	55,812
Deferred tax assets	-				2,138		2,138
Other assets	5,119	416	-108				5,427
Total Assets	**68,695**	**416**	**- 3,454**		**- 5,093**	**43,566**	**104,130**
Net Equity	51,598	416	-3,454	-535	- 5,093	30,684	73,616
Trade payables	2,131						2,131
Deferred tax liabilities	-					12,882	12,882
Provisions for risks	34			535			569
Other liabilities	14,932						14,932
Total Liabilities and Equity	**68,695**	**416**	**- 3,454**	**-**	**- 5,093**	**43,566**	**104,130**
Fee paid							**150,317**
Percentage interest on purchase date	100%	100%	100%	100%	100%	100%	
Net Equity held	51,598	416	-3,454	-535	- 5,093	30,684	73,616
Goodwill							**76,701**

SIA SLOVAKIA *(Thousands of euro)*

	Book Value	Subsidiaries (net eliminations*)	Closing balance adjustments	Customer List	Total *Fair Value*
Cash and cash equivalents	6,305				6,305
Trade receivables	8,992		-62		8,930
Tangible assets	8,035		-193		7,842
Intangible assets	451			46,274	46,725
Other assets	2,583	627			3,210
Total Assets	**26,366**	**627**	**- 255**	**46,274**	**73,012**
Net Equity	20,619	627	-780	32,591	53,057
Trade payables	-				-
Deferred tax liabilities	340			13,683	14,023
Provisions for risks	-				-
Other liabilities	5,407		525		5,932
Total Liabilities and Equity	**26,366**	**627**	**- 255**	**46,274**	**73,012**
Fee paid					**236,897**
Percentage interest on purchase date	100%	100%	100%	100%	
Net Equity held	20,619	627	-780	32,591	53,057
Goodwill					**183,840**

(*) The net assets of the companies controlled directly by SIA Slovakia have been grouped under the item Other activities in the absence of better data available at the date; the amounts are however not relevant.

SIA GREECE *(millions of euro)*

PURCHASE PRICE AT CLOSING	**150.32**	**A**
Net Equity (book value) at closing date	52.01	
Adjustments by audit procedures carried out by an expert third party	(3.45)	
Net Equity adjusted at closing date	**48.56**	**B**
TEMPORARY GOODWILL AT 31.12.18	**101.76**	**C=A-B**
Refund from seller for price adjustment	**(1.89)**	**D**
Adjustments measurement period		
Adjustment opening Net Equity at 01.01.19 for tax liabilities	1.89	
Adjustment probable tax liabilities 2015-2017	0.53	
Total adjustments measurement period	**2.42**	**E**
Purchase price allocation		
Lower fair value of buildings	7.23	
Tax effect of lower fair value of buildings	(2.14)	
Fair value of contractual relationships identified	(43.57)	
Tax effect of fair value of contractual relationships identified	12.88	
Total purchase price allocation	**(25.59)**	**F**
FINAL GOODWILL	**76.70**	**C+D+E+F**

SIA SLOVAKIA *(millions of euro)*		
PURCHASE PRICE AT CLOSING	**236.90**	**A**
Net Equity (book value) at closing date	20.62	
SIA Slovakia's direct subsidiaries value	(1.37)	
SIA Slovakia's subsidiaries Net equity value	1.99	
Net Equity (book value) of SIA Slovakia sub-group	**21.25**	
Adjustments by audit procedures carried out by an expert third party	(2.48)	
Net Equity adjusted at closing date	**18.76**	**B**
Indemnity credit - price adjustment	**1.70**	**C**
TEMPORARY GOODWILL AT 31.12.18	**216.43**	**D=A-B-C**
Purchase price allocation		
Fair value of contractual relationships identified	(46.27)	
Tax effect of fair value of contractual relationships identified	13.68	
Total purchase price allocation	**(32.59)**	**E**
FINAL GOODWILL	**183.84**	**D+E**

Impairment test on consolidated goodwill and other non-financial assets

The SIA Group has adopted specific guidelines, which have been approved by the Board of Directors of SIA S.p.A., for carrying out impairment tests on consolidated goodwill and other non-financial assets and investments recorded in the separate financial statements, in accordance with the provisions of IAS 36, in line with market best practices and as described in the valuation criteria used in the consolidated and separate financial statements.

These guidelines require the SIA Group to subject the goodwill that emerges in the consolidated financial statements after line-by-line consolidation of direct and indirect shareholdings to an impairment test at least once a year. It also has to subject to impairment testing, in the presence of impairment indicators and, in any case, at year-end close of the financial statements at December 31, the value of the equity investments recorded in the separate financial statements and of the other intangible and tangible assets with a finite life, also with the assistance of a qualified external third party.

As regards 2019, on completion of the purchase price allocation of the Magnolia transaction (see the section above entitled "Purchase price allocation of the Magnolia transaction"), SIA's management decided to carry out an impairment test on goodwill and intangible assets with a finite life (customer list) recorded in the consolidated financial statements also at June 30, 2019, because of the size of the amount in proportion to the total assets and the evolution of the Group structure following the acquisition of SIA Greece and SIA Slovakia at the end of September 2018.

The estimates and assumptions underlying the impairment tests are periodically reviewed, ensuring their consistency with the industrial/budget plans approved and progressively revised by the competent corporate bodies, as well as with the changes in the organizational and strategic structure of the SIA Group. According to IFRS, these revisions are considered in the results of the subsequent impairment tests on the values of goodwill (intangible assets with an indefinite life, so not subject to amortization) and intangible and tangible assets with a finite life and equity investments recorded in the financial statements and, therefore, the corresponding effects of each change are reflected in future statements of profit or loss of the years concerned.

The results of the impairment tests are illustrated below. They were carried out on the reference date of December 31, 2019

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and are based on the three-year plans for the period 2020-2022 of the subsidiaries and their extension, for the sole purpose of the impairment test, also for the two-year period 2023-2024, as approved by the corporate bodies of the subsidiaries in January 2020.

Please refer to the paragraph "Significant events subsequent to the end of the financial year" for the effects of the spread of "Coronavirus" pandemic.

Purpose and object of the impairment tests

According to IAS 36 the "recoverable value" of an asset is equal to the higher of its value in use and its market value, net of disposal costs; an asset has suffered a loss in value when its carrying amount exceeds its recoverable value.

For the amounts of goodwill recorded in the Group's consolidated financial statements (also referred to here as "assets"), the impairment tests were carried out by estimating the recoverable value of the CGU to which they refer.

The CGUs subjected to the valuation process have undergone a change compared with the previous year due to a number of business combinations and Group integrations that were completed during 2019 or which will take effect from January 1, 2020. The CGUs that have been identified are the following:

- SIA CE, which includes SIA Central Europe and SIA Slovakia (considered as a sub-holding company, the latter holds 100% direct control of SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia), controlled 100% by SIA; please note that on January 1, 2020 SIA Slovakia absorbed SIA Central Europe which in turn absorbed SIA Hungary (see "Structure of the SIA Group at December 31, 2019" in the Management Report)
- SIA Greece, controlled 100% by SIA
- P4cards, consisting of the investments in P4cards and PforCards, controlled 100% by SIA; in addition, this CGU includes the subsidiary Ubiq, which was absorbed by P4cards with effect from January 1, 2019, previously belonging to the "Loyalty and Big Data" CGU, SIA's service line to which was allocated the goodwill generated following the business combination of Ubiq
- SIApay, consisting of the equity investments in SIApay and Emmecom, following the absorption of Emmecom by SIApay, effective January 1, 2020
- SIAadvisor, controlled 51% by SIA and consolidated 100%.

In addition, as regards the subsidiary Perago FSE, the continued negative economic results of past years and 2019 were taken into account, as well as the presence of a negative book equity at December 31, 2019 (note that based on South African law there are no legal restrictions as regards minimum capital requirements). The parent company SIA S.p.A., as sole shareholder, has issued a letter of financial and capital support to allow Perago FSE to be considered a going concern for at least the whole of 2020; in this regard, in January 2020, taking into account the provisions of the three-year plan 2020-2022 approved by the Board of Directors of Perago FSE, the Board of Directors of SIA S.p.A. approved granting a loan to this subsidiary for 3.5 million euro (of which 1 million euro already disbursed in February 2020), at the maximum interest rate allowed by South African law and lasting 2 years, to cover forecast cash requirements up to June 30, 2020. Group management carefully monitors the economic, equity and financial performance of the subsidiary, also evaluating the most appropriate measures to be adopted for the next redefinition of its organizational and strategic structure.

The impairment test carried out on the reference date of December 31, 2019 led to a total write-down of the carrying amount of the equity investment in the separate financial statements of SIA S.p.A. of approximately 263 thousand euro; it should be noted that no goodwill and/or other tangible and/or intangible assets related to the past purchase price allocation of this subsidiary are recorded in the consolidated financial statements of the SIA Group, so no impairment test was necessary at December 31, 2019 at a consolidated level.

The following table shows the carrying amount of the CGUs at December 31, 2019:

(Thousands of euro)

		SEPARATE FINANCIAL RELATION	CONSOLIDATED FINANCIAL RELATION			
CGU identified	**Composition**	**Carrying amount Investment**	**Allocated goodwill (A)**	**Assets at FV (*) (B)**	**Net assets (Equity) (C)**	**Book value CGU (A+B+C) (**)**
SIA	SIA S.p.A.		8,008	-	316,238	324,246
SIA Greece	SIA Greece	148,432	76,702	18,251	48,898	143,851
SIA CE	SIA Slovakia	236,897	183,840	24,434	32,214	258,982
	SIA Slovakia subsidiaries		-	-	2,121	
	SIA Central Europe	15,200	9,945	-	6,428	
P4cards	P4cards S.r.l.	487,588	284,029	108,512	90,425	486,220
	PforCards GmbH	5,100	1,608	-	1,646	
SIApay	SIApay S.r.l.	5,716	-	-	8,574	15,157
	Emmecom S.r.l.	7,490	3,275	-	3,308	
SIAadvisor	SIAadvisor S.r.l.	969	1,732	-	3,250	4,982
Total consolidated goodwill			**569,139**			

(*) Net of accumulated depreciation & amortization and deferred taxation. In particular:

- *for P4cards, the gross value of the intangible assets identified is 215 million euro, on which 60.0 million euro of deferred taxes have been provided. Accumulated amortization at December 31, 2019 amounted to 64.5 million euro (2019 charge equal to 21.5 million euro, net carrying amount at December 31, 2019 equal to 150.5 million euro) and deferred taxes were used for 18.0 million euro (6 million euro used in 2019, balance at December 31, 2019 equal to 42 million euro);*
- *for SIA Greece, a lower fair value of the properties owned was recorded for 7.1 million euro on which deferred tax assets were allocated for 2.1 million euro. Accumulated depreciation at December 31, 2019 amounted to 481 thousand euro (2019 charge equal to 384 thousand euro, net carrying amount at December 31, 2019 equal to less than 6.6 million euro) and deferred taxes were used for 142 thousand euro (113 thousand euro used in 2019, balance at December 31, 2019 equal to 2 million euro);*
- *for SIA Greece the gross value of the intangible assets identified is equal to 43.6 million euro on which deferred taxes have been allocated for 12.9 million euro. Accumulated amortization at December 31, 2019 amounted to 10.9 million euro (2019 charge of 8.7 million euro, net carrying amount at December 31, 2019 equal to 32.7 million euro) and deferred taxes were used for 3.2 million euro (2.6 million euro used in 2019, balance at December 31, 2019 equal to 9.7 million euro);*
- *for SIA Slovakia the gross value of the identified intangible assets is equal to 46.3 million euro on which deferred taxes have been allocated for 13.7 million euro. Accumulated amortization at December 31, 2019 amounted to 11.6 million euro (2019 charge of 9.3 million euro, balance at December 31, 2019 equal to 34.7 million euro) and deferred taxes were used for 3.4 million euro (2.7 million euro used in 2019), balance at December 31, 2019 equal to 10.3 million euro.*

(**) The book value of the related CGUs in the consolidated financial statements of SIA at December 31, 2019 amounts to the sum of: (i) the book equity of the company or companies that make up the CGU, (ii) the intangible assets identified in the PPA (net of accumulated amortization and deferred taxation) and (iii) the goodwill allocated to the CGU.

Estimates: assumptions underlying the impairment test

The reference date for impairment tests is December 31, 2019; the related estimates are based on the figures of the reporting packages at December 31, 2019 approved by the Boards of Directors of the subsidiaries and on the plans approved for the 2020-2022 period by the subsidiaries, unless otherwise indicated below.

Market information is current information available on the reference date of the estimates; in addition, appropriate sensitivity analyses were carried out on the test results.

We would remind you that the results of the impairment tests are expressed gross of tax.

Valuation criteria and rules applied

For the purpose of estimating the “recoverable values” of the assets recognized in the financial statements at 31 December 2019, reference was made to the concept of “value in use”. The value configuration requires (IAS 36.31) an estimate of the “incoming and outgoing future cash flows that will derive from continuous use of the asset and its final disposal” and the application to these flows of an “appropriate discount rate”.

The projections underlying the value in use estimates:

- are based on reasonable and coherent assumptions, which represent the best estimate that can be made by company management of the possible economic

conditions that may arise during the useful life of the asset in question
- start from the financial statements at December 31, 2019 and from the projections resulting from the plans approved for the three-year period 2020-2022 (unless otherwise indicated), which incorporate the most recent macroeconomic trends and make use of the best forecasts available to management
- use a time horizon of 3-5 years as an explicit forecast period in line with the provisions of IAS 36
- are adopted for evaluation purposes only after having carried out the appropriate analyses for deviation between the final balance of the reference year and the related budget, where applicable, to understand the causes of the deviations and after verifying that these deviations are included in the projections.

The estimate of the value in use envisages an estimate of the terminal value, which consists of quantifying the present value of the cash flows freely distributable to the shareholders after the explicit forecast period, starting from the net profit expected for the last year of the forecast.

In line with the provisions of IAS 36, the "unlevered" financial criterion was used as the basic reference for the estimate of value in use.

As regards any investee companies operating in currencies other than the euro, the "value in use" is calculated, as required by IAS 36.54, starting from the prospective financial flows expressed in local currency and discounting these flows on the basis of a discount rate expressing the risks associated with this currency. Lastly, the present value expressed in foreign currency is converted into the reporting currency (euro) on the basis of the spot exchange rate on the reference date of the estimate.

The value in use is based on an opportunity cost of capital estimated in line with the provisions of IAS 36 and the Guidelines relating to the impairment test of goodwill in contexts of financial and real crisis of the Italian Valuation Body (OIV). The opportunity cost of capital (discount rate) used for the valuations is equal to the weighted average cost of capital, which weighs the cost of equity and financial debt, calculated as a nominal rate, net of tax. A parameter, known as an "execution premium", was also used to reflect the execution risks incorporated in the plans, differentiated by individual CGU.

RESULTS

SIA GREECE CGU

In order to determine the value in use of the SIA Greece CGU and the SIA CE CGU (for which see the next point), it was necessary to "extrapolate" the current industrial plans for the three-year period 2020-2022 approved in January 2020 by estimating an extension to the period 2023-2024, in consideration of the following main aspects:
- in-depth knowledge of the businesses and organizational structures of the subsidiaries operating in foreign markets, gained during the months following the closing date which took place on September 28, 2018
- steady progress of the Group integration project, as discussed during the periodic meetings of the Steering Committee held during 2019 and the first few months of 2020
- acquisition of relevant new information by the SIA Group management, which made it possible to understand in greater detail, also thanks to the support of a primary external consultant and integration of the accounting systems starting from October 2019, on the savings costs and synergies that can be found in the Magnolia transaction to be allocated to the individual CGUs, as well as on the main commercial initiatives that the Group intends to undertake
- the starting date on April 19, 2019 of the Group Reporting Matrix, which is a new tool for corporate governance that is fundamental for the development of the organizational model of the SIA Group, including the subsidiaries SIA Greece and SIA Slovakia in the scope of consolidation.

Basic parameters

The risk-free rate for the years of the plan is equal to the average yield of 10-year Greek government bonds in the last 12 months prior to December 31, 2019; the risk-free rate for the terminal value is estimated as the average yield of 10-year government bonds in the last 2 years prior to December 31, 2019 (so excluding the extraordinary returns recorded during the Greek public debt crisis), in order to normalize to historical average levels the basic monetary rate, which today appears to be unsustainable in the long term (source: Factset). The risk-free rate used is therefore 2.6% for the years of the plan and 3.4% for the terminal value.

The equity risk premium is equal to the average value between historical and forward-looking ERP (source: Damodaran) in the last 12 months prior to December 31, 2019 and was set at 5.2%.

The specific risk premium was set at 1%, in order to reflect elements of intrinsic uncertainty in the operating context of the business and specifically to incorporate the significant concentration of turnover towards an important customer.

The unlevered beta is estimated at 0.89 and is based on a sample made up of 9 comparable companies (calculated on the basis of monthly surveys extended over a five-year time horizon starting from December 31, 2019), corrected with the Blume formula (source: Factset). The levered beta, equal to 1.03, is adjusted to consider a risk factor linked to the limited size and the lack of negotiability, estimated at 20%. The adjusted levered beta is therefore equal to 1.24.

The growth rate "g" is estimated as the inflation rate expected for Greece in 2024 and is equal to 1.8% (source: IMF, October 2019 report).

The resulting WACC is 8.7% for the years of the plan and 9.4% for the terminal value.

Summary of results

The impairment test carried out in application of the above methodology shows that the value in use of the CGU is substantially in line with the carrying amount in the consolidated financial statements, so there is no need to make adjustments to the value of goodwill for 2019, nor to the residual net carrying amount at December 31, 2019 of the intangible asset represented by the value of the contractual relationship with an important customer recognized in the consolidated financial statements at the time of the purchase price allocation (for details, see the previous section); furthermore, the market value of the CGU in question, estimated according to the stock market multiples method (as the control method) is higher than the carrying amount.

Accurate sensitivity analyses were carried out on the results of the impairment tests. In particular, it should be noted that as the terminal EBITDA varies by an amount between -2.5 percentage points and -5.0 percentage points and, in the absence of changes in the wacc-g, the value in use would be slightly lower than the carrying amount of the CGU; if the wacc-g varies between 0.25 percentage points and 0.50 percentage points and in the absence of changes in the terminal EBITDA, the value in use would be substantially in line with the carrying amount of the CGU.

Lastly, it should be noted that at the date of approval of the financial statements at December 31, 2019, there was still in progress the tender procedure for the renewal of card processing services launched by an important listed Greek bank, towards which SIA Greece has a significant concentration of its revenues; this tender procedure will be completed by end of October 2020. The SIA Group's management, which has already taken this aspect into account in carrying out the impairment test, is carefully monitoring its evolution.

SIA CE CGU

Please refer to what is reported in the point above on the figures of the plan used to carry out impairment tests.

Basic parameters

The risk-free rate for the years of the plan is equal to the average yield of 10-year Slovak government bonds in the last 12 months prior to December 31, 2019; the risk-free rate for the terminal value is estimated as the average yield of 10-year government bonds in the last 10 years prior to December 31, 2019, in order to normalize to historical average levels the basic monetary rate, which today appears to be unsustainable in the long term (source: Factset). The risk-free rate used is therefore 1.2% for the years of the plan and 3.1% for the terminal value.

The equity risk premium is equal to the average value between historical and forward-looking ERP (source: Damodaran) in the last 12 months prior to December 31, 2019 and was set at 5.2%.

A country risk premium (CRP) has been factored in as the bulk of the company's activities take place outside the country where the registered office is located. It is calculated differently from the Slovak CRP, taking into account the weighted average CRP of the countries where the company generates its turnover (source: Damodaran). The CRP has been set at 0.9%.

The unlevered beta is estimated at 0.89 and is based on a sample made up of 9 comparable companies (calculated on the basis of monthly surveys extended over a five-year time horizon starting from December 31, 2019), corrected with the Blume formula (source: Factset). The levered beta, equal to 1.04, is adjusted to consider a risk factor linked to the limited size and lack of negotiability, estimated at 20%. The adjusted levered beta is therefore equal to 1.25.

The growth rate "g" is estimated as the

long-term inflation rate expected for the European Union (in 2024) and is equal to 2.0% (source: IMF, October 2019 report).

The resulting WACC is 6.7% for the years of the plan and 8.5% on the terminal value.

Summary of results

The impairment test carried out in application of the above methodology shows that the value in use of the CGU is substantially in line with the carrying amount in the consolidated financial statements, so there is no need to make adjustments to the value of goodwill for 2019, nor to the residual net carrying amount at December 31, 2019 of the intangible asset represented by the value of the contractual relationships with certain customers recognized in the consolidated financial statements at the time of the purchase price allocation (for details, see the previous section); furthermore, the market value of the CGU in question, estimated according to the stock market multiples method (as the control method) is higher than the carrying amount.

Accurate sensitivity analyses were carried out on the results of the impairment tests. In particular, it should be noted that if the terminal EBITDA changes by -2.5 percentage points and in the absence of changes in the "wacc-g", the value in use would be substantially in line with the carrying amount of the CGU; as the "wacc-g" varies by 0.25 percentage points and in the absence of changes in terminal EBITDA, the value in use is substantially in line with the carrying amount of the CGU.

P4CARDS CGU

For the companies P4cards and its direct subsidiary PforCards, a significant increase in turnover and margins is foreseen during the years of the plan approved for the period 2020-2022, used to carry out the impairment tests at December 31, 2019.

Basic parameters

The risk-free rate for the years of the plan is equal to the average yield of 10-year Italian government bonds in the last 12 months prior to December 31, 2019; the risk-free rate for the terminal value is estimated as the average yield of 10-year government bonds in the last 10 years prior to December 31, 2019, in order to normalize to historical average levels the basic monetary rate, which today appears to be unsustainable in the long term (source: Factset). The risk-free rate used is therefore 1.9% for the years of the plan and 3.2% for the terminal value.

The equity risk premium is equal to the average value between historical and forward looking ERP (source: Damodaran) in the last 12 months prior to December 31, 2019 and was set at 5.2%.

The specific risk premium was set at 1% and 2% for the terminal value, in order to reflect elements of intrinsic uncertainty in the operating context of the business and specifically to incorporate the significant concentration of turnover towards an important customer.

The unlevered beta is estimated at 0.89 and is based on a sample made up of 9 comparable companies (calculated on the basis of monthly surveys extended over a five-year time horizon starting from December 31, 2019), corrected with the Blume formula (source: Factset). The levered beta is equal to 1.04.

The growth rate "g" is estimated as the inflation rate expected for Italy in 2024 and is equal to 1.5% (source: IMF, October 2019 report).

The resulting WACC is 7.2% for the years of the plan and 9.3% for the terminal value.

Summary of results

The impairment test carried out in application of the above methodology shows that the value in use of the CGU is higher than the carrying amount in the consolidated financial statements, so there is no need to make adjustments to the value of goodwill for 2019, nor to the residual net carrying amount at December 31, 2019 of the intangible asset represented by the value of the contractual relationship with an important customer recognized in the consolidated financial statements at the time of the purchase price allocation completed in 2017.

Accurate sensitivity analyses were carried out on the results of the impairment tests; in particular, if the wacc-g varies between +1.0 percentage points and in the presence of a change in the terminal EBITDA of between -2.5 and -5.0 percentage points, the value in use would be substantially in line with the carrying amount of the CGU.

In addition, during 2019 the activities of the former subsidiary Ubiq, which was absorbed by P4cards on January 1, 2019, underwent an organizational and strategic re-dimensioning and re-adaptation; it was therefore considered prudent to write down the goodwill allocated to the previous "Loyalty and Big Data" CGU as a service line within the parent company SIA S.p.A., in its entirety, namely 2.5 million euros.

Lastly, it should be noted that P4cards outsources the processing of transactions carried out with debit, credit and prepaid cards and management of the POS and ATMs of the UniCredit Group to UniCredit Services, on the basis of a specific 10-year contract that began on 1 January, 2017; certain aspects of this contract were being renegotiated at the date of approval of the financial statements of the SIA Group and SIA S.p.A. for the year ended 31 December 2019. The SIA Group's management, which has already taken this aspect into account in carrying out the impairment test, is carefully monitoring its evolution.

GOODWILL ALLOCATED TO THE SIA CGU (RELATING TO COMPANIES ABSORBED BY SIA IN PREVIOUS YEARS)

The goodwill recorded in the consolidated financial statements relating to companies that were absorbed by SIA in the previous years (SiNSYS as of January 1, 2013 and RA Computer as of January 1, 2015), with a carrying amount of 8 million euro, were subject to impairment considering the whole of SIA as a CGU. In continuity with the financial statements of previous years, as well as taking into account the recent strategic plan approved by SIA's Board of Directors in February 2020, the value of this CGU is much higher than the carrying amount of the goodwill in question.

CGU SIAPAY/SIAADVISOR

The amounts of goodwill allocated to the other CGUs (SIApay and SIAadvisor) are not material, both individually and in aggregate.

The final results of SIApay, which also include the results of merged company Emmecom, are higher than those expected in the pro-forma budget. Moreover, in the 2020-2024 consolidated plan of the two entities merged from 1 January 2020 prepared by management, strong growth is expected, driven by the acquisition of additional customers which is expected to be concluded in the first few months of 2020; this plan also provides for strong growth in production value and an increase in profit margins (in absolute terms).

The 2019 economic results of SIAadvisor have overall far exceeded the budget prepared at the beginning of the year and confirm this company's positive trend. In particular, the value of SIAadvisor's production was higher than the forecast (+53.7%) and EBITDA recorded a significant increase compared with expectations (+91.3%).

Based on impairment tests on the goodwill allocated to the CGUs in question, there is no need to make any adjustments for 2019.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Non-current assets

1. Tangible assets

(Thousands of euro)

	31/12/2019			31/12/2018 (*)			Change 2019 Vs 2018 (*)
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	
Plant and machinery	319,859	(255,380)	64,479	298,089	(236,444)	61,645	2,834
Industrial and commercial equipment	3,653	(3,197)	456	3,539	(2,075)	1,464	(1,008)
Land and buildings	103,151	(31,768)	71,383	40,891	(24,047)	16,844	54,539
Other assets	20,356	(16,690)	3,666	18,154	(16,538)	1,616	2,050
Construction in progress and advances	5,712	-	5,712	4,003	-	4,003	1,709
Leasehold improvements	15,869	(10,804)	5,065	14,437	(10,335)	4,102	963
Total	**468,600**	**(317,839)**	**150,761**	**379,113**	**(289,439)**	**89,674**	**61,087**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

The adoption of IFRS 16 from January 1, 2019 led to the recognition in tangible assets of the rights of use of assets under operating leases. In particular, at January 1, 2019, the Group recognized rights of use attributable to properties and buildings where operating activities take place for 58.9 million euro, and rights of use attributable to other tangible assets (mainly vehicles) for 2.0 million euro. In addition, after recording the rights of use relating to leased properties in tangible assets, the improvements made to these assets were also reclassified to this item.

This explains almost entirely the changes in this balance sheet item. For further details, please refer to the section above entitled “IFRS accounting standards, amendments and interpretations applied from January 1, 2019”.

Furthermore, it should be remembered that in the process of allocating the purchase price of SIA Greece and SIA Slovakia, a difference was found between the carrying amount of the properties owned by SIA Greece and their fair value, due to the profound crisis that the Greek real estate market has been in for a number of years. For further information, see the section above entitled “Purchase price allocation of the Magnolia transaction”.

CHANGES IN TANGIBLE ASSETS *(Thousands of euro)*

Gross amount	31/12/2018 (*)	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2019
Plant and machinery - Gross	251,683	3	14,602	(7,121)	-	(307)	258,860
Leased plant and machinery - Gross	46,406	-	14,593	-	-	-	60,999
Equipment - Gross	3,539	(369)	85	(209)	-	607	3,653
Land	2,472	-	-	-	-	-	2,472
Buildings - Gross	38,419	-	78	-	-	-	38,497
Other assets - Gross	18,154	(7)	426	(63)	-	(406)	18,104
Construction in progress and advances	4,003	(104)	2,545	(725)	(7)	-	5,712
Leased buildings - Gross	-	1	-	-	-	62,181	62,182
Leased other assets - Gross	-	-	34	-	-	2,218	2,252
Leasehold improvements - Gross	14,437	-	1,432	-	-	-	15,869
Total	**379,113**	**(476)**	**33,795**	**(8,118)**	**(7)**	**64,293**	**468,600**

Depreciation fund	31/12/2018 (*)	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2019
Plant and machinery - Fund	(200,661)	(24)	(19,648)	7,701	-	(253)	(212,885)
Leased plant and machinery - Fund	(35,783)	-	(6,711)	-	-	(1)	(42,495)
Equipment - Fund	(2,075)	333	(317)	208	(2)	(1,344)	(3,197)
Buildings - Fund	(24,047)	-	(627)	2	-	8	(24,664)
Other assets - Fund	(16,538)	(8)	(904)	63	-	1,463	(15,924)
Leased buildings - Fund	-	-	(6,888)	13	-	(229)	(7,104)
Leased other assets - Fund	-	-	(794)	37	-	(9)	(766)
Leasehold improvements - Fund	(10,335)	-	(469)	-	-	-	(10,804)
Total	**(289,439)**	**301**	**(36,358)**	**8,024**	**(2)**	**(365)**	**(317,839)**
Total net amount	**89,674**						**150,761**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

Column "Other Changes" mostly represents the amount recorded on January 1, 2019 of rights of use related to buildings and other tangible assets as a consequence of the first time application of IFRS 16.

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2. Intangible assets

(Thousands of euro)

	31/12/2019			31/12/2018 (*)			Change 2019 Vs 2018 (*)
	Gross amount	Amort. Fund	Net amount	Gross amount	Amort. Fund	Net amount	
Goodwill	**569,139**	-	**569,139**	**571,621**	-	**571,621**	**(2,482)**
Internally generated asset	358,848	(331,250)	27,598	356,528	(319,348)	37,180	(9,582)
Software Licences	169,438	(140,234)	29,204	140,513	(121,324)	19,189	10,015
Intangible assets others	399,079	(180,719)	218,360	400,238	(141,385)	258,853	(40,493)
Other intangible assets	**927,365**	**(652,203)**	**275,162**	**897,279**	**(582,057)**	**315,222**	**(40,060)**
Intangible assets in progress and advances	**50,210**	**-**	**50,210**	**27,764**	**-**	**27,764**	**22,446**
Total	**1,546,714**	**(652,203)**	**894,511**	**1,496,664**	**(582,057)**	**914,607**	**(20,096)**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

In the process of allocating the purchase price of SIA Greece and SIA Slovakia, the values of certain contractual relations with customers of the two companies acquired have been identified and recognized at fair value, namely 43.6 million euro and 46.3 million euro respectively. These contractual relationships have been attributed a useful life of 5 years. For further information, see the section above entitled “Purchase price allocation of the Magnolia transaction”.

CHANGES IN INTANGIBLE ASSETS *(Thousands of euro)*

Gross amount	31/12/2018 (*)	Merger	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2019
Goodwill	571,621	-	-	-	-	(2,482)	-	569,139
Internally generated asset	356,528	-	-	17,849	(4,315)	-	(11,214)	358,848
Software Licences	140,513	-	(55)	18,440	(777)	-	11,317	169,438
Intangible assets others	400,238	-	-	131	(1,288)	-	(2)	399,079
Intangible assets in progress and advances	27,764	-	-	38,525	(15,861)	(217)	(1)	50,210
Total	**1,496,664**	**-**	**(55)**	**74,945**	**(22,241)**	**(2,699)**	**100**	**1,546,714**

Amortization fund	31/12/2018 (*)	Merger	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2019
Internally generated asset	(319,348)	-	-	(24,094)	3,952	(160)	8,400	(331,250)
Software Licences	(121,324)	-	49	(11,260)	774	(46)	(8,427)	(140,234)
Intangible assets others	(141,385)	-	-	(39,112)	470	(692)	-	(180,719)
Total	**(582,057)**	**-**	**49**	**(74,466)**	**5,196**	**(898)**	**(27)**	**(652,203)**
Total net amount	**914,607**							**894,511**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

In 2019 significant investments were made in intangible assets, also for the technological integration projects of the new companies that have joined the SIA Group. These higher investments related in particular to the purchase of software licenses and the development of internal projects, a large part of which are still under development and therefore included in “Intangible assets in progress and advances”. Note that at the end of 2019, a substantial part of the assets in progress were made up of important projects being developed in particular by the parent company SIA for important bank customers. These projects are expected to be up and running in 2020. The column “Other changes” includes mainly some reclassifications made above all by the subsidiary SIA Greece to be aligned with the Group accounting policies.

The following table summarizes the amounts of goodwill recorded in the consolidated financial statements at December 31, 2019 and allocated to the CGUs identified after the adjustments made following the impairment tests (see “Impairment tests of consolidated goodwill and other non-financial assets” for details).

(Thousands of euro)

	Business combination	Consolidated goodwill at 31/12/2019
CGU		
SIA	SiNSYS	7,485
	RA Computer	523
SIApay	SIApay	-
	Emmecom	3,275
SIA Central Europe	SIA Central Europe	9,945
	SIA Slovakia	183,840
SIAadvisor	SIAadvisor	1,732
P4cards	P4cards	284,029
	PforCards	1,608
SIA Greece	SIA Greece	76,702
Total goodwill		**569,139**

3. Investments

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Subsidiaries	5	-	5
Affiliated	720	720	-
Total	**725**	**720**	**5**

The net carrying amount of investments amounted to 725 thousand euro and has increased compared with December 31, 2018 due to the exclusion of Consorzio QuenIT in liquidation and DMAN in liquidation from the line-by-line consolidation. These subsidiaries are therefore recorded at cost and measured using the equity method; any contribution of their balance sheet and income statement balances to the Group’s financial statements would be totally immaterial, both individually and in aggregate.

4. Non-current financial assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Financial asset at fair value through other comprehensive income - non current	12	50	(38)
Total	**12**	**50**	**(38)**

Non-current financial assets amount to 12 thousand euro and correspond to the carrying amount of the shares held by SIA in MIP Politecnico di Milano. At December 31, 2018, the item included the carrying amount of the shares held by Trustlink, which was sold during the year.

5. Non-current contract work-in-progress

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Work on commission non current	566	-	566
Total	**566**	**-**	**566**

The contract work-in-progress includes costs incurred by the subsidiary Perago FSE for a job order in progress which will generate revenues as soon as certain project milestones have been reached, in accordance with IFRS 15.

6. Non-current trade receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Trade receivables from customers	-	6	(6)
Total	**-**	**6**	**(6)**

7. Other non-current assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other non current assets	837	-	837
Total	**837**	**-**	**837**

Following the adoption of IFRS 16 from 1 January 2019, leasehold improvements, which made up the entire item, have been reclassified to tangible assets.

8. Deferred tax assets

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Deferred tax assets	13,162	12,755	407
Total	**13,162**	**12,755**	**407**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

In the process of allocating the purchase price of SIA Greece and SIA Slovakia, following the recognition of a fair value lower than the carrying amount of the properties belonging to SIA Greece, 2.1 million euro of deferred tax assets were set aside on the basis of IAS 12. For further information, see the section above entitled “Purchase price allocation of the Magnolia transaction”.

The item has the purpose of recognizing deferred tax assets, i.e. incurred prior to the period to which they refer, and consists of:

- deferred tax assets recognized on the difference between statutory and fiscal depreciation of tangible assets
- deferred tax assets on actuarial components on employee defined-benefit plans, recognized in the valuation reserve
- other temporary differences found in the calculation of current taxes between carrying amounts and amounts recognized for tax purposes.

The increase is explained mainly by the negative change during the year in the fair value of the hedging derivative, recorded on the basis of IFRS 9 in the valuation reserve, net of the tax effect recognized here.

Below is shown the composition of deferred tax assets divided in those recognized in profit and loss and those recognized in equity:

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Deferred tax assets	13,162	12,755	407
of which:			
- in return for the Net Equity	*3,322*	*1,957*	*1,365*
- in return for the P&L	*9,840*	*10,798*	*(958)*
Total	**13,162**	**12,755**	**407**

(Thousands of euro)

	31/12/2019	31/12/2018 (*)
Opening balance	**12,755**	**7,890**
Deferred tax assets recognized during the period with return for the P&L	2,730	3,190
Deferred tax assets recognized during the period with return for the Net Equity	1,831	777
Other increases	666	3,443
Deferred tax assets reversed during the period with return for the P&L	(2,795)	(1,508)
Deferred tax assets reversed during the period with return for the Net Equity	(466)	(951)
Other decreases	(1,559)	(86)
Closing balance	**13,162**	**12,755**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

Current assets

9. Inventories and contract work-in-progress

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Finished products and raw materials	2,860	2,548	312
Work in progress - current	1,066	1,827	(761)
Total	**3,926**	**4,375**	**(449)**

The inventories of finished products and materials mainly refer to the plastic warehouse of credit/debit cards and PINs for telephone top-ups of P4cards; they are substantially in line with the figures at December 31, 2018. The contract work-in-progress refers to project activities for customers carried out in particular by the parent company SIA and Perago FSE; they have decreased because certain parts of projects were completed or reached the project milestones that allowed them to be billed and booked as revenues. (Changes during the period relate to the recognition of revenues for 0.8 million euro during 2019 related to projects completed or that have reached specific milestones that determine the recognition of related revenues).

10. Current financial receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other financial receivables	5,456	1,703	3,753
Total	**5,456**	**1,703**	**3,753**

At December 31, 2018, a financial receivable of approximately 1.7 million euros was recognized in the consolidated financial statements for compensation accrued by the parent company towards the seller First Data as part of the Magnolia deal, in accordance with the sale & purchase agreement which provides for certain purchase price adjustment clauses; this receivable was collected during the second half of 2019.

On the other hand, the subsidiary SIA Slovakia wrote off an old trade receivable from First Data of 1.3 million euro, having ascertained that it had not been collected.

The increase of current financial receivables is due to the higher business of the subsidiary SIApay (a payment institution), that at December 31, 2019, had financial receivables towards international and national circuits related to the settlement collection and payment operations. Such receivables have been settled at the beginning of 2020.

11. Current financial assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Financial asset measured at amortised cost - current	127	122	5
Total	**127**	**122**	**5**

Financial assets measured at amortized cost are composed of a cash deposit held by Perago FSE as collateral at a bank so that it can use a line of credit. The instrument is recognized at nominal value since the adjustments deriving from the measurement at amortized cost and the assessment of counterparty risk were not considered significant.

12. Current tax assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other tax assets	71,673	38,922	32,751
Current tax assets - IRES	7,316	13	7,303
Current tax assets - IRAP	2,113	-	2,113
Foreign tax assets	6,098	440	5,658
Total	**87,200**	**39,375**	**47,825**

In July 2019, the parent company SIA carried out a 250 million euro step-up of the goodwill that arose from the business combinations of SIA Greece and SIA Slovakia as a result of the purchase price allocation by paying a flat-rate substitute tax of 40 million euro. The payment of this substitute tax was recognized as an advance on current taxes (as required by a specific document prepared by the Italian Accounting Body for the financial statements of companies that apply IAS/IFRS and in accordance with the same accounting method used in the 2017 consolidated financial statements following the step-up of the consolidated goodwill recognized for the P4cards business combination). These amounts of goodwill will become tax deductible on a straight-line basis over five years, starting from 2021. In 2019, the parent company SIA began to deduct the goodwill recognized following the acquisition of P4cards for a portion 6.1 million euro, for which a withholding tax was paid for in 2017 for 35.8 million euro and recorded as an advance in other tax assets.

13. Current trade receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Trade receivables - current	225,639	194,375	31,264
Bad debt provision - current	(5,747)	(5,618)	(129)
Total	**219,892**	**188,757**	**31,135**

Trade receivables have increased compared with the previous year due to the significant increase in volumes invoiced by the Group.

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.

CHANGES IN THE BAD DEBT PROVISION *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Opening balance	**(5,618)**	**(2,164)**	**(3,454)**
Increase	(1,966)	(4,057)	2,091
Decrease	1,837	603	1,234
Closing balance	**(5,747)**	**(5,618)**	**(129)**

In 2019, the bad debt provision was used, above all by the parent company SIA, to write off some receivables for which a specific provision was made in 2018.

In addition, during 2019, the internal criteria used to estimate both analytical and general write-downs were refined, taking into account the practices developed in the meantime since the entry into force of IFRS 9 on 1 January 2018 and the experience gained over time. This led to an additional provision of 2.0 million euro at December 31, 2019, taking into account the wider scope of consolidation with the entry of SIA Greece and SIA Slovakia for the whole of 2019 (in 2018 they had only contributed for the last quarter).

The exposure to credit risk and the expected losses relating to trade and other receivables have been processed by the Group on the basis of an internal classification between performing customers and those in default, as follows:

(Thousands of euro)

	Bonis	Past due	Unlikely to pay	Dispute	Legal	Default	Total
Key customers	59,862	46,699	21,417	-	-	-	127,977
Intercompany	-	-	-	-	-	-	-
Others	72,594	14,023	5,920	2,355	2,770	-	97,662
Gross amount	**132,456**	**60,722**	**27,337**	**2,355**	**2,770**	**-**	**225,639**
Bad debt provision	393	921	1,097	1,316	2,021	-	5,747
Net Value	**132,063**	**59,801**	**26,240**	**1,039**	**749**	**-**	**219,892**

14. Other current assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Security deposits	560	1,008	(448)
Prepayments to suppliers	2,499	1,792	707
Receivables from employees	476	360	116
Other assets	1,862	6,138	(4,276)
Tax receivables	924	2,659	(1,735)
Prepayments and accrued expenses	26,735	25,730	1,005
Total	**33,056**	**37,687**	**(4,631)**

This item recorded a decrease compared with the prior period mainly due to the decrease in “Other assets”. This item included amounts paid by the parent company SIA to the Tax Authority for appeals filed against a number of assessment notices for which reimbursements were received during the current year. Tax receivables decrease due to a reduction in the VAT credit, linked to billing trends of sales and purchases.

15. Cash and cash equivalents

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Cash in hand	14	15	(1)
Bank accounts and deposits	97,388	94,624	2,764
Other cash and cash equivalents	33	13	20
Total	**97,435**	**94,652**	**2,783**

Analysis of the cash flow statement shows that the Group generated operating cash flow of around 140.9 million euro during the period, which almost entirely covered net investments which absorbed cash flows for around 76.6 million euro, and financing activities, which absorbed cash flows for around 61.5 million euro. It should be noted, among other things, that during 2019 the parent company distributed dividends to its shareholders for approximately 60 million euro, paid a flat-rate substitute tax of 40 million euro to step up a portion of the goodwill deriving from the Magnolia transaction, and repaid amounts of principal on the medium/long-term loan for a total of 70 million euro (plus interest and differentials on cash flow hedging derivatives connected to the variability of the interest rate on the said loan).

LIABILITIES AND SHAREHOLDERS' EQUITY

16. Shareholders' equity

Share capital

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

The total number of shares without voting rights is 1,410,253 (0.82305734% of total shares).

Share premium reserve

It amounts to 5,317 thousand euro and has not changed during the year.

Reserves

These amount to 204,779 thousand euro (187,921 thousand euro at December 31, 2018). As can be seen in the statement of changes in consolidated shareholders' equity, the change is attributable to the allocation of profits for the previous year, net of dividends paid.

Valuation reserve

It is negative for 10,519 thousand euro (it was negative for 6,198 thousand euro at December 31, 2018).

Non-controlling interests

This is equal to zero euro (5 thousand euro at December 31, 2018).

Reconciliation between the shareholders' equity and the profit of SIA and the shareholders' equity and profit attributable to the Group

(Thousands of euro)

	Shareholders' Equity at 31/12/2019	Profit/(loss) for 2019	Shareholders' Equity 2018 (*)	Profit/(loss) for 2018 (*)	Shareholders' Equity 2018	Profit/(loss) for 2018
SIA S.p.A.	316,238	105,575	273,939	84,641	273,939	84,641
Shareholders' equity and results for the period attributable to the Group	196,948	49,919	177,552	33,205	177,552	33,205
Shareholders' equity and results for the period attributable to non-controlling interests	-	-	(5)	-	(5)	-
Subsidiaries carrying amount elimination	(908,548)	-	(913,394)	-	(913,394)	-
Intra-group dividends elimination	-	(32,196)	-	(28,456)	-	(28,456)
Allocated goodwill	569,139	-	571,621	-	311,080	-
Non-allocated goodwill	-	-	-	-	318,189	-
Intangible assets recognised as a result of PPA processes and depreciations of the period (net of deferred taxes)	155,951	(28,149)	184,100	(18,621)	124,013	(15,501)
Allocated Fair value buildings - PPA	(4,754)	271	(5,025)	-	-	-
Debts for non-controlling interests	(2,117)	-	(2,117)	-	(2,117)	-
Other consolidation adjustments	(5,724)	(139)	(940)	5,647	(406)	5,647
SIA Group	**317,133**	**95,281**	**285,731**	**76,416**	**288,851**	**79,536**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

Non-current liabilities

17. Non-current financial payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Bank loans - non current	617,750	695,860	(78,110)
Other financial payables - non current	61,400	13,318	48,082
Total	**679,150**	**709,178**	**(30,028)**

This item decreased following the repayment of portions of principal for 70 million euro of the medium-long term loan (plus interest and differentials relating to derivative contracts that swap the loan's variable rate with a fixed rate), which reduced the amount of non-current bank debt.

Furthermore, the adoption of IFRS 16 from January 1, 2019 led to an increase of 48.1 million euro in non-current financial payables at the end of the period, as the contra-entry to the right-to-use assets recorded in tangible assets.

18. Non-current financial liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other non current financial liabilities	2,117	2,117	-
Hedging derivatives - non current	3,738	3,114	624
Total	**5,855**	**5,231**	**624**

This item changed following the increase in the negative fair value of cash flow hedging transactions carried out by the parent company SIA in connection with the risk of interest rate fluctuations with the banks making up the syndicate that made the medium-long term bank loan in July 2018 to close the Magnolia deal and simultaneous renegotiation of the debt contracted in 2017 for the acquisition of P4cards. The mark-to-market of the instruments suffers from the continuous and prolonged flattening of the forward curve of the Euribor rate.

During 2019, following the repayment of 70 million euro as a portion of the principal of the aforementioned loan, the residual notional value of the derivatives in question decreased from the original amount of 575 million euro to 505 million euro at December 31, 2019; approximately 2.7 million euro of differentials were settled during 2019.

19. Provisions for employee benefits

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Employee benefits	25,866	23,145	2,721
Total	**25,866**	**23,145**	**2,721**

The changes in provisions for employee benefits during the year are shown below:

(Thousands of euro)

	TFR Fund
Opening balance	**23,145**
Increase	
Provision	5,848
Decrease	
Liquidation	(3,127)
Closing balance	**25,866**

The provisions for employee benefits refer to the employee severance indemnity for employees of the Group's Italian companies and the pension funds required by trade union agreements for foreign companies and branches. Changes over the period include actuarial losses recorded in the statement of comprehensive income for 2.196 million euro.

The main actuarial assumptions used to measure the liabilities at the end of the year for the more significant employee benefit provisions are as follows:

FINANCIAL AND ECONOMIC ASSUMPTIONS:

Discount rate	Curve Eur composite AA at 29.11.2019	
	Maturities (years)	Rates
	1	*0.248%*
	2	*0.154%*
	3	*0.088%*
	4	*0.028%*
	5	*0.038%*
	7	*0.170%*
	8	*0.255%*
	9	*0.343%*
	10	*0.428%*
	15	*0.734%*

Inflation rate	1.50%
Expected rate of pay increase (including inflation)	N.A.
Percentage of employees severance indemnity requested in advance	100.00%

DEMOGRAPHIC ASSUMPTIONS:

Maximum retirement age	According to latest legal provisions
Mortality tables	SI 2018
Average annual percentage of personnel exit *	3.02%
Annual probability of request for an advance	1.00%

** calculated for any cause of termination, in the first ten years after the assessment year.*

20. Deferred tax liabilities

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Deferred tax liabilities	62,395	73,643	(11,248)
Total	**62,395**	**73,643**	**(11,248)**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the item recognizes the allocation of deferred tax liabilities on the basis of IAS 12, following the identification of intangible assets as part of the PPA process for SIA Greece and SIA Slovakia.

The decrease in this item is explained by the use of deferred tax liabilities set aside on intangible assets with a finite useful life identified on completion of the PPA following the acquisitions of P4cards, SIA Greece and SIA Slovakia, whose amortization is in progress.

Below is shown the changes relating to deferred tax liabilities:

(Thousands of euro)

	31/12/2019	31/12/2018 (*)
Opening balance	**73,643**	**54,274**
Deferred tax liabilities recognized during the period with return for the P&L	27	102
Other increases	88	26,593
Deferred tax liabilities reversed during the period with return for the P&L	(11,363)	(7,326)
Other decreases	-	-
Closing balance	**62,395**	**73,643**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the item recognizes the allocation of deferred tax liabilities on the basis of IAS 12, following the identification of intangible assets as part of the PPA process for SIA Greece and SIA Slovakia.

21. Provisions for risks

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Provisions for risks	3,041	2,357	684
Total	**3,041**	**2,357**	**684**

CHANGES DURING THE YEAR *(Thousands of euro)*

	Charges for employees	Tax disputes	Other provisions	Total
Balances at 31/12/2018 (*)				
Opening balance	330	240	1,787	**2,357**
Reclassifications				
Reclassifications	-	-	-	**-**
Increase				
Provisions of the period	-	-	1,678	**1,678**
Decrease				
Utilisation of the period	(135)	(36)	(823)	**(994)**
Balances at 31/12/2019				
Closing balance	195	204	2,642	**3,041**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

During the year, the provision for risks set aside at the end of 2018 was used following the settlement of a claim made by a customer of the parent company (already provided for at the end of 2018).

In 2019, the parent company SIA made a total accrual of 1.3 million euro, mainly to cover probable liabilities relating to legal proceedings that were pending. The other provisions were made by SIA Greece, Perago FSE and SIAadvisor for amounts that may have to be paid to customers and/or for internal litigation.

22. Other non-current liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other non current liabilities	1,723	9,928	(8,205)
Total	**1,723**	**9,928**	**(8,205)**

The decrease in this item is substantially attributable to the reclassification of 5.7 million euro to current liabilities for amounts owing to the management of the parent company under bonus schemes.

Current liabilities

23. Current financial payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Bank loans - current	199,424	85,585	113,839
Other current financial payables	28,383	20,412	7,971
Total	**227,807**	**105,997**	**121,810**

This item increased following the adoption of IFRS 16 from January 1, 2019 which led to the recognition of financial payables as the contra-entry to the right-to-use assets recorded in tangible assets, as well as for the use by the parent company SIA of short-term lines of credit for a total of 100 million euro, aimed, in particular, at financing the step-up of goodwill recognized following the acquisition of SIA Greece and SIA Slovakia (see “Current tax assets”) and to meet other temporary cash requirements.

24. Current financial liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Hedging derivatives - current	2,587	-	2,587
Total	**2,587**	**-**	**2,587**

25. Current tax liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Current tax liabilities - IRES	44	3,537	(3,493)
Current tax liabilities - IRAP	224	1,399	(1,175)
Foreign tax liabilities	4,046	(14)	4,060
Total	**4,314**	**4,922**	**(608)**

26. Current trade payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Trade payables - current	95,996	85,397	10,599
Total	**95,996**	**85,397**	**10,599**

Trade payables have increased as a consequence of the Group’s growth, particularly with reference to higher variable costs due to the increase in business volumes.

Given the short-term characteristics of trade payables, the Group believes that the nominal amounts constitute a good approximation of the fair value.

27. Other current liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Customer advance payments	6,881	7,658	(777)
Social security debts	22,815	24,090	(1,275)
Amounts due to Directors and Auditors	497	367	130
Payables to employees	30,533	23,790	6,743
Deferred income and accrued liabilities	4,788	7,228	(2,440)
Tax liabilities	9,020	10,828	(1,808)
Other liabilities	7,265	4,988	2,277
Total	**81,799**	**78,949**	**2,850**

The increase in this item is explained almost entirely by the rise in payables to employees; in fact, the amounts due to management of around 5.7 million euro under the bonus schemes for 2019 have been reclassified to this item. They are expected to be paid in the first half of 2020.

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NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

28. Revenues from sales and services

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Revenues from sales and services	733,237	614,802	118,435
Total	**733,237**	**614,802**	**118,435**

The Group's revenues are attributable to sales of products and services for around 731.6 million euro and to project activities for around 1.6 million euro. For the Group's most important services, revenue recognition generally coincides with delivery of the product or service to the customer.

In addition to the excellent results of SIA and P4cards, the increase in this item is mainly attributable to the positive contribution of SIA Greece and SIA Slovakia, which contributed to the Group's results for the entire year, having entered the scope of consolidation on September 28, 2018.

BREAKDOWN OF REVENUES BY BUSINESS SEGMENTS IN ITALY AND ABROAD
(Thousands of euro)

	Italy	Abroad	Total 2019
Card & Merchant Solutions	316,970	173,504	490,474
Digital Payment Solutions	100,696	50,065	150,761
Capital Market & Network Solutions	83,696	8,306	92,002
Total	**501,362**	**231,875**	**733,237**

For further details on the distribution of revenues by operating segments, please refer to the section of the notes entitled “Segment information”. There are no individual countries that accounts more than 10% of consolidated revenues.

29. Other revenues and income

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other revenues	1,126	718	408
Contingent income	1,992	2,400	(408)
Gains	199	73	126
Variation of inventories and commissions	760	(1,886)	2,646
Total	**4,077**	**1,305**	**2,772**

Other revenues include non-operating income, such as insurance reimbursements and contributions towards innovation projects; contingent income substantially includes amounts set aside at the end of the previous year, which have not had any financial movement. The balance of the item change in inventories and contract work-in-progress at December 31, 2019 includes the change in contract work on projects for customers by SIA and Perago FSE as reported in the related financial statement section.

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

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Goods and products	(14,206)	(13,750)	(456)
Total	**(14,206)**	**(13,750)**	**(456)**

Costs for raw materials are substantially in line with the previous period and mainly refer to the higher volumes of card production, offset by lower hardware resales, especially on the part of Emmecom.

31. Costs for Services

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Rental	(24,228)	(24,459)	231
Maintenance	(36,922)	(29,805)	(7,117)
Network	(16,249)	(16,765)	516
Outsourcing	(31,388)	(27,343)	(4,045)
Building	(7,876)	(13,518)	5,642
Professional Services	(66,531)	(56,516)	(10,015)
Royalties	(19,527)	(11,350)	(8,177)
General expenses	(13,076)	(11,994)	(1,082)
Insurance	(1,392)	(1,337)	(55)
Total	**(217,189)**	**(193,087)**	**(24,102)**

The increase in costs for services is explained almost entirely by the contribution from SIA Greece and SIA Slovakia, which in 2018 only contributed to costs in the last quarter.

Starting from January 1, 2019 the adoption of IFRS 16 led to a reduction in the costs relating to property lease payments (under property management) for an estimated 8.6 million euro; rental costs did not show significant changes as they mainly refer to software excluded from the scope of application of the this standard.

Maintenance costs rose as a result of the increased level of investment for the modernization of the existing technological infrastructure and the development of integration projects among Group companies.

In 2019, expenses regarding certain M&A transactions and Corporate projects totaling Euro 7,314 thousand were recorded in respect of legal, tax and corporate consulting services solely in relation to the process of drafting the Business Plan for Euro 502 thousand, for M&A projects for Euro 4,605 thousand and for the integration project of the companies purchased in the 2018 (SIA Greece and SIA Slovakia) for Euro 2,207 thousand. These costs were reported under “Services” as follows: a) Euro 179 thousand under “Rental”; b) Euro 1,298 thousand under “Maintenance”; c) Euro 69 thousand under “Network”; and d) Euro 5,705 thousand under “Professional services”. Lastly, a minor part of these costs was reported in the “Payroll Costs” item “Other costs” for Euro 63 thousand.

The increase in royalties is directly related to the increase in revenues, also to the new e-money services provided by the SIApay.

32. Payroll costs

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Wages and salaries	(154,736)	(125,953)	(28,783)
Social charges	(39,944)	(31,211)	(8,733)
Severance indemnities	(5,848)	(5,664)	(184)
Payments to pension funds	(4,326)	(3,854)	(472)
Charges for restructuring	(4,796)	(9,148)	4,352
Other costs	(9,039)	(8,236)	(803)
Travel	(4,020)	(3,085)	(935)
Other staff	(422)	(974)	552
Directors and Auditors	(1,491)	(1,236)	(255)
Recoveries seconded staff	(43)	342	(385)
Refunds seconded staff	(150)	(401)	251
Capex internal staff costs	9,795	6,919	2,876
Total	**(215,020)**	**(182,501)**	**(32,519)**

The main differences are related to the increase in the Group's workforce following the inclusion of SIA Greece and SIA Slovakia in the scope of consolidation for the whole of 2019.

There was an increase in capitalized payroll costs driven by the intense use of internal resources for integration projects, following business combinations, and the development of projects for customers.

"Wages and salaries" include cash bonuses to management linked to the achievement of long-term results for 5.74 million euro.

In 2019, expenses regarding M&A transactions totaling Euro 4.61 million were recorded in respect of legal, tax and corporate consulting services under the "Costs for Services", and in the "Payroll Costs" item "Other costs" for Euro 63 thousand.

The following table shows the average and year-end number of Group employees at December 31, 2019, broken down by category, as well as the comparison with the situation at December 31, 2018.

WORKFORCE

Workforce (year-end)	31/12/2019		31/12/2018		31/12/2019	31/12/2018
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,491	34	1,476	35	1,525	1,511
SIApay	28	-	20	-	28	20
SIAadvisor	29	-	24	-	29	24
Ubiq	-	-	14	-	-	14
Emmecom	10	-	11	-	10	11
P4cards	464	4	403	3	468	406
PforCards	25	-	18	-	25	18
SIA Central Europe	35	-	46	-	35	46
Perago FSE	79	-	74	-	79	74
SIA Greece	965	1	951	22	966	973
SIA Slovakia	289	1	260	10	290	270
SIA Romania	1	-	1	-	1	1
SIA Hungary	15	-	15	-	15	15
SIA Czech Republic	-	-	1	-	-	1
SIA Croatia	5	-	5	-	5	5
SIA Serbia	75	-	75	1	75	76
Total	**3,511**	**40**	**3,394**	**71**	**3,551**	**3,465**

Workforce (average)	31/12/2019		31/12/2018		31/12/2019	31/12/2018
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,476	35	1,473	36	1,511	1,509
SIApay	27	-	18	-	27	18
SIAadvisor	27	-	19	-	27	19
Ubiq	6	-	17	-	6	17
Emmecom	11	-	12	-	11	12
P4cards	429	4	367	3	433	370
PforCards	23	-	16	-	23	16
SIA Central Europe	40	-	49	-	40	49
Perago FSE	76	-	78	-	76	78
SIA Greece	970	1	241	6	971	247
SIA Slovakia	281	1	64	3	282	67
SIA Romania	1	-	-	-	1	-
SIA Hungary	16	-	4	-	16	4
SIA Czech Republic	-	-	1	-	-	1
SIA Croatia	5	-	1	-	5	1
SIA Serbia	75	-	19	-	75	19
Total	**3,463**	**41**	**2,379**	**48**	**3,504**	**2,427**

33. Other operating expenses

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Non-deductible VAT	(28,537)	(21,779)	(6,758)
Tax expenses	(761)	(585)	(176)
Losses on disposal of assets	(241)	(132)	(109)
Other charges	(3,461)	(2,886)	(575)
Total	**(33,000)**	**(25,382)**	**(7,618)**

The non-deductible VAT, which include also the non-deductible VAT matured on consultancy costs for M&A and Corporate projects for 600 thousand euro, grew for the increased consolidation area (2 million euro recorded by SIA Slovakia) for the greater purchases of goods and services subject to VAT, also driven by the increase in the business volumes of SIA and P4cards. In addition, both SIA and P4cards have seen a deterioration of the pro-rata ratio for the recoverability of VAT, following the significant increase in revenues not subject to VAT (in particular, revenues from the processing of transactions).

34. Depreciation and amortization and write-off

(Thousands of euro)

	Depreciation	Write-off	Total
Tangible assets	(21,487)	(9)	(21,496)
Leased tangible assets	(14,871)	-	(14,871)
Total tangible assets	**(36,358)**	**(9)**	**(36,367)**

(Thousands of euro)

	Amortization	Write-off	Total
Goodwill	-	(2,482)	(2,482)
Software Licences	(11,262)	(46)	(11,308)
Internally developed software	(23,937)	(160)	(24,097)
Intangible assets others	(39,267)	(693)	(39,960)
Intangible assets in progress	-	(217)	(217)
Total intangible assets	**(74,466)**	**(3,598)**	**(78,064)**
Total depreciation, amortization and write-off	**(110,824)**	**(3,607)**	**(114,431)**

The write-off to intangible assets include the write-down on consolidated goodwill referring to Ubiq for 2.5 million euro and other write-downs of intangible assets, in particular the P4cards and SIA Greece software projects, which exhausted their economic benefits before the costs could be fully amortized.

35. Impairment of trade receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Provision for bad debts	(1,966)	(1,220)	(746)
Write-off on receivables	(1,704)	-	(1,704)
Total	**(3,670)**	**(1,220)**	**(2,450)**

The higher provision in 2019 is due to the adjustment of SIA bad debt provision as a result of higher receivables because of larger volumes invoiced and the identification of certain receivables that are deemed uncollectable. Losses on receivables were caused by the write-off by SIA Slovakia of a balance due from the previous shareholder First Data.

36. Provision for risks

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Provision fund risks	(1,678)	(823)	(855)
Total	**(1,678)**	**(823)**	**(855)**

See comment to the balance sheet item "Provisions for risks".

37. Management/trading of financial assets and liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Profit/(loss) on financial assets and liabilities management	-	(396)	396
Value adjustment of financial receivables and assets	-	-	-
Total	**-**	**(396)**	**396**

The negative amounts relating to 2018 refer almost entirely to the write-off of the call option granted and sold to SIA by managers of SIA and its Belgian branch, as part of the reserved increase in capital approved by the Shareholders' Meeting of July 23, 2015, for 353 thousand euro. There are no profits or losses from financial assets and liabilities in 2019.

38. Financial income

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Interest income	442	347	95
Other financial income	2,175	-	2,175
Total	**2,617**	**347**	**2,270**

Other financial income includes the amounts collected by SIA for 2.6 million euro on December 2019 (after the measurement period) from First Data, as a price adjustment for the Magnolia deal in accordance with the sale & purchase agreement signed in 2018. This amount was reduced by 398 thousand euro following the partial write-down made in June 2019 of the financial receivable granted at December 31, 2018 for the price adjustment of this transaction.

39. Financial expenses

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Interest expenses	(17,484)	(11,385)	(6,099)
Bank charges	(629)	(592)	(37)
Total	**(18,113)**	**(11,977)**	**(6,136)**

This item increased by approximately 6.1 million euro compared with the previous year following the increased bank debt of the Group, particularly of the parent company SIA, to support non-organic growth and related derivatives to hedge cash flows against the variability of interest rates, as well as for the adoption, from January 1, 2019 of IFRS 16 with the consequent recording of higher interest expenses for 2.1 million euro.

Interest expenses include the differentials on hedging derivatives settled during 2019, which amount to 2.7 million euro, and the negative change in the fair value of derivatives for the portion considered ineffective, equal to 943 thousand euro, recognized in the statement of profit or loss as required by IAS 39 - Hedge Accounting.

40. Income taxes

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Current taxes	(38,392)	(37,854)	(538)
Prepaid/deferred taxes	11,271	9,110	2,161
Taxes from previous years	(222)	(666)	444
Total	**(27,343)**	**(29,410)**	**2,067**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

The income taxes are lower than in the previous period as the Group benefits from tax amortization (and, therefore, from the corresponding reduction in the annual tax base by 44.8 million euro for a net tax benefit for the period of 6.1 million euro) of consolidated goodwill recognized following the business combination of P4cards, stepped up in 2017 by the parent company SIA through the payment of a flat-rate substitute tax.

SIA also benefited in 2019 from the application of the regulatory provisions relating to the Patent Box for 3.8 million euro compared with 3.3 million euro in 2018.

The reconciliation of the theoretical tax charge with the one effective tax rate is provided below. The theoretical rate is the one in force during the reporting period for the Parent Company:

(Thousands of euro)

	Taxes
Earnings before taxes	**122,624**
Theoretical tax rate	**24.00%**
Theoretical taxes	**29,430**
Increasing/decreasing variations	
Non-taxable revenues	(6,773)
Costs not deductible for tax purposes	7,993
Amortization of goodwill	(6,079)
Other differences	2,772
Income taxes recorded in the P&L	**27,343**
Effective tax rate	**22.30%**

Non-taxable revenues essentially reflect the effects of the Patent Box, as described above; costs non deductible refer mainly to the impacts of the leasing, provisions for risks and charges, write-downs of receivables and the incentive pertaining to 2019 which will be paid to employees in the future; the other differences are essentially related to IRAP tax for the Italian companies and to the different tax impact of the Group's foreign companies.

41. Earnings per share

Basic earnings per share is calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding any treasury shares held. Basic earnings per share at December 31, 2019 amounted to 0.56 euro and was determined by dividing the Group's profit, equal to 95.281 million euro, by the weighted average number of shares outstanding during the year (171,343,227). On December 31, 2018 earnings per share was 0.45 euro.

The Group does not have any shares that could potentially be dilutive, so diluted earnings per share is equal to basic earnings per share.

SEGMENT INFORMATION

SIA Group management has identified the following three business segments:

- **Card & Merchant Solutions**[1]: it groups together the payment acceptance and issuing services, based on schemes some of which are national (e.g. PagoBANCOMAT), others international (e.g. Visa, Mastercard, Alipay, Wechatpay, etc.). Traditional (e.g. card based) and digital (e.g. ApplePay, SamsungPay, etc.) and a wide range of services dedicated to physical commerce and e-commerce are included, including all processing services and value-added services. In addition to the parent company SIA, the Group companies in this segment are P4cards, PforCards, SIA Slovakia, SIA Greece and SIApay.
- **Digital Payment Solutions**[2]: it groups together activities related to account to account payments, from acceptance and processing solutions for retail and corporate payments (e.g. SEPA, Instant and domestic) to clearing and settlement systems (e.g. Rtgs, Automated Clearing House, etc.) for central institutions. It also includes digital banking services, corporate remote banking, PSD2 and Open Banking platforms and specific collection tools for the public administration. The Group companies in this segment include the parent company SIA, SIAadvisor and Perago FSE.
- **Capital Market & Network Solutions**[3]: it groups together network services and access to Eurosystem (ESMIG), innovative blockchain-based solutions and the services and solutions dedicated to capital markets. The segment includes the capital market activities and network solutions offered by the parent company SIA.

In consideration of the very recent and profound developments inherent, first and foremost, to the change in the corporate governance of SIA, to the approval of the new SIA Group business plan for the three-year period 2020-2022 and the foreseeable significant new strategic business initiatives, to continuous technological innovation, as well as the resolution to start the process aimed at listing SIA's ordinary shares on the MTA organized and managed by Borsa Italiana, Group management has launched some in-depth analyses to review and update its view on segment reporting, also taking into account market best practices. Following the start of these in-depth analyses, starting from the segment information included in the consolidated financial statements for the year ended 31 December 2019, Group management has updated the names of the segments (as shown above) and reclassified certain initiatives and projects among the various segments with respect to the information provided in 2018, which has therefore been restated as follows:

(Thousands of euro)

	Reclassification to segment:	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions
Reclassification from segment:				
Cards	**389,223**	379,530	9,693	0
Payments	**115,145**	0	74,962	40,184
Institutional Services	**110,434**	0	60,715	49,719
Total 2018	**614,802**	**379,530**	**145,370**	**89,902**

The reclassifications of 2018 revenues concerned:

- the transfer from the Card & Merchant Solutions segment to the Digital Payment Solutions segment of revenues for a total of 9.7 million euro, relating to payment services such as gateway services (front-end), consulting and business intelligence;

[1] Segment previously called "Cards".
[2] Segment previously called "Payments".
[3] Segment previously called "Institutional Services".

- the transfer from the Capital Market & Network Solutions segment to the Digital Payment Solutions segment of revenues for a total of 60.7 million euro, relating to payment services to individuals, corporate, public administrations and central banks (EBA, PagoPA, corporate banking, etc.);
- the transfer from the Digital Payment Solutions segment to the Capital Market & Network Solutions segment of revenues for a total of 40.2 million euro, for logical network services (i.e. the transfer of data from one subject to another, guaranteeing security, integrity and no refusal).

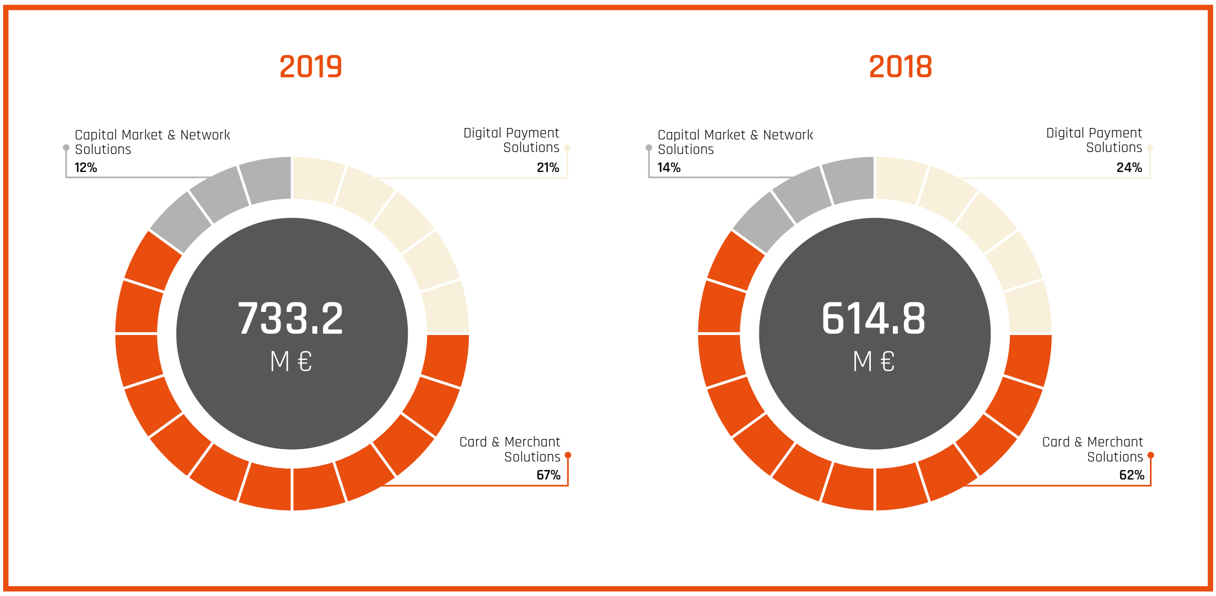
The change in the contribution of the individual segments (reclassified) to total revenues in 2018 can therefore be summarized as follows:

	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions	Total
Contribution to revenues 2018 for segments - new view	62%	24%	14%	100%
Contribution to revenues 2018 for segments - previous view	63%	19%	18%	100%

In consideration of the above, the revenues attributed to each of the above three segments for 2019, compared with the figures for 2018 reclassified according to the new management view explained above, are as follows:

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Card & Merchant Solutions	490,474	379,530	110,944	29.2%
Digital Payment Solutions	150,761	145,370	5,391	3.7%
Capital Market & Network Solutions	92,002	89,902	2,100	2.3%
Total revenues	**733,237**	**614,802**	**118,435**	**19.3%**



Finally, it should be noted that there are no revenues between the various operating segments.

The following tables show the "Adjusted Operating Margin", in aggregate and as a percentage of revenues, for each of the three business segments described above; in fact, consistently with the new SIA Group Business Plan for the three-year period 2020-2022 and with management reporting, Adjusted Operating Margin represents, together with revenues, the main measure on the basis of which the SIA Group management monitors and evaluates the economic performance of the sectors identified and the related allocation of resources:

CARD & MERCHANT SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues (*)	490,474	379,530	110,944	29.2%
Adjusted Operating Margin	172,370	126,836	45,534	35.9%
Adjusted Operating Margin/ Revenues	35%	33%	2%	

(*) Net revenues amounted to approximately 485 million euro at December 31, 2019, net of approximately 5.4 million euro relating to SIApay's fee and commission expense (see paragraph "Consolidated results of the Group - Reclassified consolidated income statement" of the Management Report).

DIGITAL PAYMENT SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues	150,761	145,370	5,391	3.7%
Adjusted Operating Margin	52,336	45,178	7,158	15.8%
Adjusted Operating Margin/ Revenues	35%	31%	4%	

CAPITAL MARKET & NETWORK SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues	92,002	89,902	2,100	2.3%
Adjusted Operating Margin	33,193	29,374	3,819	13.0%
Adjusted Operating Margin/ Revenues	36%	33%	3%	

These three segments represent total consolidated revenues and consolidated Adjusted Operating Margin for the years 2019 and 2018.

At the same time as reviewing the process of identifying and aggregating the business segments and the related determination of revenues as shown above, in order to calculate the Adjusted Operating Margin of each segment, the related costs have been defined consistently with the new aggregations used and in continuity with the existing allocation criteria, which also provide for the distribution of costs proportionally to the revenues of each operating segment.

In 2019, compared with the previous year, all segments posted higher profitability in terms of Adjusted Operating Margin; in particular:

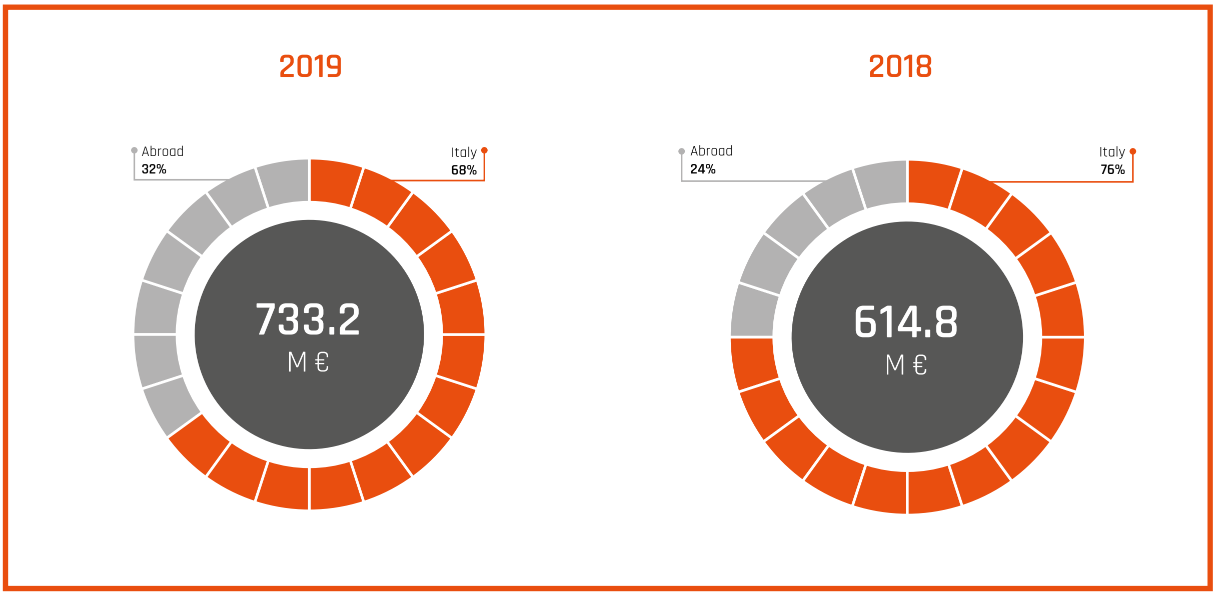
- the Adjusted Operating Margin of the Card & Merchant Solutions segment benefited mainly from the contributions of SIA Greece and SIA Slovakia for the whole of 2019 (these companies were acquired at the end of 2018), as well as the positive performance of the SIA business and P4cards in 2019
- the Adjusted Operating Margin of the Digital Payment Solutions segment benefited mainly from particular efficiency in terms of operating leverage, which meant savings in costs

incurred for 2019 from the payment services connected to electronic invoicing, payment hub and transportation

- the Adjusted Operating Margin of the Capital Market & Network Solutions segment benefited mainly from particular efficiency in terms of operating leverage, which meant savings in costs incurred for 2019 from services related to connectivity and secure messaging. Moreover, profitability in 2019 benefited fully from the extension to the first half of 2020 of the existing contract with four Central European Institutions for the provision of connectivity services.

The SIA Group continues to closely monitor the performance of the business segments, also with regard to the significant new initiatives covered by the Business Plan for the period 2020-2022 approved in February, as well as developments in the Coronavirus emergency (see "Significant events subsequent to the end of the financial year").

Lastly, the breakdown of total consolidated revenues by geographical area between Italy and abroad is illustrated below, which shows how the Group is successfully pursuing its path of growth and strengthening on foreign markets:



At a geographical level, the turnover achieved in Italy is equal to 501 million euro, an increase of 35 million euro (+7.5%) compared with 2018, while the foreign contribution came to 232 million euro, an improvement of 84 million euro (+56%) thanks to the internationalization policy pursued by the Group in recent years; in particular, as a result of the Magnolia deal, SIA has positioned itself as the no. 1 operator in Greece and in other countries of central-south-eastern Europe including Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia, which represent one of the most important and fastest growing areas in Europe for the electronic payments sector.

REVENUE BREAKDOWN BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA *(Thousands of euro)*

	Italy	Abroad	Total 2019
Card & Merchant Solutions	316,970	173,504	490,474
Digital Payment Solutions	100,696	50,065	150,761
Capital Market & Network Solutions	83,696	8,306	92,002
Total	**501,362**	**231,875**	**733,237**

A detailed analysis of the three segments' performance is provided below.

Card & Merchant Solutions segment

The increase in revenues about Card & Merchant Solutions segment is partly due to the acquisition of the First Data business in south-eastern Europe concluded on September 28, 2018, but also to the positive performance of SIA and P4cards.

In 2019 in Europe, the strong growth trend of payments via smartphone was confirmed and to date they represent one third of the total digital payments by card.

This method allows a substantial decrease in the average amount of transactions, which combined with the change in the user experience, favors the push to no cash transactions even for small amounts.

In particular, there has been an increase in transactions by Apple Pay, Samsung Pay and most recently Google Pay, which was launched by one of the major Italian players towards the end of 2018.

During the first half of the year, thanks to SIA Slovakia and its direct subsidiaries, SIA permitted the launch and activation of the Samsung Pay service by Volksbank and Findomestic, and the Apple Pay service by Granit in Hungary and by Postova banka and J&T Bank in Slovakia. Furthermore, the Alipay service was launched at UniCredit Hungary and the Garmin Pay service at Alpha Bank in Greece.

Benefiting from the complete offer in the field of POS acquiring services and from the creation of synergies with local partners, the SIA Group has managed to expand its geographical coverage by providing POS terminals to the Slovenian market.

The company controlled by the group, SIA Greece, thanks to its specific know-how, has managed to expand its BPO business (e.g. card personalization, print & mail and contact center services) by significantly expanding the customer base served.

Still remaining in Europe, SIA issued the first co-branded VISA cards in April for a leading German issuer.

Considering the domestic market, the diffusion in Italy of digital payment methods is increasing constantly, especially in the e-commerce sector. This is evidenced by the data collected during the week of Black Friday: SIA recorded an increase of over a third of collections with electronic money, going from 13.7 million transactions last year to 18.4 million recorded in 2019. Furthermore, in the domestic market, the Digit PagoBANCOMAT service was launched for the BANCOMAT S.p.A. circuit with the banks participating in the pilot phase, through which PagoBANCOMAT card holders can virtualize the card on their smartphone (initially via Samsung Pay). The BANCOMAT Pay service has been active since January and was born from the agreement between SIA and BANCOMAT S.p.A. for the use of the Jiffy technological platform to support the digital transformation of BANCOMAT and allow 37 million PagoBANCOMAT card holders to pay in stores and on e-commerce, send and receive money in real time from their smartphone in total security by simply using their own mobile phone number with P2P, P2B, P2C and P2G services.

The SIA Group has prepared circuit apps, both for the user and for the merchant, through which the member banks will be able to offer their customers the provision of services with reduced deadlines and impacts. Together with BANCOMAT, SIA has defined and implemented value-added services by equipping BANCOMAT Pay with innovative use cases.

In the second half of 2019, SIA, in collaboration with an Italian University, activated a solution based on personalized contactless cards that allow students to access the various services offered by the University easily and safely.

The second version of the payment services directive (3DS v2 - PSD2) and the related implementing legislation on September 14, 2019 set the deadline for the mandatory adoption by banks and other payment service providers of payment systems with strong customer authentication, based on the use of at least two factors to allow customers to access online accounts and make electronic payments securely. In view of the complexity of the adjustments, particularly relevant in the field of online card payments, and the need for active involvement of users, the European Banking Authority (EBA) has recognized the possibility for national authorities to allow additional time beyond September 14, to allow completion of the interventions and the adoption of new authentication tools by all customers, with exclusive reference to the category of payments. This authentication method has generated structural changes in the operating methods of all counterparties (merchants, acceptance networks, technical service providers), also with impacts on payment routes and a new user experience on the part of our customers. A Risk Based Authentication system has been introduced to analyze purchasing behavior and make the authentication process simpler or even unnecessary if certain conditions are met.

SIA continues to offer Card Management services in the Digital Banking area starting with digital on-boarding and contracting services. For the offer of terminals, thanks to the subsidiary P4cards, SIA has enriched the smartPOS line, based on the Android system. This solution guarantees the offer of multiple apps that allow operators of the different market segments to enjoy services aimed at expanding the services aimed at their customers, such as booking taxis and accepting meal vouchers and making payment management more efficient, for example with cash register and electronic invoicing solutions.

During 2019 an important insurance group chose SIA to create the Payment Hub which, integrated with the company's new sales processes, will allow the collection of policies on the physical (via POS terminals) and virtual channels. SIA will work closely with the insurance company, offering its service to over 2,200 agencies in Italy. The solution developed by SIA, integrated with the company's back-end and front-end systems, will allow timely reporting of each policy and each payment. The new infrastructure will replace the current system, again provided by SIA from 2012, thus confirming the validity of the partnership between the two companies.

Favored by SIApay and strong growth volumes, the issue of payment cards is confirmed as an essential element in guaranteeing complete support for the initiatives of customer payment institutions.

Lastly, in December 2019 the subsidiaries SIApay and P4cards completed the final phase of the migration of POS terminals for an important banking group, an initiative that resulted in the massive roll out of over 22,000 merchants and the migration of 23,000 POS terminals from Nexi Acquirer/GT POS to P4cards Acquirer SIApay/GT POS. The project introduced a new commercial proposition model, in which the Customer/Partner holds the contractual relationship with the merchant, while SIApay, as Principal Member towards the International Circuits, is responsible for the operational and financial management of all the processes.

The Transaction Collection infrastructure completed the on-boarding process of the traffic deriving from the Triveneto Consortium in view of the migration to the new NEXI-Blue platform.

Digital Payment Solutions segment

The Digital Payment Solutions segment consolidated its system dynamics during 2019, taking into account, in particular, the rationalization of exchanges between German commercial banks.

During the first half of 2019, the mandatory introduction of electronic invoicing produced a strong increase in volumes and a significant increase in service revenues, including the conservation component, which also generated interesting opportunities for discussion on the topic of ancillary payment services.

Also in the first half of 2019, two important tenders launched by the Bank of Italy were successfully completed:

- renewal of the concession for the provision of the Interbank Alarm Center - CAI;
- assignment of the middleware implementation project for the treatment of domestic payments.

The development of the Payment HUB solutions that integrate the instant payments service connected to the requirements of the PSD2 regulation continued. Near real time execution, 24/24 availability and irrevocability make instant payment a hybrid method between card transfer and transaction.

In the field of smart mobility, the group's commitment continues, which not only confirms itself as the ideal partner for the development of technology and supporting infrastructure, but also proposes itself as a developer of ad hoc solutions capable of integrating all the players involved in the value chain.

In the transport sector, the payment service for travel tickets with contactless cards stood out and was acquired and made operational by several metropolitan and regional transport companies.

This service allows citizens and tourists to access the means of transport easily, quickly and with secure payment via contactless cards or smartphones. SIA plays the role of a technological "hub" by connecting the company's information system, the financial institution that interacts with the payment card circuits and the operator of the POS terminals.

The strong impact of the smart mobility service is evidenced by the numbers made public by a leading Italian transport company, which in 2019 recorded an increase of over 300% in the use of contactless cards as an access tool to the metro lines compared with 2018.

As already introduced in the Card & Merchant Solutions segment, SIA plans to consolidate the alliance with BANCOMAT through the further development of the ATM Pay platform and the offer of new value-added features. In particular, the commercial launch of two mobile applications developed entirely by SIA is planned to facilitate and speed up the spread of the BANCOMAT service.

These applications are addressed both to the retail world, allowing the exchange of money between individuals, and to the merchant world, allowing to collect payments in App-to-App mode.

SIA has guaranteed excellent service levels, reaching 100% availability of the service to EBA Clearing and its customers for the sixth consecutive year.

The strong interest on the part of many operators for solutions that guarantee real-time settlement of retail payments ("Instant Payments") was further confirmed in 2019, during which there was a strong and constant growth in volumes. This type of payment represents an important support to the even greater diffusion of the use of payment instruments on mobile platforms and the development of e-commerce.

During the second half of 2019, ongoing project activities continued for the following customers:

- RTGS system for the Central Bank of a North American country
- RTGS system and Instant Payments for the Central Bank of a European country
- RTGS and CSD Equities system for a Central Bank in Oceania
- CSD Equities system for a CSD from an African country
- Realization of the new RAC system for BANCOMAT Spa.

Finally, SIA has participated in various international tenders still in progress, among which we have to mention:

- Retail payments from an important European country, for which SIA is accredited for the subsequent procurement phases
- creation of a national Mobile Payments system for a European country
- implementation of an RTGS system for two important countries in the Middle East area
- implementation of an Instant Payments system for two important countries in the North America area.

Given the growing emphasis by the Regulators on the issues of cybercrime and operational continuity of critical system infrastructures, the following have been prepared:

- an offer of extended maintenance services with stringent application security controls, which most European customers have joined
- a service providing the RTGS service from our data centers (Remote Extreme Contingency

Service - RECS) to be used in case of unavailability of the primary systems on site, signed by a Central Bank in Oceania and under evaluation by a European Central Bank.

In the corporate sphere, the need to offer consumers digital and omnichannel payment solutions is increasingly central, requiring an integrated vision and centralized control of the channels. In recent months, there has been growing interest in solutions for accessing customer accounts through the digital interfaces of companies made possible by the introduction of the PSD2 and in this sense SIA and the subsidiary SIAadvisor have already acquired an important customer in the utility sector for studying and creating new use cases.

As part of the multichannel collection services, we wish to underline the development of a solution for the management of the flows coming from the foreign subsidiaries of multinationals, which is already being released on a primary Italian group starting from the Spanish and English subsidiaries, as first steps of a tight schedule of releases to numerous countries, including the USA and Latin America. Still in the context of collections, the positive performance of the MultiNetwork service is confirmed once again, especially in the utility sector, where in the first half of the year there was a new important customer and the start of the extension of the service by a primary customer to all Group companies.

The multichannel gateway service held up reasonably well, despite a significant drop in volumes of telephone top-ups, due to the change in operators' tariff policies and the entry of a new operator.

At the end of 2018, a prestigious utility company chose SIA for the creation of the Electronic Money Institute which received authorization to operate from the Bank of Italy at the beginning of 2019. SIA through its subsidiary SIAadvisor has supported the company in preparing the application to the Bank of Italy and, at the same time, has made available to the new financial subject the technological infrastructures necessary for the provision of new services in the digital payments area. The initiative, which has an international scope, will allow the company to complete the current offer to its customers with payments services, also to support electric mobility.

During 2019, there was a significant increase in the number of Local Public Administrations participating in the EasyPA solution and in the payment transactions made electronically by citizens and businesses to public administrations.

The technological collaboration between SIA and AGID continued and, from September 2019, close collaboration began with PagoPA S.p.A., a company that has taken over control of the national pagoPA platform.

In 2019, the volume of payment transactions more than tripled compared with the previous year. There has also been an increase in transactions carried out through the F24 automated collection management service which, thanks to a unique digital recognition code, allows entities to manage all the emission and reporting phases of the F24 model in an integrated manner and to citizens to pay quickly and easily.

Since the beginning of 2019, a significant number of new entities have been activated for the SIOPE+ service. This service allows individual bodies to talk to the central system managed by the Bank of Italy on behalf of the Ministry of Economy and Finance in a safe and standardized way.

Capital Market & Network Solutions segment

The performance of the segment in question confirms the excellence of the services provided by SIA also during 2019; among other things, the London Stock Exchange Group continued to choose SIA as the technological partner of reference for MTS and Monte Titoli, thanks to the proven quality of the services provided, both in terms of availability and guaranteed performance and in terms of new features developed in fixed income trading and T2S post-trading.

As regards trading, during the first half of the year SIA collaborated with MTS in evolving the markets with a view to continuously improving the usability of the functions and services by traders. In parallel, SIA is developing a new release of MMF (Repo Market), with expected benefits in terms of both trader-system interaction and trading mechanisms.

As regards post-trading, the evolution of Monte Titoli services continued, in terms of compliance with the central Target2-Securities platform (release T2S 3.0), and new features for pre-settlement services in line with the road map defined by the customer.

With reference to the segment of financial intermediaries, the TODEAL service continued to consolidate into the European government bonds in the primary market, acquiring important new customers in the Italian market.

Lastly, investment continued in the evolution of the capital market offer in line with market needs, particularly in the following areas:

- the SIA EAGLE product has been enriched with new features and modules, which allow it to be marketed in other geographical areas, such as central-eastern Europe, French-speaking countries and the Middle East
- evolution of the "SIA Collateral Management System" platform for the advanced management of guarantees by central securities depositories and central banks
- analysis of new offer lines based on DLT technology, through a new platform dedicated to the management of guarantees on SME credit portfolios.

The group has signed SIAnet contracts with 6 primary Payment Service Providers (PSP) for access to EBA or ECB Instant Payments services, further strengthening its proposition and European presence.

In view of the entry into operation of the CIT interbank procedure in the first half of 2019, the Secure Messaging service, created to address traffic and manage all the flows required by the reference application standard, supported the significant increase in volumes traffic on the SIAnet network.

SIA, in partnership with Colt, has been awarded one of the two ten-year concessions for the provision of access network services to the Eurosystem's market infrastructures. Thanks to these services, financial institutions will be able to access through a single interface (Eurosystem Single Market Infrastructure Gateway, ESMIG) the platform for the TARGET2 settlement of payments of significant amounts, the TIPS instant payments settlement service, the platform for the settlement of TARGET2-Securities (T2S) securities, the ECMS Eurosystem collateral management system and possibly other new services and applications. ESMIG represents a fundamental component of the T2-T2S consolidation project, one of the key proposals of the Eurosystem's "Vision 2020" strategic plan. The assignment of the license to SIA-Colt will allow to provide secure and managed services for the transport of data relating to payment transactions with particular attention to the Instant Payments systems for which SIA is also credited to the EBA Clearing platform called RT1. ESMIG will be in production from November 2021.

In the second half of 2019, an important "Inventory Monetization" initiative was launched, managed by the Supply@Me company of the Advanguarde group, which saw the birth on SIAchain, in Hyperledger Fabric technology, of an innovative financial management system for corporate warehouses. Activities on the FINSEC project, an initiative financed by the European Union, of testing on the security of European critical payment infrastructures, continue as planned.

In December 2019, the SIAchain infrastructure was released into production to support ABI Lab's new Spunta Banche ("Tick Banks") application which will see the first banks operate on the system in the first months of 2020. This application, by virtue of a new ABI self-regulation, thus becomes the standard for proceeding with the reconciliation of open items of payments on reciprocal accounts. During the year, the testing of an innovative tourism promotion system sponsored by the Autonomous Province of Trento was completed, which sees SIA as primary player in the supply as well as the SIAchain infrastructure, including the framework for the issue and management of tourist coupons, managed in the form of digital tokens.

Regarding the development of innovative services for the PA, SIA has started experimenting with a primary Italian municipality a more efficient management process of current guarantee foreseen in the process of issuing tender notices, through blockchain technology, ensuring transparency to all the subjects involved (PA, banks, insurance companies). The experiment continued with the establishment of a community that includes universities, local and central PAs and financial institutions in order to create a national system of management of guarantees in blockchain logic. Furthermore, always in the blockchain sector, SIA has activated an experiment with a Ministry and some financial institutions for the management of the financial flows related to the transfer of a fifth of salary (for salary-backed loans).

DISCLOSURE ON FAIR VALUE

The table below shows the assets and liabilities measured at fair value, broken down by the levels envisaged by the fair value hierarchy. For financial assets and liabilities at amortized cost, which are normally represented by transactions with a maturity of less than three months, the book value is considered an adequate approximation of the fair value and it involves a classification in level 3 of the hierarchy.

For the definition of fair value levels, the company refers to the hierarchy established by IFRS 13 which classifies the inputs of the valuation techniques adopted into three levels:

- **level 1:** it includes the prices quoted (unadjusted) in active markets for identical assets or liabilities to which the company can access on the measurement date
- **level 2:** it includes inputs other than the quoted prices included in level 1, observable directly or indirectly for the asset or liability
- **level 3:** it includes unobservable input data 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	12			12
Total	**12**			**12**

CHANGES IN FINANCIAL ASSETS *(Thousands of euro)*

	31/12/2019	31/12/2018
Opening balance	**50**	**500**
Purchases/increases	-	-
Sales/settlements	(38)	(353)
Fair value adjustment	-	-
Reclassifications	-	(135)
Other changes	-	38
Closing balance	**12**	**50**

The decrease in the carrying amount of the shares held in the Trustlink companies, which was sold in the first half of 2019. The figure of 12 thousand euro relates to the shares held in MIP Politecnico di Milano, whose estimate of fair value is in line with the previous year.

FINANCIAL LIABILITIES *(Thousands of euro)*

	Carrying amount	L1	L2	L3
Financial liabilities - non current				
Other financial liabilities - non current	2,117			2,117
Hedging derivatives - non current	3,738		3,738	
Financial liabilities - current				
Hedging derivatives - current	2,587		2,587	
Total	**8,442**		**6,325**	**2,117**

CHANGES IN FINANCIAL LIABILITIES *(Thousands of euro)*

	31/12/2019	31/12/2018
Opening balance	**5,231**	**3,051**
Purchases/increases	-	-
Sales/settlements	-	(856)
Fair value adjustment	3,211	3,036
Reclassifications	-	-
Other changes	-	-
Closing balance	**8,442**	**5,231**

The change in the period is due to the increase in the negative fair value of hedging derivatives, following the decrease in the Euribor curve (the hedge is of the cash flow hedge type, the derivative instruments exchange the 3-month Euribor variable rate with a fixed market determined on the date of signing the contracts - December 2018). The financial liabilities with a fair value belonging to level 3 did not change during the year.

TRANSACTIONS WITH RELATED PARTIES

Information on the compensation of managers with strategic responsibilities

At December 31, 2019, the compensation due to managers with strategic responsibilities amounted to 2,542 thousand euro (6,481 thousand euro at December 31, 2018). These amounts have been paid for 1,572 thousand euro (1,294 thousand euro at December 31, 2018). Please also refer to the comment on “other current liabilities” with regard to the amounts due to management under the bonus schemes for 2019, which are expected to be paid in the first half of 2020.

The fees due to the Directors and Statutory Auditors for 2019 amount to a total of 838 thousand euro, including expenses (719 thousand euro at December 31, 2018). These fees are recognized in the income statement under “Payroll costs”.

Other transactions with related parties

Transactions with related parties fall within the ordinary course of business of Group companies and are carried out in compliance with the criteria of substantial and procedural correctness, on conditions similar to those applied for transactions concluded with independent third parties.

For the purposes of this report and in accordance with IAS 24, a related party means a person or entity that is related to the entity that prepares the financial statements.

A person or close family member of that person is related to the company that prepares the financial statements if that person:

- has control or joint control of the company that prepares the financial statements
- has a significant influence on the company that prepares the financial statements
- is one of the managers with strategic responsibilities of the company that prepares the financial statements or one of its parent companies.

An entity is related to the entity that prepares the financial statements if any of the following conditions apply:

- the entities are part of the same Group (which means that each parent, subsidiary and Group company is related to the others)
- an entity is an affiliate or a joint venture of the other entity (or an affiliate or a joint venture being part of a Group to which the other company belongs)
- both entities are a joint venture of the same third party
- an entity is a joint venture of a third-party entity and the other entity is an affiliate of the third-party entity
- the entity is represented by a plan for benefits subsequent to the end of the employment relationship in favor of the employees of the entity that prepares the financial statements or a company related to it. If the entity that prepares the financial statements is itself a plan of this type, the employers who sponsor it are also related to the entity that prepares the financial statements
- the entity is controlled or jointly controlled by a person identified as a related party
- a person identified as a related party has significant influence over the entity or is one of the managers with strategic responsibilities of the entity (or its parent).

Relations with related parties include relationships with ATS, of which SIA holds 30%. These figures are not considered significant as regards both the income statement and balance sheet. The impact of these relationships on the items of the statement of financial position and of the income statement at December 31, 2019 is considered marginal.

Transactions with the shareholders are mainly attributable to commercial contracts related to payments services stipulated at market conditions.

Below is a summary of relations with companies related to the SIA Group.

(Thousands of euro)

	Receivables 31/12/2019	Debts 31/12/2019	Revenues 2019	Costs 2019
ATS S.p.A.				
Trade	-	257	-	3,190
POSTE ITALIANE S.p.A.				
Trade	5,331	-	6,414	-
ENI S.p.A.				
Trade	2,279	3	6,164	4
TERNA S.p.A. RETE ELETTRICA NAZIONALE				
Trade	1	-	9	-
CASSA DEPOSITI E PRESTITI S.p.A.				
Trade	96	-	374	-
SACE BT S.p.A.				
Trade	-	-	15	-
SACE S.p.A.				
Trade	16	-	15	-
FINCANTIERI S.p.A.				
Trade	2	-	1	-
CDP EQUITY S.p.A.				
Trade	-	-	-	-
EIS Energy Investment Solutions S.r.l.				
Trade	-	19	-	19
ELITE S.p.A.				
Trade	-	-	-	-
FONDO STRATEGICO ITALIANO S.p.A.				
Trade	-	-	-	-

CAPITAL MANAGEMENT POLICY

The Group's objective is to maximize the return on invested capital while maintaining the ability to operate over time, ensuring adequate returns for shareholders and benefits for other stakeholders, with a sustainable financial structure. In order to achieve these objectives, in addition to pursuing satisfactory economic results and generating cash flows, the Company can intervene on its dividend policy and the configuration of its capital.

The main indicators that the Company uses for capital management are:

- R.O.E. (Return on equity): it is calculated as the ratio between the profit attributable to the Group and the Group's equity. It is an indicator of the Group's ability to remunerate its shareholders. The aim is for the indicator to achieve a higher value than the rate of return on a risk-free investment, reflecting the nature of the businesses managed. Such indicator amounts 30% at December 31, 2019 and was 26.7% at December 31, 2018.
- R.O.I. (Return on Investment): it is calculated as the ratio between operating profit and invested capital; it represents the ability of the Company's results to remunerate invested capital (understood as the sum of non-current assets and current assets). Such indicator amounts 12.2% at December 31, 2019 and was 11.7% at December 31, 2018.

FINANCIAL RISK MANAGEMENT POLICY

The qualitative and quantitative information on the Group's financial risks are reported below.

Credit risk

Group companies operate mainly with well-known customers that have a high standing, many of them belonging to the world of finance. Whenever new customers are acquired, if there is any doubt about their reliability as a counterparty, precise checks are carried out on the financial solidity of the potential customer. As regards debt collection activities, procedures have been put in place to monitor expected cash flows and for any recovery actions, aimed mainly at facilitating the process of validating invoices at commercial counterparties to speed up their collection. External lawyers are also used to recover non-performing exposures. Looking at past years as well, the phenomenon of credit losses has never been particularly significant.

The Group is marginally exposed to credit risk in its day-to-day operations and in the management of financial and cash resources. Quantitative information is provided in the comment on trade receivables in the form of an aging analysis of trade receivables, accruals to the bad debt provision and an indication of any significant exposures to individual counterparties.

Liquidity risk

The business model and the approach to operational management implemented at Group level have, over the years, shown that they are able to generate positive cash flows, also during economic crises, both cyclical and structural. Also in 2019, the Group generated significant positive operating cash flows, as shown in the cash flow statement, taking into account the extraordinary increase in acquisitions of external companies over the past few years and the substantial distribution of dividends to shareholders. The Group has a consistent amount of liquidity (calculated as sum of current financial receivables, cash and cash equivalent and committed credit lines not used) due to the loan obtained from a syndicate of banks to cope with the strategic acquisitions for inorganic growth concluded in previous years. In light of the periodic analyses of the variances between forecast and actual figures and the strategic objectives that the Group set itself, there are no liquidity risks at the year-end date, even taking into account the short-term credit lines negotiated with certain banks to deal with any temporary cash imbalances.

Most of the liquidity belongs to SIA and P4cards, and prudent criteria are used in terms of the type of investments and their duration.

The non current loan agreement entered into in July 2018 by SIA S.p.A. with a syndicate of banks to acquire the investments in SIA Greece and SIA Slovakia, with the simultaneous renegotiation of the previous loan entered into for the acquisition in 2017 of the investment in P4cards, is subject to two financial covenants concerning early repayment of the loan and the distribution of dividends; these covenants, in line with best market practices, express limits linked to the ratio between the EBITDA variables and the Group's net financial position. At December 31, 2019, the covenant limits were respected. There are also short-term unused credit lines that can cover any increases in liquidity needs and the parent company is in the process of finalizing new committed medium-term credit lines useful for covering any further needs (see the paragraph "Significant events subsequent to the end of the financial year" for the profiles relating to financial reporting connected to the effects of the spread of the "Coronavirus" pandemic).

Quantitative information is provided in the following tables in the form of an indication of the liquidity reserves existing at the reference date and a maturity analysis of financial payables and other financial liabilities:

LIQUIDITY RESERVES *(Thousands of euro)*

	31/12/2019	31/12/2018
Cash	97,435	94,652
Financial assets - current	127	122
Financial receivables - current	5,456	1,703
Committed lines not used	20,114	50,232
Total	**123,132**	**146,709**

LIABILITIES BY MATURITIES *(Thousands of euro)*

	Within 1 year	From 1 to 2 years	From 3 to 5 years	More than 5 years	Total
Bank loans	199,424	88,402	175,161	354,187	817,174
Leases	28,383	16,340	20,965	24,095	89,783
Other financial debts	47,835	2,031	3,423	401	53,690
Trade payables	95,996	-	-	-	95,996
Total	**371,638**	**106,773**	**199,549**	**378,683**	**1,056,643**

Exchange rate risk

Except for the foreign subsidiaries, SIA Central Europe and Perago FSE, the Group operates mainly in the euro area and is therefore not really exposed to exchange rate risk. The parent company SIA monitors the strategic plans, the mix of revenues and costs and the customers of the companies that operate with reference currencies other than the euro (in particular Perago FSE and SIA Central Europe), also with reference to the exchange rate trend, to prevent unexpected fluctuations from affecting the results and book values of the investments, which, if they occurred, would give rise to indicators that would have to be considered in an impairment test.

The exchange differences realized by Group companies are recognized in the statement of profit or loss under the items “Other revenues and income” and “Other operating expenses”. Please refer to the information shown in the notes which report exchange rate differences indicating marginal values.

As the Group is only marginally exposed to exchange rate risk, sensitivity analyses are omitted.

Interest rate and market risk

The SIA Group invests its liquid resources mainly in current accounts and bank deposits, with fixed returns or at variable rates. Changes in interest rates can influence the yields on investments, marginally affecting financial income, also depending on the amounts involved. The only significant financial payables recognized by the Group, in addition to the medium-long term loan contracted with a syndicate of banks for the acquisition of P4cards, SIA Greece and SIA Slovakia, are connected to finance lease contracts, normally at variable rates.

The interest rate risk to which the Group is exposed essentially depends on the financial payables associated with finance leases and on the loan taken out by the parent company SIA with a syndicate of banks for a total notional amount disbursed on September 28, 2018 of 775 million euro; the residual debt at December 31, 2019 amounted to 705 million euro. In order to avoid possible negative effects deriving from future interest rate fluctuations, in December 2018, a hedge was taken out with the banks in the syndicate using interest rate swaps (IRS) for an original notional amount of 575 million euro (reduced to 505 million euro on December 31, 2019 after repayment of the installments on the loan being hedged). This can be classified as a cash flow hedge for hedge accounting purposes under IAS 39, which changes the variable interest rate of the loan into a fixed market rate determined at the time of signing the contract.

Given the above, since the financial liabilities are covered by IRS, the change in the hedging instrument offsets the change in the underlying debt, with practically zero effect on the statement of profit or loss.

FINANCIAL ASSETS *(Thousands of euro)*

	31/12/2019		31/12/2018	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash in hand	-	14	-	15
Bank accounts and deposits	-	97,388	-	94,624
Current financial receivables	-	5,456	-	1,703
Current financial assets (*)	-	127	-	122
Total	**-**	**102,985**	**-**	**96,464**

(*) Amounts relating to non-controlling interests and derivatives on shares are excluded due to their nature

FINANCIAL LIABILITIES *(Thousands of euro)*

	31/12/2019		31/12/2018	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Non current financial liabilities (**)	-	3,738	-	3,114
Current financial liabilities (**)	-	2,587	-	-
Non current financial payables (***)	61,400	617,750	13,318	695,860
Current financial payables (***)	28,383	199,424	20,412	85,585
Total	**89,783**	**823,499**	**33,730**	**784,559**

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

The amounts relating to bank borrowings refer mainly to the bank loan of the parent company SIA and to the finance leases, while the amounts relating to non-current financial liabilities refer to derivative contracts entered into by the parent company to hedge the bank loan.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

There are no significant non-recurring events or transactions in 2019 that have not already been described in the Management Report and/or in the Notes.

POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

There were no positions or transactions deriving from atypical and/or unusual operations in 2019.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Among the main significant events that took place after the end of the year, in addition to the approval of the Group Strategic Plan for the three year period 2020-2022 by the Board of Directors of SIA S.p.A. (see refer to the previous specific paragraph), the following matters are worth mentioning:

- On February 6, 2020, SIA's Board of Directors decided to commence the procedure for listing the Company's ordinary shares on the Mercato Telematico Azionario (MTA), organized and managed by Borsa Italiana, which is expected to take place by the end of the summer of 2020.
- On February 13, 2020, Swedbank, the leading bank in the national markets of Sweden, Estonia, Latvia and Lithuania, announced that it had chosen SIA's high-speed fiber optic network infrastructure to enable instant payments by connecting to RT1, the pan-European EBA Clearing system.

  Thanks to SIAnet and TietoEVRY's real-time payment platform, a leading digital services and software company, which allows efficient and secure integration between the bank's systems and SIA's innovative network services, Swedbank's customers have already carried out more than 30 million instant payments.
- On February 26, 2020, the Reserve Bank of New Zealand (RBNZ), the central bank of New Zealand, and SIA launched the new systems for the real-time settlement of payments of significant amounts and securities transactions, replacing the two previous platforms: Exchange Settlement Account System (ESAS) and Central Securities Depository System (NZClear).

The spread of the Coronavirus pandemic

Since last January, the SIA Group has monitored the spread of the so-called pandemic "Coronavirus" or "Covid-19" with the aim of being ready to react to different scenario changes. The procedures and business plans for business continuity have been put in place and the recommendations and measures published by the World Health Organization (WHO), the Ministry of Health, the Istituto Superiore di Sanità (ISS), have been constantly followed. National and local (regional and municipal) authorities.

Business continuity profiles

Since the beginning of February 2020, the first indications have been taken for staff to limit business trips to risk areas (China, Korea and Southeast Asia) and to promote behaviours to prevent contagion risk. Also for preventive purposes, from Friday 21 February - the day on which the first cases of Coronavirus in Lombardy were confirmed - to all colleagues residing in the Province of Lodi and in the surrounding areas and to those who have had significant and continuous contacts with the geographical areas at risk, the SIA Group asked to scrupulously follow the instructions of the competent local authorities and to work telework / smart working from their home. With a subsequent update, on Sunday 23 February, the smart working mode was extended to all employees working in the SIA Group's Lombardy and Veneto offices. The Human Resources Department informed the employees with frequent messages on the evolution of the situation, provided suggestions and behavioural instructions. Communications have been sent to suppliers and consultants to block their access to the Group's Lombardy and Veneto offices. From Monday 24 February, the information was also sent to customers and foreign subsidiaries.

The communications sent fall within the business continuity measures provided by SIA in the context of the management of emergencies, organizational crises and, in particular, of pandemic risk scenarios. As required by the business continuity plans, on February 21, a "Crisis team" was set up composed of the CEO and his direct reports, including the Human Resources Director. The Crisis team met daily to oversee the evolution of the scenario. In parallel - as of February 23 - SIA has taken part in the activities of Codise, the working group chaired by the Bank of Italy for the coordination of emergency and crisis situations in the Italian financial centre and national payment systems.

Following the initiatives undertaken, in the week from February 24 to March 1, almost all the employees of the SIA Group of the Milan and Verona offices worked from home with extended smart working solutions. The services provided continued to be in line with the quality standards usually offered. On Friday 28 February, while maintaining the utmost caution and in compliance with the ordinances and prescriptions already issued, SIA has planned to continue for the week open from Monday 2 March with smart working solutions accompanied by a minimum and gradual return of staff to their Lombardy and Veneto offices.

The Crisis Team is continuing to operate on a daily basis, promptly transposing all the directives imposed by law and regional ordinances and updating its employees through communications from the HR Department, in order to continue to guarantee maximum safety for Group staff, as well as the excellent levels of service required given its systemically critical mission. In particular, the effective use of the "smart working" mode is highlighted. In fact, the monitoring of this health emergency has led to an extensive use of remote work and to applying best practices for business continuity. At the beginning of February, staff business trips to the geographical areas with the highest risk were limited. The measures provided for by the parent company operational continuity plan for pandemic risks have taken precautionary measures since Friday 21 February, were confirmed in an emergency meeting held on Sunday 23 February and allowed to have more than 1,500 people ready to work from Monday 24 February remotely. The following weeks have led to the extension of the number of people on tele-work (now there are about 3,500 people who, in all the companies of the Group, connect remotely every day) and to limit the presence of staff (there are less than 50 employees who access the 4 national offices every day) without impacting the operation of the services. There was also a widespread information plan towards customers - with dedicated channels - and towards suppliers.

The foreign components of the Group have also been informed of the operational steps taken in Italy to manage the emergency. Since mid-March, foreign companies have also activated their specific emergency and continuity plans and have their emergency teams. On a daily basis, foreign structures are now reporting developments in the scenario to the parent company.

Particular attention was paid to dialogue with the national Supervisory Authorities; since the beginning of the emergency, SIA has taken part in all the tele-conferences organized by CODISE - the structure for the coordination of the operational crises of the Italian financial centre chaired by the Bank of Italy - and in other comparison initiatives that the Authority has deemed appropriate to start.

The preventive and prompt reaction was made possible by a system of business continuity in operation for some time and by already tested technologies capable of ensuring operational controls and remote interventions, thus limiting as much as possible the risks of contagion in the workplaces and following the directives of the Istituto Superiore della Sanità (Institute of Health) without affecting the services provided to customers.

However, almost two months after the beginning of the emergency, it is still not possible to have clear indications of when a return to normal will be possible. For this reason, analyses are underway to assess resilience and overall sealing capacity in the event that this status continues for the next few months.

Financial reporting profiles

The Group's management constantly monitors the possible impacts of the phenomenon in question on the most significant assumptions underlying the main estimates reflected in the financial statements, with particular reference to revenue recognition, the occurrence of impairment indicators on goodwill and equity investments, as well as the evolution of the liquidity situation, taking into account the high level of uncertainty regarding the incidence and duration of the effects attributable to the pandemic in question on the performance of the Group's operating segments.

In this regard, it should be noted that, as confirmed with specific recommendations issued by ESMA and CONSOB respectively, the significant events under examination relating to the aforementioned pandemic do not impact the determination of the results and the net equity of the consolidated and separate financial statements as at 31 December 2019, as it represents a "Non adjusting events", according to the definition given by the International Accounting Standard IAS 10; in this regard, it should be noted that on 30 January 2020 the WHO declared the existence of an international emergency phenomenon (although the first information on the infection in China dates back to the end of 2019) and on 11 March 2020 declared the Coronavirus pandemic.

It should be remembered that IAS 10 requires that an indication of the nature of the event occurred after the end of the year and the estimate of the related effects on the financial statements be given; if in particular circumstances, due to the unpredictability of the outcome of the phenomenon, the estimate of any effects is not reliably quantifiable, or even impossible, the notes to the financial statements should provide adequate information.

In line with what is stated in the aforementioned IAS 10, the following is reported in the ESMA recommendation mentioned above with specific reference to financial reporting:

"Financial Reporting - issuers should provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 year-end financial report if these have not yet been finalized or otherwise in their interim financial reporting disclosures."

In this context, the profound uncertainty connected to the spread and duration of the pandemic in question must be reiterated and, in view of the continuous evolution of the phenomenon, it is particularly complex to foresee its effects also on economic activities both at macro and micro level. This entails a high complexity and uncertainty of the estimates made by the management, whose assumptions could necessarily be revisited and updated over the next few months, also in very significant terms, following the evolution of facts not under their control.

In the context of the evaluation of the potential effects attributable to the spread of the Coronavirus pandemic, the level of complexity and uncertainty of the estimates is without precedent in its kind, potentially affecting numerous aspects such as:

- the different propagation times and the possible differences in the persistence and extent of the contagion in the different Italian regions, in Europe and in the world (primarily, in the USA);
- the lack of visibility about the overall duration of the infection and, above all, the effects of the related containment measures, that is, the methods and timing with which they will be removed;
- the particular difficulty of predicting the timing and extent of recovery of national and global economic activities, both at macro and micro level, once the emergency is over.

Given the above, the management of the SIA Group, in accordance with the requirements of IAS 10 and taking into account the recommendations of ESMA and CONSOB, conducted an analysis in order to identify the areas of potential greatest impact in terms of financial reporting 2019 for the Group and, consequently, has developed scenarios based on the information currently available and the forecasts reasonably formulated at present in a context of extreme uncertainty and without considering the effects connected with any extraordinary corporate operations.

The analyses conducted concerned in particular:

- the development of forecast scenarios for the economic trend for the year 2020. From the first results of the analyses conducted, there would be an appreciable reduction in the operations and profitability of the business for the year 2020 while for subsequent years it is not considered possible to formulate reasonable impact estimates, due to the significant uncertainties of the final results in terms of duration and intensity of the phenomenon, all the more so with reference to time horizons beyond twelve months.

- The update of the sensitivity analyses carried out on the impairment tests of goodwill and equity investments at 31 December 2019 to highlight the potential impact on the estimates of a reasonably possible change relating to the results of the forecast economic performance scenarios. In light of the forecast scenarios updated with reference to 2020 described above and taking into account the results of the impairment tests as at 31 December 2019, it is reasonably foreseeable that: i) the value in use of the "SIA Greece" and "SIA CE" CGUs, already substantially aligned with the accounting values, could be affected by the effects of the crisis context induced by the tragic spread of the pandemic; ii) the value in use of the "P4cards" CGU could be affected by the effects of the crisis context induced by the tragic spread of the pandemic in Italy, albeit mitigated by the excess of value in use compared to the book value that the impairment test at 31 December 2019 showed.

In this regard, therefore, the Group's management continues to monitor the continuous evolution of the situation and the related effects on the business operations of the aforementioned CGUs and will update its assessments and the results in the periodic financial reports subsequent to that closed on 31 December 2019.

- Updating the Group's liquidity situation. As described in the 2019 financial statements, the business model and the operational management implemented at the Group level have shown, over the years, including 2019, that they are able to generate positive cash flows, even during economic crises, both cyclical and structural.

  In light of the best information available to date, the following is highlighted in particular to cover liquidity risk:
  – there are unused short-term credit lines for 30 million euro;
  – in March 2020, the renewal of two short-term credit lines for 100 million euros was completed with leading banks, at favourable conditions;
  – new committed credit lines are in the process of being finalized for a total amount of 150 million euro, with the possibility of being used on a medium / long-term time horizon (approximately 3 years, expiry 2023);

  Therefore, taking into account the above, having regard to the best information currently available in the context described above of unprecedented uncertainty caused by the emergency COVID-19, it is reasonably believed that, in the 12 months following the reference date of these financial statements, there are no risks significant liquidity, or risks inherent in the ability to repay the debt and to comply with the financial covenants, borne by the SIA Group.

Finally, it is known that, pursuant to IAS 10, the date on which the Financial Statements were authorized for publication by the Board of Directors is April 9, 2020; in accordance with its Company Statute, SIA S.p.A. took advantage of the possibility of calling the General Meeting of Shareholders for the approval of the separate Financial Statements at 31 December 2019 within 180 days from the closure of reference.

REPORT OF THE INDEPENDENT AUDITORS

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

**To the Shareholders of
SIA S.p.A.**

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 at December 31, 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Matter

The consolidated financial statements of SIA Group for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 25, 2019.

Comparative data related to the year ended December 31, 2018 have been restated following the completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, in accordance with IFRS 3.

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

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

Deloitte.

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

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

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

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

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

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

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

Deloitte.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of SIA S.p.A. are responsible for the preparation of the report on operations of SIA Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of SIA Group as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of SIA Group as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

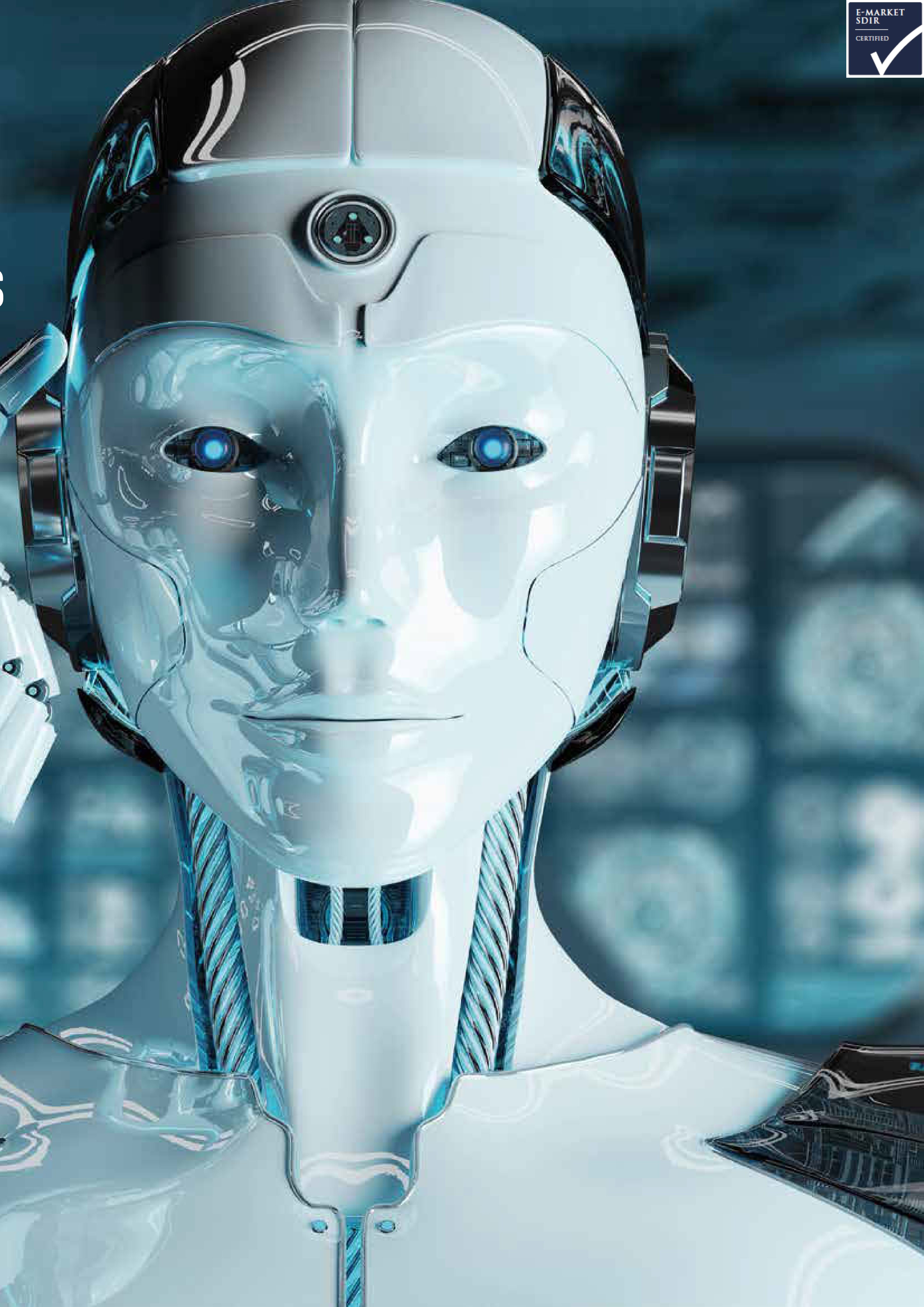
DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Milan, Italy
April 20, 2020

This report has been translated into the English language solely for the convenience of international readers.

4 FINANCIAL STATEMENTS OF SIA S.P.A. AT DECEMBER 31, 2019



STATEMENT OF FINANCIAL POSITION

Balance Sheet - Assets

TOTAL ASSETS *(euro)*

	Note	31/12/2019	31/12/2018	Change	%
Plant and machinery	1	29,987,645	30,085,062	(97,417)	-0.3%
Industrial and commercial equipment	1	4,960	5,519	(559)	-10.1%
Land and buildings	1	43,586,557	-	43,586,557	
Other assets	1	2,393,772	1,673,578	720,194	43.0%
Leasehold improvements (*)	1	3,485,271	3,674,301	(189,030)	-5.1%
Tangible assets		**79,458,205**	**35,438,460**	**44,019,745**	**124.2%**
Goodwill	2	3,853,616	3,853,616	-	
Other intangible assets	2	37,880,171	26,646,142	11,234,029	42.2%
Intangible assets in progress and advances	2	35,000,039	22,332,173	12,667,866	56.7%
Intangible assets		**76,733,826**	**52,831,930**	**23,901,896**	**45.2%**
Investments	3	908,324,950	912,955,257	(4,630,307)	-0.5%
Non current financial assets	4	12,000	50,146	(38,146)	-76.1%
Deferred tax assets	5	5,940,744	4,751,835	1,188,909	25.0%
Total non current assets		**1,070,469,725**	**1,006,027,628**	**64,442,097**	**6.4%**
Inventories and contract work-in-progress	6	193,973	-	193,973	
Current financial receivables	7	1,126,511	1,126,511	-	
Current tax assets	8	82,548,070	38,921,717	43,626,353	112.1%
Current trade receivables	9	149,142,041	124,811,127	24,330,914	19.5%
Other current assets	10	29,774,400	27,339,279	2,435,121	8.9%
Cash and cash equivalents	11	44,646,025	41,491,354	3,154,671	7.6%
Total current assets		**307,431,020**	**233,689,988**	**73,741,032**	**31.6%**
TOTAL ASSETS		**1,377,900,745**	**1,239,717,616**	**138,183,129**	**11.1%**

(*) Following the adoption of IFRS 16 from January 1, 2019, leasehold improvements have been reclassified to property, plant and equipment and their rights of use have been booked to "Land and buildings" in accordance with IFRS 16.

Balance sheet - Liabilities and shareholders' equity

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY *(euro)*

	Note	31/12/2019	31/12/2018	Change	%
Share capital	12	22,274,620	22,274,620	-	
Share premium reserve	12	5,316,654	5,316,654	-	
Reserves	12	191,830,895	167,159,773	24,671,122	14.8%
Valuation reserve	12	(8,759,350)	(5,452,804)	(3,306,546)	60.6%
Profit/(loss) for the year	12	105,575,320	84,641,251	20,934,069	24.7%
TOTAL NET EQUITY		**316,238,139**	**273,939,493**	**42,298,646**	**15.4%**
Non current financial payables	13	663,356,074	701,166,961	(37,810,887)	-5.4%
Non current financial liabilities	14	3,738,042	3,114,401	623,641	20.0%
Provisions for employee benefits	15	19,963,678	18,205,423	1,758,255	9.7%
Deferred tax liabilities	16	31,824	31,824	-	
Provisions for risks	17	1,938,012	1,477,603	460,409	31.2%
Other non current liabilities	18	1,722,717	5,659,500	(3,936,783)	-69.6%
Total non current liabilities		**690,750,347**	**729,655,712**	**(38,905,365)**	**-5.3%**
Current financial payables	19	253,244,193	137,965,613	115,278,580	83.6%
Current financial liabilities	20	2,586,807	-	2,586,807	
Current tax liabilities	21	-	3,941,762	(3,941,762)	-100.0%
Current trade payables	22	58,349,853	43,430,625	14,919,228	34.4%
Other current liabilities	23	56,731,406	50,784,411	5,946,995	11.7%
Total current liabilities		**370,912,259**	**236,122,411**	**134,789,848**	**57.1%**
TOTAL LIABILITIES		**1,061,662,606**	**965,778,123**	**95,884,483**	**9.9%**
TOTAL LIABILITIES AND EQUITY		**1,377,900,745**	**1,239,717,616**	**138,183,129**	**11.1%**

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STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS *(euro)*

	Note	31/12/2019	31/12/2018	Change	%
Revenues from sales and services	24	443,836,062	411,939,413	31,896,649	7.7%
Other revenues and income	25	2,825,132	2,281,048	544,084	23.9%
Costs for raw materials, supplies, consumables and goods	26	(1,600,073)	(896,378)	(703,695)	78.5%
Costs for services	27	(141,476,218)	(134,604,652)	(6,871,566)	5.1%
Payroll costs	28	(136,336,234)	(138,005,432)	1,669,198	-1.2%
Other operating expenses	29	(19,933,051)	(16,204,358)	(3,728,693)	23.0%
Adjusted operating margin		**147,315,618**	**124,509,641**	**22,805,977**	**18.3%**
Depreciation and amortization	30	(33,126,800)	(23,817,035)	(9,309,765)	39.1%
Adjustments to trade receivables	31	(1,927,845)	(2,597,520)	669,675	-25.8%
Provision for risks	32	(1,343,772)	(734,000)	(609,772)	83.1%
Operating Income		**110,917,201**	**97,361,086**	**13,556,115**	**13.9%**
Adjustments to investments	33	(2,745,000)	(3,502,972)	757,972	-21.6%
Dividends	33	32,029,940	28,456,369	3,573,571	12.6%
Income/(charges) from investments	**33**	**29,284,940**	**24,953,397**	**4,331,543**	**17.4%**
Profit/(loss) on financial assets and liabilities management	34	-	(352,563)	352,563	-100.0%
Adjustments to financial assets and financial receivables	34	-	(2,010,267)	2,010,267	-100.0%
Management/trading of financial assets and liabilities	**34**	**-**	**(2,362,830)**	**2,362,830**	**-100.0%**
Interest income	35	410,982	350,733	60,249	17.2%
Other financial income	35	2,572,000	-	2,572,000	
Financial income	**35**	**2,982,982**	**350,733**	**2,632,249**	**750.5%**
Interest expenses	36	(16,877,241)	(11,373,151)	(5,504,090)	48.4%
Bank charges	36	(469,902)	(457,986)	(11,916)	2.6%
Financial expenses	**36**	**(17,347,143)**	**(11,831,137)**	**(5,516,006)**	**46.6%**
Net income before taxes		**125,837,980**	**108,471,249**	**17,366,731**	**16.0%**
Current taxes	37	(20,070,640)	(23,920,000)	3,849,360	-16.1%
Prepaid/deferred taxes	37	144,737	768,427	(623,690)	-81.2%
Taxes from previous years	37	(336,757)	(678,425)	341,668	-50.4%
Income taxes	**37**	**(20,262,660)**	**(23,829,998)**	**3,567,338**	**-15.0%**
Net income from continuing operations		**105,575,320**	**84,641,251**	**20,934,069**	**24.7%**
PROFIT/(LOSS) FOR THE YEAR		**105,575,320**	**84,641,251**	**20,934,069**	**24.7%**

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME *(euro)*

	Note	31/12/2019	31/12/2018	Change	%
Profit/(loss) for the year		**105,575,320**	**84,641,251**	**20,934,069**	**24.7%**
Remeasurement of net defined benefit liability		(2,083,280)	(734,132)	(1,349,148)	
Income taxes relating to items that will not be riclassified subsequently to profit and loss		499,987	176,192	323,795	
Items that will not be reclassified subsequently to profit and loss	***12***	***(1,583,293)***	***(557,940)***	***(1,025,353)***	
Cash flow hedges		(2,267,439)	(2,302,238)	34,799	
fair value gain (loss) on hedging instruments during the period		*(3,210,447)*	*(2,302,238)*	*(908,209)*	
less cumulative (gain)/loss arising on hedging instruments reclassified to profit and loss		*943,008*	*-*	*943,008*	
Income tax relating to items that may be reclassified subsequently to profit and loss		544,186	552,537	(8,351)	
Items that may be reclassified subsequently to profit and loss	***12***	***(1,723,253)***	***(1,749,701)***	***26,448***	
Other comprehensive income for the year, net of tax		**(3,306,546)**	**(2,307,641)**	**(998,905)**	
TOTAL COMPREHENSIVE INCOME		**102,268,774**	**82,333,610**	**19,935,164**	**24.2%**

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY DURING 2018 *(Thousands of euro)*

	Share capital	Share premiun reserve	Reserves	Valuation reserve	Profit/(loss) for the period	Total Net Equity
Balances at 01 January 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)
Comprehensive profit/(loss)				(2,308)	84,641	82,333
Cash flow hedging				*(1,750)*		*(1,750)*
Actuarial gain/(losses)				*(558)*		*(558)*
Result of the year					*84,641*	*84,641*
Balances at 31 December 2018	**22,275**	**5,317**	**167,159**	**(5,453)**	**84,641**	**273,939**

On April 17, 2018 the Shareholders' Meeting resolved to allocate the 2017 profit to dividends, 59,970,129 euro, and to retained earnings, 3,474,758 euro.

CHANGES IN SHAREHOLDERS' EQUITY DURING 2019 *(Thousands of euro)*

	Share capital	Share premiun reserve	Reserves	Valuation reserve	Profit/(loss) for the period	Total Net Equity
Balances at 01 January 2019	**22,275**	**5,317**	**167,159**	**(5,453)**	**84,641**	**273,939**
Allocation of profit			84,641		(84,641)	-
Distribution of dividends			(59,970)			(59,970)
Comprehensive profit/(loss)				(3,306)	105,575	102,269
Exchange rate differences						-
Cash flow hedging				*(1,723)*		*(1,723)*
Actuarial gain/(losses)				*(1,583)*		*(1,583)*
Result of the year					*105,575*	*105,575*
Balances at 31 December 2019	**22,275**	**5,317**	**191,830**	**(8,759)**	**105,575**	**316,238**

On April 29, 2019 the Shareholders' Meeting resolved to allocate the 2018 profit to dividends, 59,970,129 euro, and to retained earnings, 24,671,122 euro.

CASH FLOW STATEMENT - INDIRECT METHOD

CASH FLOW STATEMENT - INDIRECT METHOD *(Thousands of euro)*

	31/12/2019	31/12/2018
Profit/(loss) for the year	**105,575**	**84,641**
Income taxes	20,263	23,830
Financial income	(2,983)	(351)
Financial expenses	17,347	11,831
Result on financial assets and liabilities management	-	2,363
Depreciations and write-off of tangible assets	19,170	12,113
Amortizations and write-off of intangible assets	13,957	11,704
Adjustments to investments	2,745	3,503
Adjustments to trade receivables	1,928	2,598
Provision for risks	1,344	734
Operating cash flow before movements in working capital	*179,346*	*152,966*
Change in trade receivables	(26,258)	4,072
Change in trade payables	14,919	(6,140)
Change in operating financial receivables	-	1,508
Change in inventories and contract work-in-progress	(194)	109
Change in provisions for employees	(324)	(1,736)
Change in provisions for risks	(884)	(3,248)
Changes in other assets	(2,435)	438
Changes in other liabilities	2,009	(12,497)
Income taxes paid	(27,976)	462
Witholding tax paid to recognize goodwill for tax purpose	(40,000)	-
Net cash from operating activities	**98,203**	**135,934**
Purchases of tangible assets	(6,986)	(12,675)
Purchases of intangible assets	(37,859)	(23,723)
Consideration paid for business combinations net of cash acquired	-	(387,214)
Change in investments	1,885	(970)
Net cash (used in) from investing activities	**(42,960)**	**(424,582)**
Dividends paid	(59,970)	(59,970)
Repayments of non current term loans	(70,000)	(420,000)
Proceed from non current term loans	-	775,000
Proceed from committed credit lines	105,000	10,000
Interest paid on non current financial liabilities	(10,420)	(10,274)
Differentials paid for hedging derivatives	(2,682)	(2,475)
Change in financial payables	(14,998)	2,807
Change in financial liabilities	944	(45)
Change in financial assets	38	353
Net cash (used in) from financing activities	**(52,088)**	**295,396**
Net increase/(decrease) in cash and cash equivalents	**3,155**	**6,748**
Cash and cash equivalents at beginning of year	41,491	34,743
Change in cash and cash equivalents	3,155	6,748
Cash and cash equivalents at end of year	**44,646**	**41,491**

NOTES

Statement of compliance with international accounting standards

The financial statements of the SIA S.p.A. at December 31, 2019 consist of the compulsory accounting statements set forth in IAS 1, i.e. the statement of financial position, the statement of profit or 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 on the results of the SIA Group and the parent company SIA S.p.A..

The financial statements of the SIA S.p.A. at December 31, 2019 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Commission and in force on the date of approval of this document. By IFRS we mean all "International Financial Reporting Standards", all International Accounting Standards (IAS) and all interpretations of the "International Financial Reporting Interpretations Committee" (IFRIC), formerly 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 made.

The financial statements of the SIA S.p.A. are audited by the independent auditors Deloitte & Touche S.p.A., in execution of the shareholders' resolution of April 29, 2019, which conferred the mandate until the approval of the financial statements at December 31, 2021.

General accounting principles

It should be noted that the general accounting principles used in the preparation of the separate financial statements are the same as those used, where applicable, for the preparation of the consolidated financial statements of the SIA Group to which reference should be made.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Non-current assets

1. Tangible assets

(Thousands of euro)

	31/12/2019			31/12/2018			Change 2019 Vs 2018
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	
Plant and machinery	173,589	(143,601)	29,988	161,357	(131,272)	30,085	(97)
Industrial and commercial equipment	1,025	(1,020)	5	1,024	(1,019)	5	-
Land and buildings	48,753	(5,166)	43,587	-	-	-	43,587
Other assets	10,407	(8,013)	2,394	8,423	(6,749)	1,674	720
Construction in progress and advances	-	-	-	-	-	-	-
Leasehold improvements	14,154	(10,669)	3,485	13,985	(10,311)	3,674	(189)
Total	**247,928**	**(168,469)**	**79,459**	**184,789**	**(149,351)**	**35,438**	**44,021**

CHANGES IN TANGIBLE ASSETS *(Thousands of euro)*

Gross amount	31/12/2018	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2019
Plant and machinery - Gross	115,437	-	6,564	-	-	(23)	121,978
Leased plant and machinery - Gross	45,920	-	5,691	-	-	-	51,611
Equipment - Gross	1,024	-	-	-	-	1	1,025
Land	-	-	-	-	-	-	-
Buildings - Gross	-	-	-	-	-	-	-
Other assets - Gross	8,423	-	202	-	-	22	8,647
Construction in progress and advances	-	-	-	-	-	-	-
Leased buildings - Gross	-	-	-	-	-	48,752	48,752
Leased other assets - Gross	-	-	-	-	-	1,761	1,761
Leasehold improvements - Gross	13,985	-	169	-	-	-	14,154
Total	**184,789**	**-**	**12,626**	**-**	**-**	**50,513**	**247,928**

Depreciation fund	31/12/2018	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2019
Plant and machinery - Fund	(95,510)	-	(6,576)	-	-	36	(102,050)
Leased plant and machinery - Fund	(35,762)	-	(5,790)	-	-	1	(41,551)
Equipment - Fund	(1,019)	-	-	-	-	(1)	(1,020)
Buildings - Fund	-	-	-	-	-	-	-
Other assets - Fund	(6,749)	-	(597)	-	-	(34)	(7,380)
Leased buildings - Fund	-	-	(5,179)	13	-	-	(5,166)
Leased other assets - Fund	-	-	(670)	37	-	-	(633)
Leasehold improvements - Fund	(10,311)	-	(358)	-	-	-	(10,669)
Total	**(149,351)**	**-**	**(19,170)**	**50**	**-**	**2**	**(168,469)**
Total net amount	**35,438**						**79,459**

The adoption of IFRS 16 from January 1, 2019 led to the recognition in tangible assets of the rights of use of assets under operating leases. In particular, at January 1, 2019, in "Other changes" the Company recognized rights of use attributable to properties and buildings where operating activities take place for 48.8 million euro, and rights of use attributable to other tangible assets (mainly vehicles) for 1.8 million euro. In addition, after recording the rights of use relating to leased properties in tangible assets, the improvements made to these assets were also reclassified to this item. In particular, the improvements relate to the amount of the works carried out for the new headquarters in Via Lorenteggio - Milan, which from the second half of 2018 replaced the headquarters in Via Giuliani.

This explains almost entirely the changes in this item. For further details, please refer to the section above entitled "IFRS accounting standards, amendments and interpretations applied from January 1, 2019", contained in the consolidated financial statements at December 31, 2019.

2. Intangible assets

(Thousands of euro)

	31/12/2019			31/12/2018			Change 2019 Vs 2018
	Gross amount	Amort. Fund	Net amount	Gross amount	Amort. Fund	Net amount	
Goodwill	**3,854**	**-**	**3,854**	**3,854**	**-**	**3,854**	**-**
Internally generated asset	257,100	(239,019)	18,081	242,682	(231,805)	10,877	7,204
Software Licences	118,736	(98,937)	19,799	107,963	(92,194)	15,769	4,030
Intangible assets others	90	(90)	-	90	(90)	-	-
Other intangible assets	**375,926**	**(338,046)**	**37,880**	**350,735**	**(324,089)**	**26,646**	**11,234**
Intangible assets in progress and advances	**35,000**	**-**	**35,000**	**22,332**	**-**	**22,332**	**12,668**
Total	**414,780**	**(338,046)**	**76,734**	**376,921**	**(324,089)**	**52,832**	**23,902**

CHANGES IN INTANGIBLE ASSETS *(Thousands of euro)*

Gross amount	31/12/2018	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2019
Goodwill	3,854	-	-	-	-	-	3,854
Internally generated asset	242,682	-	14,418	-	-	-	257,100
Software Licences	107,963	-	10,773	-	-	-	118,736
Intangible assets others	90	-	-	-	-	-	90
Intangible assets in progress and advances	22,332	-	27,086	(14,418)	-	-	35,000
Total	**376,921**	**-**	**52,277**	**(14,418)**	**-**	**-**	**414,780**

Amortization fund	31/12/2018	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2019
Internally generated asset	(231,805)	-	(7,214)	-	-	-	(239,019)
Software Licences	(92,194)	-	(6,743)	-	-	-	(98,937)
Intangible assets others	(90)	-	-	-	-	-	(90)
Total	**(324,089)**	**-**	**(13,957)**	**-**	**-**	**-**	**(338,046)**
Total net amount	**52,832**						**76,734**

In 2019 significant investments were made in intangible assets, also for the technological integration projects of the new companies that have joined the Group driven by the company in its role of parent company. These higher investments related in particular to the purchase of software licenses and the development of internal projects, a large part of which are still under development and therefore included in “Intangible assets in progress”. Note that at the end of 2019, a substantial part of the assets in progress were made up of important projects being developed in particular by the parent company SIA for important bank customers. These projects are expected to be up and running in 2020.

The goodwill generated by the absorption of SiNSYS relates to the difference between the carrying amount of the investment and the company’s net equity at the time the merger took effect (January 1, 2013). This goodwill was tested for impairment considering SIA as a whole as a CGU. In continuity with the financial statements of previous years, as well as taking into account the strategic plan 2020-2022 approved by SIA’s Board of Directors in February 2020, the value of this CGU is much 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	31/12/2018	Exchange differences	Increase	Decrease	Depreciation	Impairment	Other changes	31/12/2019
Plant and machinery	30,085	-	12,255	-	(12,366)	-	14	29,988
Industrial and commercial equipment	5	-	-	-	-	-	-	5
Land and buildings	-	-	-	13	(5,179)	-	48,753	43,587
Other assets	1,674	-	202	37	(1,267)	-	1,748	2,394
Leasehold improvements	3,674	-	169	-	(358)	-	-	3,485
Total	**35,438**	**-**	**12,626**	**50**	**(19,170)**	**-**	**50,515**	**79,459**

CHANGES IN INTANGIBLE ASSETS *(Thousands of euro)*

Net amount	31/12/2018	Exchange differences	Increase	Decrease	Depreciation	Impairment	Other changes	31/12/2019
Goodwill	3,854	-	-	-	-	-	-	3,854
Internally generated asset	10,877	-	14,418	-	(7,214)	-	-	18,081
Software Licences	15,769	-	10,773	-	(6,743)	-	-	19,799
Intangible assets others	-	-	-	-	-	-	-	-
Intangible assets in progress and advances	22,332	-	27,086	(14,418)	-	-	-	35,000
Total	**52,832**	**-**	**52,277**	**(14,418)**	**(13,957)**	**-**	**-**	**76,734**

During the year, no losses were recorded due to the reduction in value of tangible and intangible assets. In addition, there are no restrictions on the holding and ownership of fixed assets pledged to guarantee liabilities.

Tangible and intangible assets are initially recognized at cost and subsequently depreciated and amortized over their residual useful life (with the exception of goodwill). Management believes that the net carrying amount is a reasonable approximation of their fair value.

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3. Investments

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Subsidiaries	907,393	912,023	(4,630)
Affiliated	932	932	-
Total	**908,325**	**912,955**	**(4,630)**

The decrease derives from the 1,885 thousand euro received from First Data to adjust the purchase price of the investment in SIA Greece concluded on September 28, 2018, following a request from the Greek tax authorities which was reimbursed on the basis of the Sale & Purchase Agreement between SIA and First Data.

Note that following the impairment tests on P4cards, a write-down of approximately 2.5 million euro relating to the carrying amount of the investment in Ubiq (absorbed by P4cards on July 1, 2019) was recognized for tax and accounting purposes, backdated to January 1, 2019).

The rest of the decreases relates to the total write-down of the carrying amount of Perago FSE for approximately Euro 263 thousand.

The breakdown of the item and the changes that took place in 2019 are shown below:

(Thousands of euro)

	31/12/2018	Increase	Decrease	*Impairment*	*Other changes*	31/12/2019
Perago FSE	263	-	-	(263)	-	-
SIApay	5,716	-	-	-	-	5,716
SIA Central Europe	15,200	-	-	-	-	15,200
Emmecom	7,490	-	-	-	-	7,490
Ubiq	2,482	-	-	-	(2,482)	-
SIAadvisor	969	-	-	-	-	969
P4cards	487,588	-	-	(2,482)	2,482	487,588
PforCards	5,100	-	-	-	-	5,100
SIA Slovakia	236,897	-	-	-	-	236,897
SIA Greece	150,317	-	(1,885)	-	-	148,433
Subsidiaries	**912,023**	**-**	**(1,885)**	**(2,745)**	**-**	**907,393**
ATS	932	-	-	-	-	932
Affiliated and joint ventures	**932**	**-**	**-**	**-**	**-**	**932**
Total	**912,955**	**-**	**(1,885)**	**(2,745)**	**-**	**908,325**

For details on the activities carried out by the subsidiaries and associated companies, please refer to the paragraph "Performance of Group companies" in the Management Report accompanying the consolidated and separate financial statements for the year ended December 31, 2019.

Impairment test on investments

For details on the methodology and the guidelines applied by the SIA Group for carrying out the impairment tests, the fundamental parameters and the results, including the sensitivity analyses, on the investments recorded in the separate financial statements of SIA S.p.A., please refer to the paragraph "Impairment test on consolidated goodwill and other non-financial assets" in the consolidated financial statements of the SIA Group at December 31, 2019.

The results of the impairment tests on investments carried out at the reference date of December 31, 2019 are summarized below.

SUMMARY OF RESULTS

SIA GREECE

An impairment test showed that the value in use of the CGU was substantially in line with the carrying amount of the investment in the separate financial statements, so there was no need to make any adjustment in 2019.

SIA CE

An impairment test showed that the value in use of the CGU was substantially in line with the carrying amount of the investment in the separate financial statements, so there was no need to make any adjustment in 2019.

P4CARDS CGU (P4CARDS AND PFORCARDS)

An impairment test showed that the value in use of the CGU was substantially in line with the carrying amount of the investment in the separate financial statements, so there was no need to make any adjustment in 2019.

Lastly, during 2019 the activities of **Ubiq**, the former subsidiary absorbed by P4cards on July 1, 2019, with effect for accounting purposes from January 1, 2019, underwent an organizational and strategic resizing and adaptation; it was therefore deemed prudent, as explained above, to write down the carrying amount of the investment in Ubiq entirely, for approximately 2.5 million euro, allocated to the previous "Loyalty and Big Data" CGU as a service line within the parent company SIA S.p.A..

PERAGO FSE LTD

Taking into account Perago FSE's continued losses in recent years, including 2019, and a negative net equity at December 31, 2019 the carrying amount of the investment was written down to zero, as explained above, with an impact on the statement of profit or loss of Euro 263 thousand. Under South African law, there are no minimum amounts of share capital or shareholders' equity.

The parent company SIA, as sole shareholder, has issued a letter of financial and capital support to sustain the going-concern assumption for at least the whole of 2020 (please refer to the "Performance of Group companies" paragraph of the Management Report accompanying the 2019 financial statements).

CGU SIAPAY/SIAADVISOR

The final results of SIApay, which also include the results of merged company Emmecom, are higher than those expected in the pro-forma budget. Moreover, in the 2020-2024 consolidated plan of the two entities merged from 1 January 2020 prepared by management, strong growth is expected, driven by the acquisition of additional customers which is expected to be concluded in the first few months of 2020; this plan also provides for strong growth in production value and an increase in profit margins (in absolute terms).

The 2019 economic results of SIAadvisor have overall far exceeded the budget prepared at the beginning of the year and confirm this company's positive trend. In particular, the value of SIAadvisor's production was higher than the forecast (+53.7%) and EBITDA recorded a significant increase compared with expectations (+91.3%).

Based on impairment tests on the goodwill allocated to the CGUs in question, there is no need to make any adjustments for 2019.

4. Non-current financial assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Financial asset at fair value through other comprehensive income - non current	12	50	(38)
Total	**12**	**50**	**(38)**

The value refers to the investments held in MIP Politecnico di Milano for 12 thousand euro. At December 31, 2018, the item included the carrying amount of the shares held by Trustlink, which was sold during the year.

5. Deferred tax assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Deferred tax assets	5,941	4,752	1,189
Total	**5,941**	**4,752**	**1,189**

These amount to 5,941 thousand euro (4,752 thousand euro at December 31, 2018). The item has the purpose of recognizing prepaid taxes, i.e. incurred prior to the period to which they refer, and consists of:

- deferred tax assets recognized on the difference between statutory and fiscal depreciation of tangible assets;
- deferred tax assets on actuarial components on employee defined-benefit plans, recognized in the valuation reserve;
- other temporary differences found in the calculation of current taxes between carrying amounts and amounts recognized for tax purposes.

The increase is explained mainly by the negative change during the year in the fair value of the hedging derivative, recorded on the basis of IFRS 39 in the valuation reserve, net of the tax effect recognized here.

Changes in deferred tax assets are shown below:

(Thousands of euro)

	Total 31/12/2019	Total 31/12/2018
1. Opening balance	**4,752**	**4,396**
2. Increases	**3,767**	**2,692**
2.1 Deferred tax assets recognized during the year	**3,767**	**2,692**
a) changes with return for the P&L	1,973	1,915
b) changes with return for the Net Equity	1,794	777
2.2 Other increases	**-**	**-**
a) changes with return for the P&L	-	-
b) changes with return for the Net Equity	-	-
3. Decreases	**(2,578)**	**(2,336)**
3.1 Deferred tax assets reversed during the year	**(1,831)**	**(2,097)**
a) changes with return for the P&L	(1,828)	(1,146)
b) changes with return for the Net Equity	(3)	(951)
3.2 Other decreases	**(747)**	**(239)**
4. Closing balance	**5,941**	**4,752**

Current assets

6. Inventories and contract work-in-progress

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Work in progress - current	194	-	194
Total	**194**	**-**	**194**

The increase is due to the suspension of activities on third-party projects, which are in any case expected to be concluded by the end of 2020.

7. Current financial receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Financial receivables from subsidiaries	1,127	1,127	-
Total	**1,127**	**1,127**	**-**

The amount refers to a financial receivable (an intercompany current account in the centralized treasury management) due from the subsidiary PforCards GmbH, with no change compared with the previous year. In order to bring the due dates of financial assets more into line with those of financial liabilities, in January 2020 the parent company SIA approved the transformation of this receivable into a long-term line of credit (for 5 years) at market conditions.

8. Current tax assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other tax assets	71,672	38,922	32,750
Current tax assets - IRES	7,273	-	7,273
Current tax assets - IRAP	2,007	-	2,007
Foreign tax assets	1,596	-	1,596
Total	**82,548**	**38,922**	**43,626**

Tax credits amount to 71,672 thousand euro (38,922 thousand euro at December 31, 2018) and refer to the following:

- the rest of the payment made in 2017 of a flat-rate substitute tax (at 16%) for the step-up of part of the goodwill generated by the acquisition of P4cards (Euro 28.7 million, reduced by approximately Euro 7.2 million euro in 2019 compared with the original Euro 35.8 million). In 2019, amortization on this stepped-up goodwill was charged for the first time and deducted for tax purposes (the amortization period is 5 years), reducing current taxes by 6.1 million euro;
- the payment of a flat-rate substitute tax (at 16%) of 40 million euro in July 2019 for the step-up of a 250 million euro portion of the goodwill recorded in the consolidated financial statements following the acquisition of SIA Greece and SIA Slovakia; this step-up will begin to produce economic benefits in terms of lower current taxes (estimated at 6.8 million euro per year) starting from the second year following payment of the substitute tax, i.e. from 2021;
- the credit for the IRES reimbursement request presented in 2013 for the non-deduction of IRAP on payroll and other personnel costs for the years 2007-2011 (3.0 million euro).

As a result the benefits from the amortization for tax purposes of the consolidated goodwill relating to P4cards and the benefits deriving from the agreement signed with the Tax Authorities for the Patent Box, the Company is in a credit position at December 31, 2019 versus the Treasury, also because of the higher tax advances paid (based on taxable income for 2018). In particular, the Patent Box agreement (facilitated taxation of income deriving from software development activities) led to a 3.8 million euro benefit on the net result for the year, compared with 3.3 million euro in 2018. Lastly, it is worth mentioning that the Patent Box agreement with the Tax Authorities is currently being renewed for the five-year period 2020-2024 with the support of an independent expert (request submitted at the end of September 2019).

9. Current trade receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Trade receivables - current	138,078	115,835	22,243
Trade receivables from Group entities	13,505	12,742	763
Bad debt provision - current	(2,441)	(3,766)	1,325
Total	**149,142**	**124,811**	**24,331**

Trade receivables increased during the year mainly as a result of the increase in revenues, there was also a change made in the payment methods of a main banking group which caused the delay in collection terms.

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 THE BAD DEBT PROVISION *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Opening balance	**(3,766)**	**(1,262)**	**(2,504)**
Increase	(1,928)	(2,598)	670
Decrease	3,253	94	3,159
Closing balance	**(2,441)**	**(3,766)**	**1,325**

In 2019, the bad debt provision was used by the parent company SIA to write off some 2.5 million euro of receivables for which a specific provision was made in 2018.

In addition, during 2019, the internal criteria used for estimating both analytical and general write-downs were refined, taking into account the practices developed in the meantime since the entry into force of IFRS 9 on 1 January 2018 and the experience gained over time. This led to an additional provision of 1.9 million euro being made at December 31, 2019.

The exposure to credit risk and the expected losses relating to trade and other receivables have been processed by the Group on the basis of an internal classification between performing customers and those in default, as follows:

(Thousands of euro)

	Bonis	Past due	Unlikely to pay	Dispute	Legal	Default	Total
Key customers	41,323	5,179	21,368	-	-	-	67,870
Intercompany	10,261	328	2,915	-	-	-	13,504
Others	53,455	10,443	4,077	2,110	124	-	70,209
Gross amount	**105,039**	**15,950**	**28,360**	**2,110**	**124**	**-**	**151,583**
Bad debt provision	78	658	510	1,071	124	-	2,441
Net Value	**104,961**	**15,292**	**27,850**	**1,039**	**-**	**-**	**149,142**

10. Other current assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Security deposits	110	99	11
Prepayments to suppliers	130	508	(378)
Receivables from employees	228	97	131
Other assets	1,333	4,724	(3,391)
Tax receivables	8	8	-
Prepayments and accrued expenses	26,262	21,903	4,359
Total	**29,774**	**27,339**	**2,435**

The increase in prepaid expenses is mainly due to higher costs for software leases and for hardware and software maintenance. Other current assets decreased following reimbursement by the Tax Authorities of certain amounts paid on tax assessments that were then successfully appealed.

11. Cash and cash equivalents

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Cash in hand	6	5	1
Bank accounts and deposits	44,640	41,486	3,154
Other cash and cash equivalents	-	-	-
Total	**44,646**	**41,491**	**3,155**

Analysis of the cash flow statement shows that the Company generated operating cash flow of around 98.2 million euro during the period. This almost entirely covered net investments which absorbed cash flows of 43.0 million euro, and financing activities, which absorbed cash flows of 52.1 million euro. It is worth noting, among other things, that during 2019 the Company distributed 60 million euro of dividends to its shareholders, paid a flat-rate substitute tax of 40 million euro to step-up a portion of the goodwill deriving from the Magnolia deal, and repaid principal portions of the medium/long-term loan for a total of Euro 70 million.

It should also be noted that intercompany contracts have been activated for centralized treasury management since 2018.

LIABILITIES AND SHAREHOLDERS' EQUITY

12. Shareholders' equity

Share capital

The share capital amounts to 22,274,620 euro, divided into 171,343,227 ordinary shares with a nominal value of 0.13 euro each. The total number of shares without voting rights is 1,410,253 (0.82305734% of total shares).

Share premium reserve

It amounts to 5,316,654 euro and refers to the increase in capital carried out in 2015 and dedicated to management, in execution of the shareholders' resolution of July 23, 2015.

Legal reserve

The reserve amounts to 4,454,924 euro and has already reached one fifth of the share capital pursuant to art. 2430 of the Italian Civil Code.

Reserve for merger surplus

Recorded for a total of 77,048,710 euro, it represents the differences generated by the absorption of SSB S.p.A. in 2007 and of Ra Computer S.p.A. in 2015.

Reserve for spin-off surplus

Recorded for a total of 5,698,828 euro, of which 4,273,027 euro was generated following the spin-off of a business unit of TSP S.r.l. in 2015, and 1,425,801 euro following the spin-off of a business unit of Servizi Interbancari S.p.A. in 2000.

First-Time Adoption Reserve

It was recorded for a total negative amount of 6,053,628 euro and represents the changes in shareholders' equity deriving from first-time adoption of IAS/IFRS that took place on January 1, 2014.

Valuation reserve

Recorded for a negative amount of 8,759,350 euro, it shows the balance sheet effects deriving from items that envisage a balance sheet contra-entry in compliance with IAS/IFRS. Movements during the year were generated by the actuarial component of the employee severance indemnity and long-service bonuses, as well as by the accounting coverage of cash flows using bank debt.

Reserve for revaluation of investments

Recorded for a total of 2,714,625 euro, it derives from the revaluations made in previous years relating to TSP for 1,271,884 euro and to SiNSYS for 1,442,741 euro.

Retained earnings

They amount to 107,967,436 euro following the distribution of the 2018 result in execution of the shareholders' resolution of April 29, 2019 which decided to allocate the 2018 profit to dividends for 59,970,129 euro and to retained earnings for 24,671,122 euro.

Other information

As required by article 2427 point 7 bis of the Italian Civil Code, the following table analyzes the items in shareholders' equity other than the result for the year and retained earnings, with an indication of their origin, possibility of use and distribution, as well as any uses during the year and in previous years.

(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 for merger surplus	77,048,710	A,B,C	77,048,710	-
Reserve for spin-off surplus	5,698,828	A,B,C	5,698,828	-
Retained earnings	107,967,436	A,B,C	107,967,436	
FTA Reserve	(6,053,628)	-	-	-
Reserve for revaluation of investments	2,714,625	A,B	2,714,625	-
Valuation reserve	(8,759,350)	-	-	-
TOTAL	**210,662,819**		**203,201,177**	**-**
Non distributable portion			**7,169,549**	**-**
Residual portion available for distribution			**196,031,628**	**-**

(*) A: for capital increases; B: to cover losses; C: for distribution to shareholders.

Non-current liabilities

13. Non-current financial payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Bank loans - non current	617,750	695,794	(78,044)
Other financial payables - non current	45,606	5,373	40,233
Total	**663,356**	**701,167**	**(37,811)**

This item decreases despite the adoption of IFRS 16 from January 1, 2019 which led to an increase of about 40 million euro in non-current financial payables at the end of the period, as the contra-entry to tangible assets.

Specifically, non-current bank payables refer to the long-term portion of the loan originally entered into in 2017 for the acquisition of P4cards and PforCards, subsequently renegotiated in 2018 for the acquisition of SIA Greece and SIA Slovakia, and decreased following the payment during the year of two capital shares for a total of 70 million euro.

Other non-current financial payables consist of the portion maturing in more than twelve months of the finance lease liabilities for the acquisition of the technological infrastructure. The amount increased during the year because of the signing of important new contracts.

14. Non-current financial liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Hedging derivatives - non current	3,738	3,114	624
Total	**3,738**	**3,114**	**624**

The non-current hedging derivatives amount to 3,738 thousand euro and refers to the negative fair value of the derivatives entered into in December 2018 by the parent company SIA to hedge the interest rate risk on the outstanding bank loan. Derivatives exchange the floating borrowing rate with a fixed market rate determined on the date of signing the contract and are accounted for as cash flow hedges on the basis of IAS 39.

15. Provisions for employee benefits

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Employee benefits	19,964	18,205	1,759
Total	**19,964**	**18,205**	**1,759**

CHANGES IN THE PROVISIONS FOR EMPLOYEE BENEFITS *(Thousands of euro)*

	TFR Fund
Opening balance	**18,205**
Increases	
Provision	4,622
Decreases	
Liquidation	(4,926)
Actuarial effects	
Actuarial effects	2,063
Closing balance	**19,964**

The main actuarial assumptions of the company's personnel funds are shown below:

Accounting Data	EMPLOYEES SEVERANCE INDEMNITY	SENIORITY AWARDS
Number of employees at 31.12.2019	1,534	654
Civil law provision at 31.12.2018	16,759,200	
Accounted changes at 31.12.2019	-238,685	-33,596
Civil law provision at 31.12.2019	16,768,523	

Changes in the present value of the defined-benefit obligation	EMPLOYEES SEVERANCE INDEMNITY	SENIORITY AWARDS
(+) DBO at 31.12.2018	17,969,738	187,155
(+) Current Service Cost	0	7,776
(+) Interest Expense	-32,148	-307
(-/+) Actuarial (Gains)/Losses arising	2,094,901	-11,621
(-) (Balance of Fund movements)	-238,685	-33,596
(+) DBO at 31.12.2019	19,793,805	149,408

Charges for defined-benefit schemes recognised in profit and loss	EMPLOYEES SEVERANCE INDEMNITY	SENIORITY AWARDS
Current Service Cost	0	7,776
Interest Expense	-32,148	-307
Actuarial (Gains)/Losses recognised		-11,621
TOTAL	-32,148	-4,151

Other Comprehensive Income (OCI)	EMPLOYEES SEVERANCE INDEMNITY	SENIORITY AWARDS
Actuarial (Gains)/Losses arising to be recognised in OCI	2,094,901	
- Actuarial (Gains)/Losses arising for change in demographic assumption	-14,006	
- Actuarial (Gains)/Losses arising for change in financial assumption	1,850,285	
- Other Actuarial (Gains)/Losses arising in the period	258,622	

It should be noted that the figures in question are net of the portion of severance indemnity set aside on variable remuneration, as it is paid annually.

ACTUARIAL ASSUMPTIONS USED

FINANCIAL AND ECONOMIC ASSUMPTIONS:

Discount rate		**Curve Eur Composite AA at 29.11.2019**
	Maturities (years)	**Rates**
	1	*-0.248%*
	2	*-0.154%*
	3	*-0.088%*
	4	*-0.028%*
	5	*0.038%*
	7	*0.170%*
	8	*0.255%*
	9	*0.343%*
	10	*0.428%*
	15	*0.734%*

Inflation rate	1.50%
Expected rate of pay increase (including inflation)	N.A.
Percentage of employees severance indemnity requested in advance	100.00%

DEMOGRAPHIC ASSUMPTIONS:

Maximum retirement age	According to latest legal provisions
Mortality tables	SI 2018
Average annual percentage of personnel exit*	3.02%
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%*	18,724,560
	-0.50%	20,945,865

Addition information	**EMPLOYEES SEVERANCE INDEMNITY**
Duration (years)	11.29

Payments expected	**EMPLOYEES SEVERANCE INDEMNITY**
Payments expected at 31.12.2020	424,000
Payments expected at 31.12.2021	459,704
Payments expected at 31.12.2022	541,343
Payments expected at 31.12.2023	552,168
Payments expected at 31.12.2024	807,613
Payments expected from 01.01.2025 to 31.12.2029	5,472,064

16. Deferred tax liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Deferred tax liabilities	32	32	-
Total	**32**	**32**	**-**

The company's deferred tax liabilities have been recorded as a contra-entry in the statement of profit or loss and have not undergone any change compared with the previous year.

17. Provisions for risks

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Provisions for risks	1,938	1,478	460
Total	**1,938**	**1,478**	**460**

CHANGES IN THE PROVISION FOR RISKS *(Thousands of euro)*

	Charges for employees	Tax disputes	Other provisions	Total
Balances at 31/12/2018				
Opening balance	135	299	1,044	**1,478**
Reclassifications				
Reclassifications	-	-	-	**-**
Increase				
Provisions of the period	-	-	1,343	**1,343**
Decrease				
Utilisation of the period	(135)	(94)	(654)	**(883)**
Balances at 31/12/2019				
Closing balance	**-**	**204**	**1,734**	**1,938**

The change in the amount of the provision for personnel expenses derives from the uses that occurred in the period, no further provisions were made.

Other provisions contain the amounts relating to the seniority bonuses to be paid to employees in relation to the agreements envisaged in the supplementary company contract. These amounts were adjusted in relation to the payments made during the year and the actuarial estimates made with the support of an external actuary. This item also includes amounts of approximately 1.1 million euro, prudentially set aside during 2019, mainly to cover probable liabilities arising from some ongoing legal issues, as confirmed by the external lawyers appointed to follow them.

The amount recognized relating to the disputes underway with the Revenue Agency is substantially to cover the estimate of the legal costs that may be incurred for the protection of company rights and to disputes concerning the tax periods from 2006 to 2011.

At the date of approval of these financial statements, all the judgments issued, even those of the second degree, were in favor of the company, and the appeals presented were accepted in full.

18. Other non-current liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other non current liabilities	1,722	5,660	(3,938)
Total	**1,722**	**5,660**	**(3,938)**

This item includes the amounts set aside for the incentive plan connected with the new rules that allow certain persons to retire in the presence of certain requirements ("quota 100"). The amount expresses the incentives of the personnel that will join the initiative in 2021.

The decrease in this item is substantially attributable to the reclassification of 5.7 million euro to current liabilities for amounts owing to the management of the parent company under bonus schemes.

Current liabilities

19. Current financial payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Bank loans - current	199,209	85,500	113,709
Financial payables to subsidiaries	44,121	48,241	(4,120)
Other financial payables - current	9,914	4,224	5,690
Total	**253,244**	**137,965**	**115,279**

This item increased following the adoption of IFRS 16 from January 1, 2019 which led to the recognition of financial payables as the contra-entry to the right-to-use assets recorded in tangible assets, as well as for the use by the parent company SIA of short-term lines of credit for a total of 100 million euro, aimed, in particular, at financing the step-up of goodwill recognized following the acquisition of SIA Greece and SIA Slovakia (see "Current tax assets") and to meet other temporary cash requirements.

Other current financial payables consist of the portion maturing in less than twelve months of the bank loan for the purchase of equity investments and of finance lease liabilities for the acquisition of the technological infrastructure.

Financial payables to subsidiaries are represented by the amounts generated by a series of contracts for managing the centralized group treasury, which allow efficient management of both the financial needs and cash surpluses of each company.

20. Current financial liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Hedging derivatives - current	2,587	-	2,587
Total	**2,587**	**-**	**2,587**

21. Current tax liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Current tax liabilities - IRES	-	2,524	(2,524)
Current tax liabilities - IRAP	-	1,417	(1,417)
Foreign tax liabiities	-	-	-
Total	**-**	**3,941**	**(3,941)**

22. Current trade payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Trade payables - current	58,350	39,439	18,911
Trade payables to subsidiaries - current	-	3,991	(3,991)
Total	**58,350**	**43,430**	**14,920**

The increase is due to higher purchases of external services and the optimization of payment conditions.

Given the short term characteristics of trade payables, SIA believes that the carrying amount represents a good approximation of the fair value.

23. Other current liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Customer advance payments	1,708	1,388	320
Social security debts	18,973	20,034	(1,061)
Amounts due to Directors and Auditors	219	49	170
Payables to employees	22,771	17,063	5,708
Deferred income and accrued liabilities	256	1,996	(1,740)
Tax liabilities	6,799	7,404	(605)
Other liabilities	6,006	2,850	3,156
Total	**56,732**	**50,784**	**5,948**

The increase in this item is explained almost entirely by the rise in payables to employees; in fact, the amounts due to management of around 5.7 million euro under the bonus schemes for 2019 have been reclassified to this item from "Other non-current liabilities". They are expected to be paid in the first half of 2020.

Payables to employees also include the variable component of the Group's management remuneration (MBO), as well as the Company Award (VAP) as an institution agreed with the trade union organizations and attributed to the entire SIA corporate population based on the results achieved. The other liabilities increase due to higher credit notes to be issued. Deferred income decreased due to a lower volume of advance billings.

NOTES TO THE STATEMENT OF PROFIT OR LOSS

24. Revenues from sales and services

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Revenues from sales and services	443,836	411,939	31,897
Total	**443,836**	**411,939**	**31,897**

Revenues for 2019, which refer exclusively to the sale of goods and the provision of services, increased by 31.9 million euro (+7.7%) compared with 2018, exceeding 443.8 million euro and confirming the Company's uninterrupted growth path. In particular, we note the increase in volumes in the issuing area and the services connected to PSD2 and Electronic Invoicing, as well as the development of the PagoPA service, some new Clearing services and the SIAchain platform.

25. Other revenues and income

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other revenues	924	303	621
Contingent income	1,901	1,978	(77)
Total	**2,825**	**2,281**	**544**

26. Costs for raw materials, supplies, consumables and goods

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Goods and products	(1,600)	(896)	(704)
Total	**(1,600)**	**(896)**	**(704)**

The item increased because of greater purchases of products for resale.

27. Costs for Services

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Rental	(21,714)	(20,427)	(1,287)
Maintenance	(23,436)	(20,354)	(3,082)
Network	(9,423)	(10,153)	730
Outsourcing	(13,460)	(12,901)	(559)
Building	(4,370)	(10,707)	6,337
Professional Services	(52,001)	(45,050)	(6,951)
Royalties	(10,640)	(7,476)	(3,164)
General expenses	(5,345)	(6,603)	1,258
Insurance	(1,086)	(934)	(152)
Total	**(141,475)**	**(134,605)**	**(6,870)**

Costs for services increased compared with 2018, in particular due to the rise in variable costs following the higher volumes of services provided to customers which led to a growth in revenues. The main reasons for the changes during the year are explained below:

- maintenance: higher costs referring to investments made in software and hardware, closely related to the expansion of existing infrastructures and the development of new processing capacities;
- royalties: the increase is linked to the business performance of the Card & Merchant Solutions segment, which led to the increase in variable costs closely related to the business volumes;
- consultancy: these increased due to greater developments for project activities;
- property management: the decreases relate to the application of IFRS 16, which led to the reclassification of rents to depreciation; rental costs, on the other hand, did not show significant changes as they mainly refer to software excluded from the scope of application of this standard.

The fees for the audit of the separate and consolidated financial statements of the Group and for the checks on the regular keeping of the books of accounts, including certification of the tax declarations, earned during the year by the Independent Auditors Deloitte & Touche S.p.A., amounted to 150 thousand euro, plus expenses and VAT.

28. Payroll costs

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Wages and salaries	(95,616)	(93,680)	(1,936)
Social charges	(25,639)	(24,639)	(1,000)
Severance indemnities	(4,642)	(4,986)	344
Payments to pension funds	(3,820)	(3,550)	(270)
Charges for restructuring	(4,332)	(8,180)	3,848
Other costs	(6,169)	(6,773)	604
Travel	(2,458)	(2,290)	(168)
Other staff	(319)	(394)	75
Directors and Auditors	(838)	(719)	(119)
Recoveries seconded staff	2,278	2,949	(671)
Refunds seconded staff	(598)	(642)	44
Capex internal staff costs	5,816	4,899	917
Total	**(136,337)**	**(138,005)**	**1,668**

The overall reduction in payroll costs is explained by the decrease in restructuring costs (in 2018 many employees chose to join the industry solidarity fund) and by the increase in payroll costs that have been capitalized (due to the increase in internal projects mainly to integrate Group companies and the development of solutions to support business services), which more than offset the increase in wages and salaries and related social security contributions, whose growth is related to the increase in company staff. The following table shows the number of employees at December 31, 2019 and the average number for the year, broken down by category.

WORKFORCE

Workforce (year-end)	31/12/2019		31/12/2018		31/12/2019	31/12/2018
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,491	34	1,476	35	1,525	1,511
Total	**1,491**	**34**	**1,476**	**35**	**1,525**	**1,511**

Workforce (average)	31/12/2019		31/12/2018		31/12/2019	31/12/2018
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,476	35	1,473	36	1,511	1,509
Total	**1,476**	**35**	**1,473**	**36**	**1,511**	**1,509**

29. Other operating expenses

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Non-deductible VAT	(17,021)	(13,970)	(3,051)
Tax expenses	(233)	(254)	21
Losses on disposal of assets	(3)	(70)	67
Other charges	(2,676)	(1,910)	(766)
Total	**(19,933)**	**(16,204)**	**(3,729)**

There has been an increase in costs for non-deductible VAT, due to the increase in the percentage of non-deductibility, which for 2019 was 40% (38% in 2018). This increase is explained by the significant growth during the year in revenues for transaction processing services (not subject to VAT).

30. Depreciation and amortization

(Thousands of euro)

	Depreciation	Write-off	Total
Tangible assets	(7,173)	-	(7,173)
Leased tangible assets	(11,997)	-	(11,997)
Total	**(19,170)**	**-**	**(19,170)**

(Thousands of euro)

	Amortization	Write-off	Total
Software licences	(6,743)	-	(6,743)
Internally developed software	(7,214)	-	(7,214)
Intangible assets others	-	-	-
Total	**(13,957)**	**-**	**(13,957)**
Total depreciation, amortization and write-off	**(33,127)**	**-**	**(33,127)**

31. Adjustments to trade receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Provision for bad debts	(1,928)	(2,598)	670
Total	**(1,928)**	**(2,598)**	**670**

The higher provision in 2019 is due to the adjustment of the bad debt provision as a result of higher receivables because of larger volumes invoiced and the identification of certain receivables that are deemed uncollectable.

32. Provision for risks

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Provision fund risk	(1,344)	(734)	(610)
Total	**(1,344)**	**(734)**	**(610)**

See comment to the item “Provisions for risks”.

33. Income (charges) from investments

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Adjustments to investments	(2,745)	(3,503)	758
Dividends	32,030	28,456	3,574
Total	**29,285**	**24,953**	**4,332**

For the adjustments to investments, please refer to the comments in the preceding item “Investments” (impairment test).

The Company received dividends out of the profits earned in 2018 by the subsidiaries P4cards, SIA Central Europe, Emmecom and SIApay. The increase in dividends is explained, for the most part, by the dividend paid by P4cards, equal to 28 million euro (P4cards paid dividends of 25 million euro in 2018), in addition to better results by the other companies.

34. Management/trading of financial assets and liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Profit/(loss) on financial assets and liabilities management	-	(353)	353
Value adjustments of financial receivables and assets	-	(2,010)	2,010
Total	**-**	**(2,363)**	**2,363**

In 2018, the financial receivables due from the subsidiary Perago FSE and the value of the call option granted and sold to SIA by the Company’s managers as part of the reserved increase in capital approved by the Shareholders’ Meeting of July 23, 2015 were written down to zero (as it had reached the end of the exercise period).

35. Financial income

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Interest income	411	351	60
Other financial income	2,572	-	2,572
Total	**2,983**	**351**	**2,632**

Other financial income includes the 2.6 million euro received in December 2019 from First Data, as a price adjustment for the Magnolia deal in accordance with the sale & purchase agreement signed in 2018. Interest income derives from the cash and cash equivalents held.

36. Financial expenses

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Interest expenses	(16,877)	(11,373)	(5,504)
Bank charges	(470)	(458)	(12)
Total	**(17,347)**	**(11,831)**	**(5,516)**

Interest expenses have increased by 3.8 million euro compared with the previous year as a result of the Company's higher bank debt to finance the acquisitions to create non-organic growth, and the related cash flow hedging derivatives to reduce the risk of floating interest rates. Moreover, the adoption of IFRS 16 from January 1, 2019 has increased the amount of financial payables for operating leases, with the consequent recording of higher interest expenses for 1.7 million euro.

37. Income taxes

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Current taxes	(20,071)	(23,920)	3,849
Prepaid/deferred taxes	145	768	(623)
Taxes from previous years	(337)	(678)	341
Total	**(20,263)**	**(23,830)**	**3,567**

The overall tax burden is lower than in the previous year as the Company benefits from tax amortization (and, therefore, from the corresponding reduction in the annual tax base by 44.8 million euro for a net tax benefit for the period of 6.1 million euro) of consolidated goodwill recognized following the business combination of P4cards, stepped up in 2017 by the parent company SIA through the payment of a flat-rate substitute tax. The Company also benefited in 2019 from the application of the regulatory provisions relating to the Patent Box for 3.8 million euro, compared with 3.3 million euro in 2018.

For further details, please see the note on "Current tax assets".

RECONCILIATION OF THE THEORETICAL AND EFFECTIVE TAX RATE *(Thousands of euro)*

	2019	2018	2019		2018	
			IRES	IRAP	IRES	IRAP
Ordinary applicable tax rate			24%	5.57%	24%	3.90%
Net income before taxes	125,501	107,793	30,120		25,870	
- IAS effects	-773	-124	-186		-30	
- Income exempt from IRES	-28,934	-19,101	-6,944		-4,584	
- Dividends	-32,030	-28,456	-7,687		-6,830	
- Non-deductible costs IRES	23,549	19,783	5,652		4,748	
- IRAP taxable income	113,939	97,465		6,346		5,429
- Income exempt from IRAP	-39,613	-25,332		-2,206		-1,411
- Non-deductible costs IRAP	18,939	12,581		1,055		701
- Postage benefit	-20,559	-	-4,934	-1,145	-	-
Total			**16,021**	**4,050**	**19,175**	**4,719**
Effective tax rate			**12.77%**	**3.23%**	**17.79%**	**4.38%**

DETAILS OF DEFERRED TAX ASSETS AND LIABILITIES *(Thousands of euro)*

	2019		2018	
	Temporary difference amounts	Fiscal effect	Temporary difference amounts	Fiscal effect
Deferred tax assets:				
Provisions for risks	548	157	934	261
Bad debt provision	1,268	304	1,268	304
Payroll expenses to be paid	4,768	1,144	4,795	1,151
Write-off of tangible assets	5,840	1,402	4,862	1,167
Write-off of intangible assets	246	67	261	71
Others	958	230	855	205
IAS effects	10,926	2,637	6,576	1,593
Total	**24,553**	**5,941**	**19,550**	**4,752**
Deferred tax liabilities:				
Dividends	66	20	66	20
Bad debt provision	44	12	44	12
IAS effects	0	0	0	0
Total	**111**	**32**	**111**	**32**

DISCLOSURE ON FAIR VALUE

The table below shows the assets and liabilities measured at fair value, broken down by the levels envisaged by the fair value hierarchy.

For the definition of fair value levels, the Company refers to the hierarchy established by IFRS 13 which classifies the inputs of the valuation techniques adopted into three levels:

- **level 1:** it includes the prices quoted (unadjusted) in active markets for identical assets or liabilities to which the company can access on the measurement date;
- **level 2:** it includes inputs other than the quoted prices included in level 1, observable directly or indirectly for the asset or liability;
- **level 3:** it includes unobservable input data for the asset or liability.

FINANCIAL ASSETS *(Thousands of euro)*

	Carrying amount	L1	L2	L3
Financial asset - non current				
Financial asset at fair value through other comprehensive income - non current	12			12
Total	**12**			**12**

CHANGES IN FINANCIAL ASSETS *(Thousands of euro)*

	31/12/2019	31/12/2018
Opening balance	**50**	**365**
Purchases/increases	-	-
Sales/settlements	(38)	(353)
Fair value adjustment	-	-
Reclassifications	-	38
Other changes	-	-
Closing balance	**12**	**50**

The decrease in the carrying amount of the shares held in the Trustlink companies, which was sold in the first half of 2019. The figure of 12 thousand euro relates to the shares held in MIP Politecnico di Milano, whose estimate of fair value is in line with the previous year.

FINANCIAL LIABILITIES *(Thousands of euro)*

	Carrying amount	L1	L2	L3
Financial liabilities - non current				
Other financial liabilities - non current				
Hedging derivatives - non current	3,738		3,738	
Financial liabilities - current				
Hedging derivatives - current	2,587		2,587	
Total	**6,325**		**6,325**	

CHANGES IN FINANCIAL LIABILITIES *(Thousands of euro)*

	31/12/2019	31/12/2018
Opening balance	**3,114**	**856**
Purchases/increases	-	-
Sales/settlements	-	(856)
Fair value adjustment	3,211	-
Reclassifications	-	-
Other changes	-	3,114
Closing balance	**6,325**	**3,114**

The change in the period is due to the increase in the negative fair value of hedging derivatives, following the decrease in the Euribor curve (the hedge is of the cash flow hedge type, the derivative instruments exchange the 3-month Euribor floating rate with a fixed market determined on the date of signing the contracts - December 2018).

TRANSACTIONS WITH RELATED PARTIES

Information on the compensation of managers with strategic responsibilities

At December 31, 2019, the compensation due to managers with strategic responsibilities amounted to 2,542 thousand euro (6,481 thousand euro at December 31, 2018). These amounts have been paid for 1,572 thousand euro (1,294 thousand euro at December 31, 2018). Please also refer to the comment on "other current liabilities" with regard to the amounts due to management under the bonus schemes for 2019, which are expected to be paid in the first half of 2020.

The fees due to the Directors and Statutory Auditors for 2019 amount to a total of 838 thousand euro, including expenses (719 thousand euro at December 31, 2018). These fees are recognized in the statement of profit or loss under "Payroll costs".

Other transactions with related parties

Transactions with related parties fall within the ordinary course of business of Group companies and are carried out in compliance with the criteria of substantial and procedural correctness, on conditions similar to those applied for transactions concluded with independent third parties.

For the purposes of this report and in accordance with IAS 24, a related party means a person or entity that is related to the entity that prepares the financial statements.

A person or close family member of that person is related to the company that prepares the financial statements if that person:

- has control or joint control of the company that prepares the financial statements;
- has a significant influence on the company that prepares the financial statements;
- is one of the managers with strategic responsibilities of the company that prepares the financial statements or one of its parent companies.

An entity is related to the entity that prepares the financial statements if any of the following conditions apply:

- the entities are part of the same Group (which means that each parent, subsidiary and Group company is related to the others);
- an entity is an affiliate or a joint venture of the other entity (or an affiliate or a joint venture being part of a Group to which the other company belongs);
- both entities are a joint venture of the same third party;
- an entity is a joint venture of a third-party entity and the other entity is an affiliate of the third-party entity;
- the entity is represented by a plan for benefits subsequent to the end of the employment relationship in favor of the employees of the entity that prepares the financial statements or a company related to it. If the entity that prepares the financial statements is itself a plan of this type, the employers who sponsor it are also related to the entity that prepares the financial statements;
- the entity is controlled or jointly controlled by a person identified as a related party;
- a person identified as a related party has significant influence over the entity or is one of the managers with strategic responsibilities of the entity (or its parent).

Relations with related parties include relationships with ATS, of which SIA holds 30%. These figures are not considered material to either the statement of profit or loss or the statement of financial position. The impact of these relationships on the items in the statement of financial position and the statement of profit or loss at December 31, 2019 is considered marginal.

Below is a summary table of relations with related parties, including subsidiaries and associates.

RELATIONS WITH RELATED PARTIES *(Thousands of euro)*

	Receivables 31/12/2019	Payables 31/12/2019	Revenues 2019	Costs 2019
SUBSIDIARIES				
P4cards				
Trade	7,981	1,617	9,565	2,132
Financial	-	41,767	-	233
Dividends	-	-	28,000	-
SIApay				
Trade	3,082	99	3,937	277
Financial	-	92	-	92
Dividends	-	-	529	-
SIA Central Europe				
Trade	1,780	310	4,185	1,633
Others	-	15	-	15
Dividends	-	-	2,060	-
Emmecom				
Trade	122	203	1,040	854
Financial	-	2,354	-	14
Dividends	-	-	1,441	-
Perago FSE				
Trade	179	138	192	2,772
SIAadvisor				
Trade	361	1,401	250	3,756
PforCards				
Trade	-	259	49	259
Financial	1,127	-	14	-
SIA Greece				
Trade	-	582	44	582
SIA Slovakia				
Trade	-	222	28	222
ASSOCIATES AND OTHERS				
ATS S.p.A.				
Trade	-	257	-	3,190
POSTE ITALIANE S.p.A.				
Trade	5,331	-	6,414	-
ENI S.p.A.				
Trade	289	2	1,086	2
TERNA S.p.A. RETE ELETTRICA NAZIONALE				
Trade	1	-	9	-
CASSA DEPOSITI E PRESTITI S.p.A.				
Trade	96	-	374	-
SACE BT S.p.A.				
Trade	-	-	15	-
SACE S.p.A.				
Trade	16	-	15	-
FINCANTIERI S.p.A.				
Trade	2	-	1	-
CDP EQUITY S.p.A.				
Trade	-	-	-	-
EIS Energy Investment Solutions S.r.l.				
Trade	-	19	-	19
ELITE S.p.A.				
Trade	-	-	-	-
FONDO STRATEGICO ITALIANO S.p.A.				
Trade	-	-	-	-

The parent company's financial payables to P4cards and Emmecom and its financial receivable from PforCards fall within the centralized treasury management system, which is regulated by contractual agreements.

The services rendered by SIA to Group companies refer mainly to personnel seconded to assist with the operational needs of the companies, to facility management of operating systems, corporate services and network services. The subsidiaries provide SIA with processing services, using their specific skills. ATS provides SIA with technical advice.

CAPITAL MANAGEMENT POLICY

SIA's objective is to maximize the return on invested capital, while maintaining the ability to operate over time, ensuring adequate returns for shareholders and benefits for other stakeholders, with a sustainable financial structure. In order to achieve these objectives, in addition to pursuing satisfactory economic results and generating cash flows, the Company can intervene on its dividend policy and the configuration of its capital.

The main indicators that the Company uses for capital management are:

- R.O.E. (Return on Equity): it is calculated as the ratio between the profit for the year and equity. It is an indicator of the Group's ability to remunerate its shareholders. The aim is for the indicator to achieve a higher value than the rate of return on a risk-free investment, reflecting the nature of the businesses managed.
- R.O.I. (Return on Investment): it is calculated as the ratio between operating profit and invested capital; it represents the ability of the Company's results to remunerate invested capital (understood as the sum of non-current assets and current assets).

The above objectives are pursued by SIA, the parent company, from a Group perspective. The figures achieved by the Group at December 31, 2019 and the comparison with the figures of previous years are shown in the specific section of the Management Report.

FINANCIAL RISK MANAGEMENT POLICY

Financial risk management is handled by SIA from a Group perspective.

The qualitative and quantitative information on financial risk is shown below.

Credit risk

The company operates mainly with well-known customers that have a high standing, many of them belonging to the world of finance. Whenever new customers are acquired, if there is any doubt about their reliability as a counterparty, precise checks are carried out on the financial solidity of the potential customer. As regards debt collection activities, procedures have been put in place to monitor expected cash flows and for any recovery actions, aimed mainly at facilitating the process of validating invoices at commercial counterparties to speed up their collection. External lawyers are also used to recover non-performing exposures. Looking at past years as well, the phenomenon of credit losses has never been particularly significant.

The Company is marginally exposed to credit risk in its day-to-day operations and in the management of financial and cash resources. Quantitative information is provided in the comment on trade receivables in the form of an aging analysis of trade receivables, accruals to the bad debt provision and an indication of any significant exposures to individual counterparties.

Liquidity risk

The business model and the approach to operational management have, over the years, shown that they are able to generate positive cash flows, also during economic crises, both cyclical and structural. Also in 2019, the Company generated significant positive operating cash flows, as shown in the cash flow statement, taking into account the extraordinary increase in acquisitions of external companies over the past few years and the substantial distribution of dividends to shareholders. The net financial position (understood as the difference between the total financial payables and liquid assets) is positive thanks to the loan obtained from a syndicate of banks to cope with the strategic acquisitions for inorganic growth concluded in previous years. In light of the periodic analyses of the variances between forecast and actual figures and the strategic objectives that the Group set itself, there are no liquidity risks at the year-end date, even taking into account the short-term credit lines negotiated with certain banks to deal with any temporary cash imbalances.

For the Company's liquidity, extremely prudent criteria are used in terms of the type of investments and their duration. The medium/long-term loan agreement entered into in July 2018 by the Company with a syndicate of banks to acquire the investments in SIA Greece and SIA Slovakia, with the simultaneous renegotiation of the previous loan entered into for the acquisition in 2017 of the investment in P4cards, is subject to two financial covenants concerning early repayment of the loan and the distribution of dividends; these covenants, in line with best market practices, express limits linked to the ratio between the EBITDA variables and the Group's net financial position. At December 31, 2019, the covenant limits were respected.

In addition, there are short-term credit lines that can cover any increases in liquidity needs and new medium-term committed credit lines useful for covering further needs are being finalized (see the paragraph "Significant events subsequent to the end of the financial year – The spread of the Coronavirus pandemic").

Quantitative information is provided in the following tables in the form of an indication of the liquidity reserves existing at the reference date and a maturity analysis of financial payables and other financial liabilities:

LIQUIDITY RESERVES *(Thousands of euro)*

	31/12/2019	31/12/2018
Cash	44,646	41,491
Financial receivables - current	1,127	1,127
Committed lines not used	20,000	50,000
Total	**65,773**	**92,618**

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

	Within 1 year	From 1 to 2 years	From 3 to 5 years	More than 5 years	Total
Bank loans	199,209	88,402	175,161	354,187	816,959
Leases	9,914	8,845	18,264	18,497	55,520
Other financial debts	46,708	2,031	1,306	401	50,446
Trade payables	58,350	-	-	-	58,350
Total	**314,181**	**99,278**	**194,731**	**373,085**	**981,275**

Exchange rate risk

The Company operates mainly in the Euro Area and is not therefore significantly exposed to exchange rate risk. Contracts to buy or sell foreign currency are of insignificant amounts and do not therefore cause significant impacts on the accounting balances. Gains and losses due to exchange rate fluctuations are recognized in “Other revenues and income” and “Other operating expenses” respectively. These amounts are marginal in 2019.

As the Company is only marginally exposed to exchange rate risk, sensitivity analyses are not carried out.

Interest rate and market risk

The Company invests its liquid resources mainly in current accounts and bank deposits, with fixed returns or at floating rates. Changes in interest rates can influence the yields on investments, marginally affecting financial income, also depending on the amounts involved. The only significant financial payables recognized by the Company, in addition to the medium-long term loan contracted with a syndicate of banks for the acquisition of P4cards, SIA Greece and SIA Slovakia, are connected to finance lease contracts, normally at floating rates.

The interest rate risk to which the Company is exposed essentially depends on the financial payables associated with finance leases and on the loan taken out with a syndicate of banks for a total notional amount disbursed on September 28, 2018 of 775 million euro; the residual debt at December 31, 2019 amounted to 705 million euro. In order to avoid possible negative effects deriving from future interest rate fluctuations, in December 2018, a hedge was taken out with the banks in the syndicate using interest rate swaps (IRS) for an original notional amount of 575 million euro (reduced to 505 million euro on December 31, 2019 after repayment of the installments on the loan being hedged). This can be classified as a cash flow hedge for hedge accounting purposes under IAS 39, which changes the floating interest rate of the loan into a fixed market rate determined at the time of signing the contract.

Given the above, since the financial liabilities are covered by IRS, the change in the hedging instrument offsets the change in the underlying debt, with practically zero effect on the statement of profit or loss.

FINANCIAL ASSETS *(Thousands of euro)*

	31/12/2019		31/12/2018	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash in hand	-	6	-	5
Bank accounts and deposits	-	44,640	-	41,486
Non current financial assets (*)	-	-	-	-
Current financial assets (*)	-	-	-	-
Current financial receivables	-	1,127	-	1,127
Total	**-**	**45,773**	**-**	**42,618**

(*) Amounts related to minority equity shares and share derivatives are excluded because of their nature.

FINANCIAL LIABILITIES *(Thousands of euro)*

	31/12/2019		31/12/2018	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Non current financial liabilities (**)	-	3,738	-	3,114
Current financial liabilities (**)	-	2,587	-	-
Non current financial payables (***)	45,606	617,750	5,373	695,794
Current financial payables (***)	9,914	243,330	4,224	133,741
Total	**55,520**	**867,405**	**9,597**	**832,649**

(**) The amount is related to the hedging derivatives.
(***) The amount is related to the bank loan and to the value of financial leases.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

There are no significant non-recurring events or transactions in 2019 that have not already been described in the management report or the notes to the consolidated financial statements of the SIA Group and the separate financial statements of SIA S.p.A..

POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

There were no positions or transactions deriving from atypical and/or unusual operations in 2019.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Please refer to what is reported in the same paragraph of the consolidated financial statements.

SIA S.p.A.
Chairman of the Board of Directors
Federico Lovadina

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 2019

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.

For completeness, it seems necessary to highlight that, in the period between the Shareholders' Meeting held on April 29, 2019 and that held on January 9, 2020, the company has been interested by significant changes in the composition of its Governance and of the Board of Statutory Auditors, due to the different shareholding structure consequent to the purchase of the investments by CDP Equity S.p.A. and FSIA Investimenti S.r.l..

In particular, as regards the Board of Statutory Auditors, we highlight that on April 29, 2019 the Shareholders' Meeting appointed Mr. Riccardo Ranalli (Chairman), Mr. Fabrizio Bianchi and Mr. Andrea Bignami (Standing Auditors) as members of the Board for the period 2019-2021, and subsequently on 9 January 2020, following the resignation received from Mr. Ranalli and Mr. Bignami, the Shareholders' Meeting integrated the Board of Statutory Auditors by appointing Mrs. Mariangela Brunero, President of the Board of Statutory Auditors, and Mr. Luigi Soprano, Standing Auditor.

All the members of the Board of Statutory Auditors are independent and there are not causes of ineligibility, forfeiture and incompatibility provided by law, such as not to guarantee the correct exercise of the supervisory functions assigned to them.

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 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. 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, the Statutory Auditors appointed by the shareholders meeting on April 29, 2019 have provided a separate disclosure to the Board of Directors

2. Results for the financial year

The financial statements for the year ended as at December 31, 2019 show a Gross Operating Margin of €147.3 million (compared to €124.5 million in the previous year) and Operating Income of €110.9 million (€97.4 million in 2018).

The profit for the year is €105.6 million, compared to €84.6 million in the previous year. Shareholders' equity is €316.2 million, compared to €273.9 million in 2018.

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.

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

The Board of Statutory Auditors participated in all 17 meetings of the Board of Directors (10 in 2019 and 7 in 2020), 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.

The Board of Statutory Auditors also participated in the Shareholders' Meeting held on April 29, 2019 and on January 9, 2020.

We held 8 meetings of the Board of Statutory Auditors in 2019 and 5 meetings were also held in 2020 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 Company carried out a partial release of the higher book value of the goodwill that arose from the business combinations of SIA Greece and SIA Slovakia (Magnolia transaction) by paying a flat-rate substitute tax of €40 million, pursuant to the art. 15, c. 10 bis and 10 ter, of Legislative Decree n. 185 of November 29, 2018 and art. 1, c. 81 – 83, of Law n. 205/2017;
- the Company, with the support of a primary independent third-party expert, carried out the purchase price allocation (PPA) for the price paid to buy SIA Greece and SIA Slovakia (Magnolia transaction) on September 28, 2018, pursuant to IFRS 3.

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 loan of €3.5 million granted by the Company to the Subsidiary Perago FSE for two years, due to the latter's estimated cash requirements till June 30, 2020. The transaction noted above was carried out under market conditions.

We highlight also that SIA S.p.A. has issued a letter of financial and capital support to allow Perago FSE to be considered a going concern for at least the whole of 2020; Group management is also evaluating the most appropriate measures to be adopted for the next redefinition of its organizational and strategic structure.

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 2019 the Board of Statutory Auditors presented a motivated proposal to the shareholders' meeting regarding the appointment of the statutory auditor for the period 2019-2022, identifying the company Deloitte & Touche S.p.A. and provided opinions with reference to the appointment by cooptation of some members of the Board of Directors and with regard to the remuneration to be attributed to Directors who have particular offices.

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 internal procedures 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.

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.

We highlight also that during the year 2019 the Company set up new internal functions and appointed the Vice President with attribution of the related powers.

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. The Company activated several mechanisms in relation to the risk management system. In 2019 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, also through the adoption of new internal control procedures related to procurement suitable to prevent fraud risk;
- reinforced the risk culture with the appropriate use of training.

The Board of Statutory Auditors highlights the extreme importance of cyber security and started a progressive alignment of the related internal procedures used by the parent company towards the companies acquired withing the "Magnolia" transaction.

The Data Protection Officer (DPO) appointed within the Risk Governance Department has been appointed also for the subsidiaries and the company adopted Group centralized monitoring procedures. 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.

In order to homogenize the accounting and administrative systems and procedures, the Group started a reorganization and alignment process between the parent company and subsidiaries in 2019.

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 2019, the Board of Statutory Auditors held 3 meetings with the Independent auditing firm, in addition to the meetings in 2020 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 2019 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 and IFRS 9 through the assistance of an external advisor and adopting specific procedures approved by the Board of Directors.

We highlight that the first-time adoption of IFRS 16 from January 1, 2019, led to the recognition in tangible assets of the rights of use of assets under operating leases and a contra-entry to current and non-current lease liabilities, with an increase of € 51 million on the net financial position.

With regard to the impairment tests, the financial statements provide adequate disclosure, even though the value revenues of the CGUs could be affected by the consequences deriving from the economic crisis resulting from the health emergency from COVID - 19. In any case, the Board notes that the SIA Group Management is monitoring the continuous evolution of the health situation related to the spread of the COVID - 19 virus and the related impacts on the business operations of the Group companies.

With regards to the aforementioned health emergency from COVID -19, the Board notes that the company promptly implemented all the procedures and plans in order to ensure the business continuity and adopted the recommendations of the WHO, the Ministry of Health, ISS as well as by national and regional authorities.

An emergency team chaired by the CEO was also immediately activated, as provided for in the business continuity plans; it activated smart working for most employees and, subsequently and following the continuation of the health emergency, the layoff, without significantly affecting the quality standard of the services offered.

The emergency team has always operated in compliance with the business continuity and cyber security respecting the multiple DPCMs and also ensuring safety at work and equipping people at work with the equipments required by law.

The Board agrees the recognition of the goodwill in the financial statements.

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, 2019 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 €93.5 million, fully attributable to the Group, and a total shareholders' equity of €317.1 million.

The scope of consolidation did not change compared with December 31, 2018, except for the exclusion of Consorzio QuenIT in liquidation and DMAN in liquidation (which were included under investments carried at cost) and Ubiq (merged into P4cards from July 1 2019, with accounting effects from January 1, 2019).

The scope of consolidation as at December 31, 2019 includes the parent company SIA S.p.A., the Italian subsidiaries Emmecom (merged in SIApay on January 1, 2020), SIAadvisor, SIApay and P4Card and the foreing subsidiaries Perago FSE, Pforcards, SIA Greece, SIA Slovakia and SIA Central Europe.

With respect to the acquisition of subsidiaries related to Magnolia Project, the Group recognized defintive goodwill arising from consolidation differences; the relative purchase price allocation (PPA) has been completed in 2019, within a twelve-month measurement period in compliance with IFRS 3.

We highlight that the first-time adoption of IFRS 16 from January 1, 2019, led to the recognition in tangible assets of the rights of use of assets under operating leases and a contra-entry to current and non-current lease liabilities, with an increase of € 58 million on the net financial position.

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, 2019 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 2019 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, 2019 and the proposal put forward by the Board of Directors regarding the allocation of profit.

Milan, April 24, 2020

The Board of Statutory Auditors
Mariangela Brunero
Fabrizio Bianchi
Luigi Soprano

REPORT OF THE INDEPENDENT AUDITORS

Deloitte.

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

To the Shareholders of
SIA S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SIA S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its 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 our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of SIA S.p.A. for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 25, 2019.

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, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Deloitte.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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;

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of SIA S.p.A. are responsible for the preparation of the report on operations of SIA S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of SIA S.p.A. as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of SIA S.p.A. as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Milan, Italy
April 20, 2020

This report has been translated into the English language solely for the convenience of international readers.

E-MARKET SDIR CERTIFIED

5 NON-FINANCIAL REPORT


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E-MARKET SDIR CERTIFIED

RESPONSIBLE MANAGEMENT FOR SUSTAINABILITY

In 2015, the SIA Group began planning and implementing a specific corporate social responsibility policy, embarking on a structured and organic path aimed at creating sustainable value for the company and for all its stakeholders - from customers to employees, from shareholders to suppliers, from the community to the environment - consistent with the objectives of the organization and according to an ethical and socially responsible business model.

Despite the specificity of the sector, there are numerous aspects of SIA's activity in which a consciously exercised social value is manifest at various levels and to which the Group has devoted increasing attention over the years. Among these:

- **accessibility to its services**, without discrimination related to the level of financial literacy or geographic origin, contributing, among other things, to the process of digitization and simplification of services for citizens that has been underway for years in Italy's Public Administration;
- **the search for cutting-edge solutions aimed at strengthening the economic system** in favor not only of direct customers, but also of end users and, therefore, of the whole community through investments in infrastructures and innovative projects; for example, the European Instant Payments platform that allows real-time bank transfers or the EMV-Contactless service thanks to which you can use your own payment card, even virtualized on smartphones, to access various public transport services, such as the Milan and Rome undergrounds, the railway lines of Rome and, in the near future, local public transport in Naples, Salerno and Avellino;
- **the implementation of a careful policy of equal opportunities for employees** and the realization of initiatives for their benefit and that of their families in terms of work-life balance, welfare, health and safety, corporate climate, training;
- **the promotion of social initiatives for the community**, which include support for scientific research in the health sector and interventions to support disadvantaged groups;
- **the protection of the environment and energy resources**, taking an active part in initiatives such as the purchase of green energy, the production of energy from renewable sources and the reduction of plastic consumption.

E-MARKET SDIR CERTIFIED

METHODOLOGICAL NOTE

This document represents the fifth edition of the Non-Financial Report ("NFR") of the SIA Group ("SIA" or the "Group").

While not required to do so by law, **the SIA Group has decided to prepare its 2019 Non-Financial Report on a voluntary basis in accordance with Legislative Decree 254/2016**, which introduced the NFR into corporate reporting.

This NFR has been prepared in accordance with the GRI Standards: Core option (i.e. the Global Reporting Initiative Sustainability Reporting Standards laid down in 2016 by the Global Reporting Initiative, with the Core option). With regard to the specific GRI 403 Standards (Health and safety at work) and GRI 303 (Water and water discharges), the most recent version of 2018 was adopted.

Through the NFR, the SIA Group wants to explain the initiatives and the main results in the economic, social and environmental fields achieved in 2019 (from January 1 to December 31). The contents of this document have been prepared on the basis of issues relevant to the Group and its stakeholders, identified starting from the materiality analysis updated in 2019 and approved by the Board of Directors on January 28, 2020.

Taking into account the expectations of its stakeholders and the impacts generated by business activities, this document offers a description of the management models, the policies applied by the company, the results achieved and the main risks generated or suffered with reference also to the issues expressly referred to in Article 3 of Decree 254 (environmental, social, personnel, respect for human rights, the fight against corruption), including the methods of handling them.

The perimeter of economic and financial data is the same as in the 2019 Consolidated Financial Statements of the SIA Group. The perimeter of social and environmental data and information includes the companies belonging to the SIA Group at December 31, 2019 consolidated line-by-line in the Consolidated Financial Statements, with the exception of SIAadvisor S.r.l..

The companies acquired at the end of 2018 were therefore included in the 2019 NFR; any re-statements of the previously published comparative figures are clearly indicated as such in the document.

Other exceptions to the reporting perimeter indicated above are duly recorded in the relevant sections of this document. Lastly, to ensure reliable figures, the use of estimates was limited as much as possible; where present, they have been suitably reported and based on the best available methodologies.

The process of data collection and control was managed by a special cross-functional working group, through data collection cards sent to the managers of all the corporate functions of the territorial offices and of the Group's Italian and foreign companies.

The following definitions are also used in the text:

- SIA CEE (so called in the report and where mentioned it includes 4 companies):
  - ✓ SIA Slovakia, s.r.o.
  - ✓ SIA Czech Republic s.r.o.
  - ✓ SIA Hungary Kft. (SIA Magyarorszag Kft.)
  - ✓ SIA Romania Payment Technologies S.r.l..
- SIA SEE (so called in the report and where mentioned it includes 2 companies):
  - ✓ SIA RS d.o.o. Beograd
  - ✓ SIA Croatia d.o.o..
- SIA Greece (so called in the report and where mentioned it includes 1 company):
  - ✓ New SIA Greece S.A. (in extended form Processing Services Sia Greece Société Anonyme).

This document was approved by the Board of Directors of SIA S.p.A. on March 5, 2020.

The 2019 Non-Financial Report was subject to a limited assurance engagement by Deloitte & Touche S.p.A. according to the criteria indicated by the ISAE 3000 Revised standard.

The verification was carried out according to the procedures indicated in the "Independent Auditor's Report", included in this document.

The periodicity of the publication of the Non-financial reporting is set on an annual basis and is also available on the SIA website (www.sia.eu) in the "Sustainability" section.

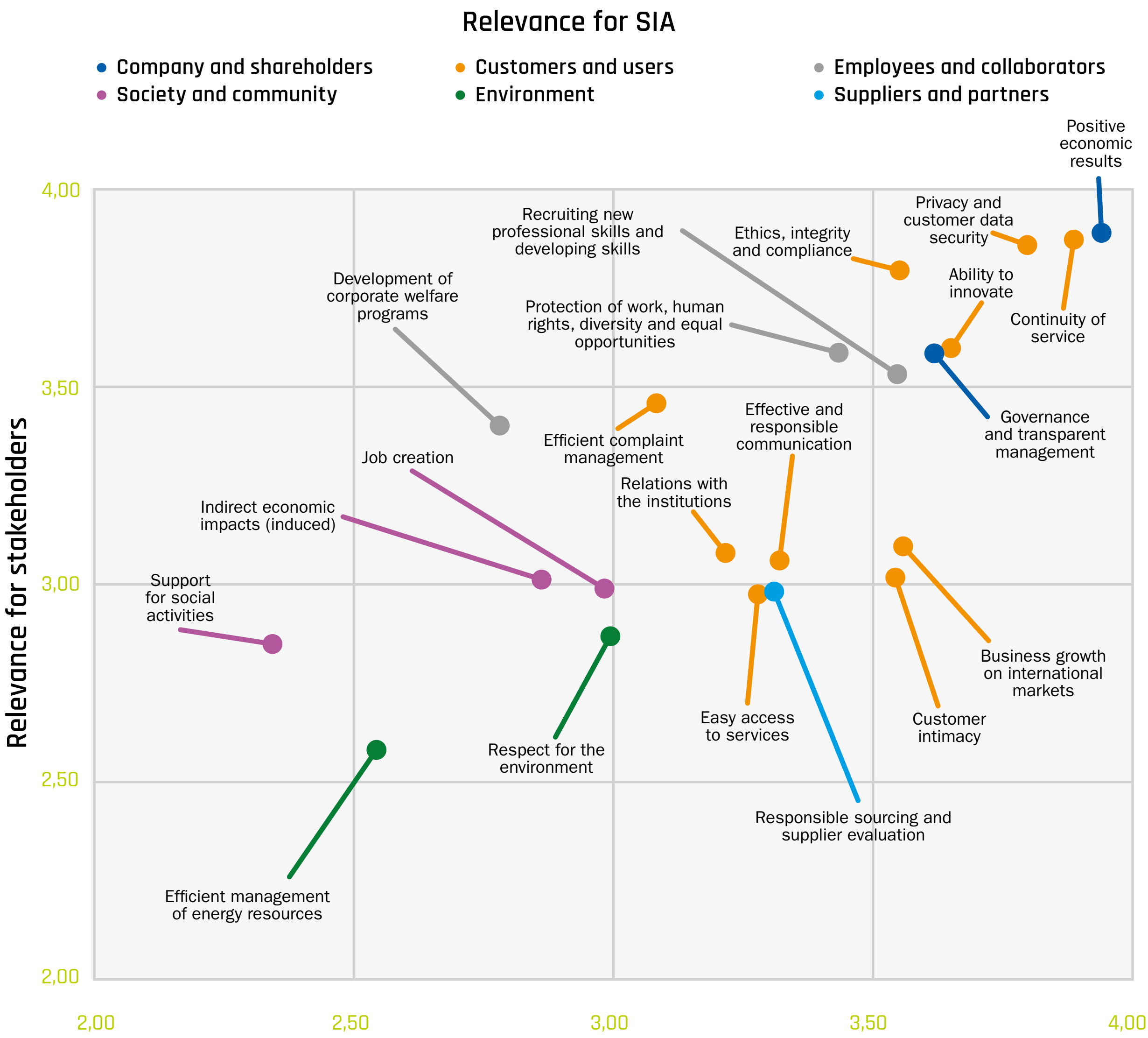
INVOLVEMENT OF STAKEHOLDERS AND MATERIALITY

The materiality matrix was updated during 2019. This is a map of the most important aspects to be reported for sustainability purposes for the SIA Group, according to the company and its stakeholders.

The update was based on the opinions expressed by the Group's first and second lines, including the companies acquired in 2018. **The materiality matrix was approved by the Board of Directors on January 28, 2020.**

The final result of these assessments is summarized in the matrix below. It represents for SIA a useful and effective tool for defining the Group's future objectives and a key to understanding the importance of the various aspects to be reported.

2019 Materiality

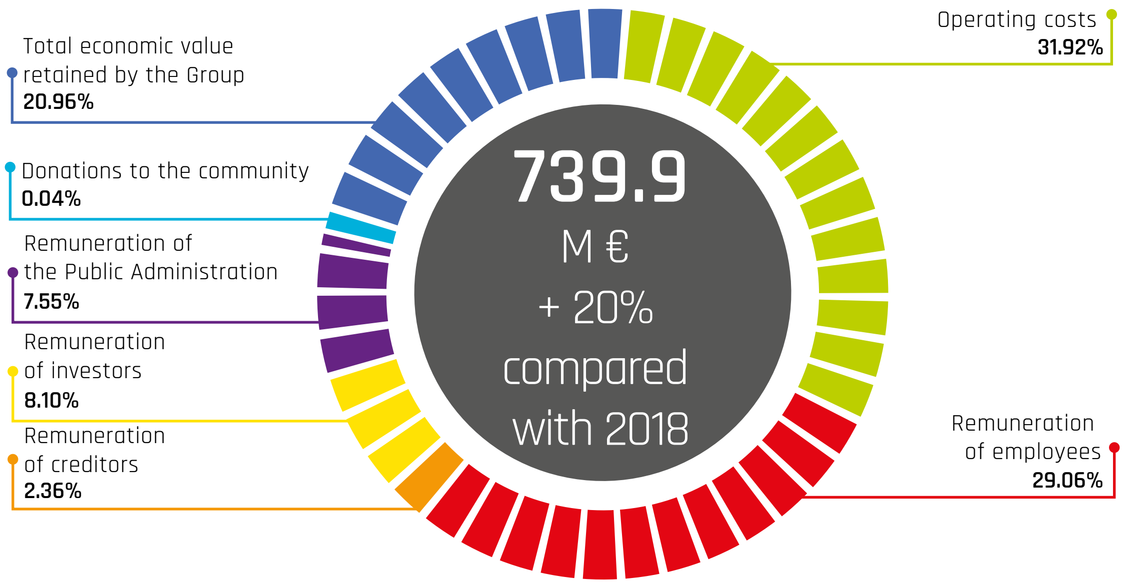


RELEVANT ISSUES FOR THE COMPANY AND SHAREHOLDERS AND SIA'S REPLIES			
MATERIAL ISSUES	**MAIN RISKS**	**MANAGEMENT POLICIES METHODS**	**ACTIONS CARRIED OUT IN 2019**
Positive economic results	✔ Operational risk in new initiatives ✔ Performance risks ✔ Exchange rate risk ✔ Liquidity risk ✔ Credit risk ✔ Interest rate risk	✔ SIA carries out impact analyzes for the initiatives to be undertaken ✔ SIA pursues organic and self-financed growth, focusing its development on the European market and, in Italy, on the Public Administration	✔ Revenue increase of over 118.4 million euro compared with 2018 (+19.3%), thanks to the increase in managed payment volumes and card transactions ✔ Further development of solutions dedicated to the Public Administration ✔ Continuous development of internal and external information measurement and control systems ✔ Consolidation perimeter resulting from the acquisitions made in 2018
Governance and transparent management	✔ Reputational risk ✔ Operational risk	✔ SIA has a Code of Ethics ✔ SIA publishes the Non-Financial Report annually	✔ Involvement of the Board of Directors in the definition of the material aspects ✔ Voluntary adhesion to Legislative Decree 254/2016 and publication of the "Non-Financial Report" ✔ Extension of the SIA Code of Ethics to Group companies ✔ Extension of the External Relations Policy to all Group companies

ECONOMIC VALUE CREATED AND DISTRIBUTED

This overview of the economic aspects of the SIA Group activity concentrates on the concept of economic value, which can be defined as the wealth created by the company in carrying on its business.

The economic value created and distributed is one of the elements to be taken into consideration in assessing the Group's economic and social impact, as it expresses SIA's ability to generate wealth, distributed to certain categories of subjects who have contributed towards producing it and/or who are among the Group's main stakeholders.



The economic value generated is equivalent to 739.9 million euro in 2019 and is up 20% compared with the previous year.

The remuneration of employees amounts to over 215 million euro and represents 29.06% of the total. The amount refers to wages and salaries, social security contributions, severance indemnity and other costs (such as those for training, canteen replacement services, insurance policies, etc.). The item also includes the costs of the corporate bodies (directors, board of statutory auditors) and of other collaborators.

The share distributed to the **Public Administration is** 55.9 million euro (7.55% of the total), paid through the payment of direct and indirect taxes and duties to the State and other local authorities.

The amount allocated to **borrowed capital** comes to approximately 17.5 million euro (2.36% of the total), an increase on 2018, corresponding to the interest expense incurred during the period.

The remuneration of **risk capital**, equal to just under 60 million euro (8.10% of the total economic value), corresponds to the profit for the year distributed to the Shareholders considering the distribution of dividends approved by the Shareholders' Meeting based on the financial statements at December 31, 2018 (€ 0.35 per share).

The item "operating costs" indicates the economic value distributed to **suppliers** through the purchase of goods and services and amounts to over 236 million euro, equal to 31.92% of the value distributed.

Donations to the community amounted to euro 268 thousand, allocated in the form of donations, sponsorships of charitable activities, membership fees and contributions to universities and research centers.

The **economic value retained by the Group**, equal to 155 million euro and 20.96% of the total created in 2019, corresponds to what was invested within the Group through the retained earnings, amortization and depreciation.

ECONOMIC VALUE CREATED AND DISTRIBUTED BY THE SIA GROUP[1]
(thousands of euro)

	12/31/2019	12/31/2018
Revenue	733,237	614,802
Other revenue	4,077	1,305
Financial income	2,617	347
Total economic value generated by the Group	**739,931**	**616,454**
Operating costs	236,219	210,756
Remuneration of employees	215,020	182,501
Remuneration of creditors	17,484	11,385
Remuneration of investors[2]	59,970	59,970
Remuneration of the Public Administration[3]	55,880	52,498
Donations to the community	268	275
Total economic value distributed by the Group	**584,841**	**517,385**
Provision for bad and doubtful debts	3,670	1,220
Exchange rate differences	-	-
Adjustments to tangible and intangible assets	3,607	3,962
Adjustments to financial assets	-	396
Impairment losses	-	-
Provisions and amortization & depreciation	112,502	73,924
Reserves	35,311	19,567
Total economic value retained by the Group	**155,090**	**99,069**

[1] The preparation of the table was carried out on the basis of the income statement figures of the consolidated financial statements, in accordance with the principles defined by the GRI.
[2] The 2019 investor remuneration considers the distribution of dividends to shareholders approved by the Shareholders' Meeting in relation to the Financial Statements at 12.31.2018 equal to € 0.35 per share.
[3] The remuneration of the Public Administration also includes deferred taxes.

SIA AND ITS CUSTOMERS AND USERS

RELEVANT ISSUES FOR CUSTOMERS AND USERS AND SIA'S ANSWERS			
MATERIAL ISSUES	**MAIN RISKS**	**MANAGEMENT POLICIES AND METHODS**	**ACTIONS CARRIED OUT IN 2019**
Easy access to services	✔ Unavailability/difficulty of access to the services offered	✔ SIA maps its customers and monitors the services offered to them with a view to continuous improvement	✔ Constant monitoring and improvement of accessibility to all services (SLA)
Continuity of service	✔ Events that can compromise business operations and the delivery of services and threats that can affect business assets	✔ SIA has adopted a Business Continuity Policy ✔ SIA guarantees an adequate system of information processes and security ✔ The risk is mitigated by the periodic Business Impact Analysis	✔ Maintenance of ISO 22301 certification on Business Continuity ✔ Start of initiatives for the preparation of Group business continuity plans ✔ Systematic execution of organizational, technological and training tests ✔ Business Continuity Plan update
Privacy and customer data security	✔ Loss or theft of data and information ✔ Loss of confidentiality and data integrity	✔ SIA guarantees an adequate level of protection of the information and data of customers and users, in consideration of their critical nature ✔ SIA has adopted the GDPR (General Data Protection Regulation) and has appointed a DPO (Data Protection Officer)	✔ Strengthening of the Cybersecurity structure ✔ Definition of the new organizational model of Group Cybersecurity ✔ Cooperation with customers and institutions responsible for monitoring protection and contrast issues against cyber threats and cyber fraud ✔ Compliance with the GDPR (General Data Protection Regulation): improvement actions, policy updating, internal training programs, optimization of customer requests management in the field of Data Protection
Efficient complaint management	✔ Response to complaint late and unclear ✔ Reputational risk	✔ SIA handles customer reports in a timely manner, identifies the causes of the reported outages and prepares the appropriate preventive and corrective actions ✔ The risks are mitigated by the presence of tools for handling complaints, such as the Control Tower and the Service Desk System	✔ Maintenance of the Control Tower, dedicated to handling information flows with customers ✔ Continuation of the Service Desk System activities for the handling of all user requests
Ability to innovate	✔ Inadequate capacity for innovation and progressive obsolescence of the services provided with consequent loss of market shares ✔ Introduction of technological innovations not adequately governed that may involve operational, technological, security, Cybersecurity, reputational risks	✔ The aim of SIA is to guide technological innovation in financial services and payment systems at an international level through the professionalism and excellence of the services provided to all market partners ✔ SIA implements a structured process of continuous comparison with partner and customers to anticipate opportunities and risks ✔ SIA manages the process of product innovation at the level of the individual organizational unit, as far as it is within its capacity, according to the company methods and procedures ✔ SIA implements a structured process of continuous dialogue with customers and partners in order to foresee opportunities and risks in the development of solutions and services	✔ Further development of the infrastructure for Instant Payments ✔ Continuation of the digitization process of the Italian PA ✔ Development and implementation of the Transit Payment service for the payment of travel tickets with contactless cards and smartphones ✔ Development of SIAchain, a platform based on DLT (Distributed Ledger Technology) to meet the needs of mission-critical services ✔ Inauguration of the new card production center ✔ Card virtualization on mobile phones to support proximity payments

RELEVANT ISSUES FOR CUSTOMERS AND USERS AND SIA'S ANSWERS			
MATERIAL ISSUES	**MAIN RISKS**	**MANAGEMENT POLICIES AND METHODS**	**ACTIONS CARRIED OUT IN 2019**
Ethics, integrity and compliance	✔ Risk of non-compliance or non-provision of the service in the absence of compliance with the laws	✔ SIA guarantees a service in compliance with the laws and regulations of the sector. An organizational model pursuant to Legislative Decree 231/2001 was also adopted and a Supervisory Body was established ✔ SIA has adopted a Code of Ethics and has defined anti-corruption guidelines	✔ Constant monitoring of sector laws and regulations and adaptation to them ✔ Continuation of support, training, information, monitoring and internal consultancy activities regarding sector laws and regulations ✔ Maintenance of relations with the Bank of Italy and the Eurosystem ✔ Based on the model of the SIA's Code of Ethics, Group companies prepare their Code of Ethics approved by the respective Board of Directors
Effective and responsible communication	✔ Reputational risk	✔ The risk is mitigated by the activities implemented by the Communication function, which manages relations with the Group's stakeholders; the information relating to the services offered is managed within the contracts with customers and with after-sales services ✔ SIA guarantees correct and transparent communication with all customers, with a view to mutual cooperation	✔ Organization of events for customers and partners ✔ Monitoring and brand engagement, also through social media
Customer intimacy	✔ Customer/market risk	✔ SIA carries out a customer mapping process ✔ SIA analyzes the products purchased and the related post-sales management methods	✔ Management of 9,037 requests received from 266 customers by the Client Support structure ✔ New organizational structure with the creation of the Marketing & Sales, Innovation & Business Solutions and Customer Operation Departments
Business growth on international markets	✔ Operational risk ✔ Financial risk	✔ SIA carries out analysis of the target international markets and impact analysis for each planned operation	✔ Continuation of the project to integrate the offer for the international market with the companies acquired in 2018 ✔ Coordination of Group commercial initiatives within the new Marketing & Sales Department
Relations with Institutions	✔ Reputational risk	✔ SIA manages communications with institutions and stakeholders based on mutual transparency and trust	✔ Publication of the Non-Financial Report ✔ Constant management of relations with the Bank of Italy and the Eurosystem

GROUP CUSTOMERS

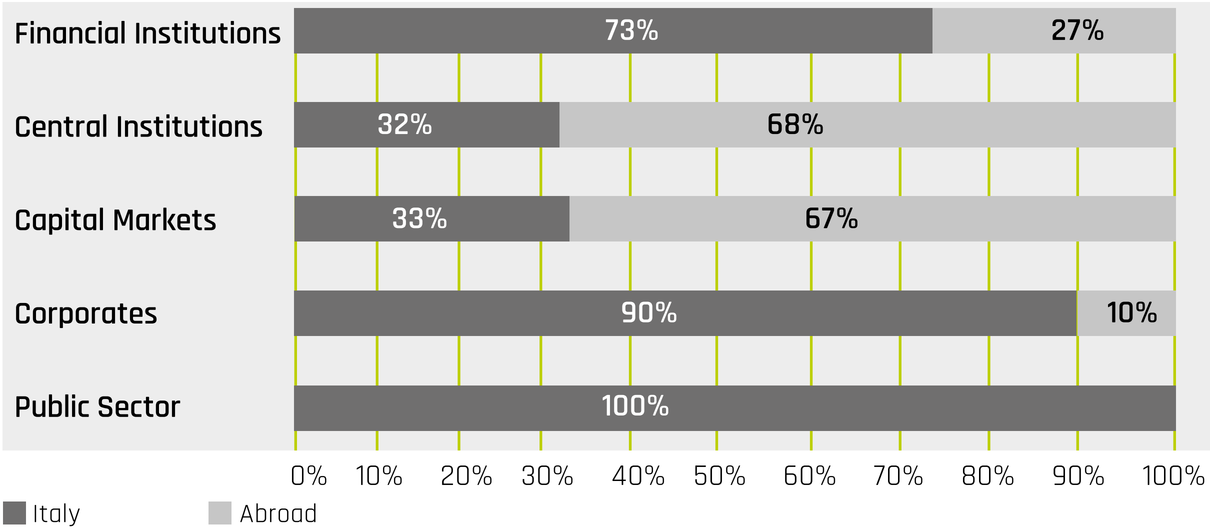
2,366 direct customers

The products and services offered by SIA are open to any public or private entity, bank or company without discrimination in terms of geography, size or type of business.

Financial institutions, central banks, businesses and public administrations are among the 2,366 direct customers in all 50 countries served by SIA.

The number is increasing compared with the previous year, in line with the expansion of the reporting perimeter following the acquisitions of 2018.

Percentage distribution of customers by type and geographical area[1]



[1] *Customers with companies in multiple countries are counted as many times as the countries in which they produced turnover in 2019.*

SERVICES PROVIDED BY CUSTOMER SEGMENTS

SIA's offer fully covers the value chain of payment systems and financial transactions for each specific customer segment.

All the services managed by SIA are provided in compliance with the laws in force in the countries where the service is provided and with the regulations defined by the Supervisory Authorities.

Group customer segments

Central Institutions	Financial Institutions	Corporates	Public Sector	Capital Markets
Real Time Gross Settlement Technology	Card management: issuing and acquiring	Payment Factory to support treasury processes	Electronic Invoicing	Trading engine for primary and secondary Fixed Income markets
Pan-European clearing services (EBA Step2)	Card customization	Multi-channel collection and payment services	Digital Preservation	Post trading services for CSD
ACH Technology	ATM, POS and Smart POS terminal management	Payment Gateway for physical and virtual terminals	Digital Balance	Access to T2S
CSD Technology	Digital Banking	Mobility and parking micro payments	Active Cycle Digital payments	Collateral Management services
Pre-settlement services on behalf of the Bank of Italy	Mobile Payments, P2P Payments, Digital Wallet for e-commerce, My Bank	Processing Private Cards, Fuel Cards and Gift Cards	Digital Voucher PA	Compliance and Surveillance Services
Domestic ACH Services	Italian and SEPA systems access solutions	New digital financial services	Contactless payments, smart cities	International bookbuilding services for the primary stock market
Instant Payments Technology	Payments and collections; multichannel payments; Instant Payments; PSD2 Open Banking services	Compliance and Anti-Money Laundering Services	Blockchain	
Contingency services for Real Time Gross Settlement	Trade compliance intermediaries	Electronic Invoicing and Substitute Storage		
	Corporate Banking solutions	Reporting and Business Intelligence services		
	Anti-money laundering / anti-terrorism solutions	VAS (electronic domiciliation, App, couponing) and Backoffice		
	Services for access to Fixed Income trading	Advisoring		
	Bank treasury			
	Electronic Invoicing and Substitute Storage			
	Physical security			
	Advisoring			

INNOVATION

The goal of SIA is **to drive technology innovation in financial services and payment systems internationally** through the reliability of the services provided to all market partners.

To achieve this goal, SIA has implemented a structured process of continuous discussion with customers and partners to foresee opportunities and risks. This approach is guided by the best balance between the need for a rapid time-to-market and the need to guarantee the security requirements of payment systems. SIA's innovation process is aimed at both the start-up and evolution of individual services and the construction of new enabling platforms.

Speed, reliability and safety are the values of SIA solutions and platforms.

Innovation does not only concern technology, but also permeates business and organization processes. In this new digital era, to transform challenges into opportunities, it is necessary to embrace agile, open and collaborative approaches, overcoming traditional ones that hinder change.

We present below some of the main services recently introduced, which have led to significant repercussions in terms of efficiency and simplification not only for SIA customers, but also for users and the entire country system.

SIA EasyPA

EasyPA is the SIA solution for joining "pagoPA", the electronic payment system that allows end users (private citizens and businesses) to **make electronic payments to the Public Administration** (taxes, duties, fines, etc.) safely, easily, reliably and in total transparency in terms of commission costs.

The effectiveness and popularity of this system are confirmed by the growth in transaction volumes, quintupled in one year: from 10.7 million in 2018 to 51 million in 2019.

The introduction of "pagoPA" brought Italy closer to the more digitized countries of northern Europe.

Benefits for Citizens:

- transparency and lower costs;
- more immediate way of using public services;
- simplification of the payment process, which can be accessed with a greater number of channels covering all possible services;
- standardization of the user experience for payments to the Public Administration;
- standardization of payment notifications, recognizable throughout the country.

Benefits for the Public Administration:

- reduction of collection terms, as sums are credited directly to the beneficiary's account the day after payment;
- reduction of cash management costs;
- greater efficiency in the management of collections thanks to automatic reconciliation;
- increase in automatic checks to avoid double payments and consequent refund procedures.

Benefits for Payment Service Providers:

- elimination of the need for several different agreements with the various PA entities;
- reduction of cash management costs;
- improvement in the services rendered;
- customer loyalty.

Benefits for the country system:

- full compliance with the Payment Services Directive 2 (PSD2) standards;
- incentives to make electronic payments to the Public Administration at national level, with positive effects in terms of competition in the market for payment services and the leveling of commissions.

TRANSIT PAYMENT SERVICE (EMV – Contactless)

The service allows to **pay the ticket of a subway, train or vaporetto network with credit or debit cards equipped with contactless technology**.

The service is based on the SIA technological infrastructure that connects the terminals which users can approach with their EMV (Europay, MasterCard and VISA) card, also virtualized on smartphones or other mobile devices, to access public transport. In addition to avoiding the issue of paper tickets, the advanced features of the service allow to automatically identify the best rate for the journey, for the benefit of the user.

Paying for rides quickly and safely allows citizens and tourists to move around town easily, even switching from one means of transport to another.

The system created by SIA is already applied in Rome, Milan, Venice and Naples. Italian smart cities that join the restricted list of

cities worldwide that offer the service: London, Singapore, Vancouver, Moscow and Chicago.

Introduced for the first time in 2018 on the Milan underground network, in the first year and a half it has seen a progressive increase in use, covering 15% of all trips and making it possible to avoid printing about 12 million tickets.

Benefits for Citizens:

- simplicity and speed of use;
- possibility of saving, with the automatic choice of the most convenient tariff;
- guarantee of always being able to travel legally, without having to look for sales counters or ticket vendors.

Benefits for Transport Companies:

- reduction of ticket issuing costs;
- open standard, so as not to have any lock-in problems with suppliers;
- safe and anti-fraud system.

Benefits for Public Bodies:

- interoperability, that is, the possibility of integrating the travel documents of different transport companies;
- greater availability of data on the use of public transport.

Benefits for the country system:

- digitization of processes;
- reduction in the use of cash;
- national interoperability;
- traceability of payments.

During 2019 the service was extended to the Rome underground and to the Rome-Lido, Rome-Viterbo and Termini-Centocelle railway sections.

An agreement was also signed with Consorzio Unico Campania for the introduction of the service from the second half of 2020 in Naples, Salerno, Avellino and their provinces for the payment of tickets for local public transport.

INSTANT PAYMENTS

Digital payments have been influenced both by ongoing changes in production and trade, where the concepts of just-in-time and e-commerce, introduced by fintech and internet companies, have become customary, and by changes in social relations between end consumers, where speed and immediacy in the exchange of information are now the norm.

The need to have not only messages, videos, documents, but also digital retail payments available in real time was collected and SIA, on behalf of EBA Clearing, created the first pan-European platform to support the new Instant Payments services, called RT1.

Thanks to this infrastructure it is possible **to make payments (and therefore purchases), 24 hours a day on all days of the year, through any device and with all countries belonging to the Single Euro Payments Area (SEPA).** With the highest safety and reliability standards, the platform guarantees the transfer of funds from the payer to the beneficiary within 10 seconds throughout the Euro area.

The advantages concern the simplification

of the commercial relationships of both companies and end consumers, with cascading effects in various sectors: from electronic commerce to logistics, from credit to supply chain management.

In 2019 this service handled around 85 million transactions (an 8-fold increase over the 10 million transactions in 2018) and the ability to reach almost all the Payment Service Providers (PSP) participating in the SEPA circuit.

SIAchain

In recent years, technologies based on distributed ledger technologies (DLT, including blockchain) have been the subject of growing attention for their potential applications outside the field of cryptocurrencies, where they found their first practical application.

The ability to create secure, immutable and geographically distributed data archives (also thanks to the intensive use of cryptographic solutions) and the ability to securely create and exchange digital assets can significantly impact the institutions' traditional business models of financial institutions and public

administrations, bringing enormous advantages in terms of efficiency and profitability.

An essential condition for the development of blockchain-based applications and the availability of secure, resilient and widespread infrastructures on the territory. SIA offers a DLT based "private blockchain" platform, designed **to meet the needs of mission-critical services, where a reliable, protected and truly distributed architecture is needed.**

Presented under the name of SIAchain, the infrastructure is a "permissioned" type network:

- access is subject to authorization;
- it has nodes installed at the customer's premises;
- it supports the main enterprise-level DLT platforms (Corda, Hyperledger, Ethereum);
- it offers high standards of security and reliability, since it uses the SIAnet private network as a connectivity structure.

The SIAchain governance model allows great flexibility in the organization and management of Business Networks, with service models ranging from the mere provision of the infrastructure for third-party applications, to the end-to-end provision of services.

SIAchain was chosen by ABI Lab as a support infrastructure for the "Spunta" project, a new DLT-based application for the reconciliation of mutual accounts. The experimental phase ended positively in 2019 (with the involvement of 17 banks) and by 2020 the service will be extended to all Italian banks.

At the same time, the first projects were launched for the use of Digital Token in promotion / loyalty applications and in the business financing sector.

OPEN BANKING

The second European Payment Services Directive (PSD2) promotes the principle of Open Banking by introducing an obligation for banks to open access to customer data and their accounts to authorized third parties.

Both private and corporate account holders can now also turn to non-bank entities (Third Party Providers - TTPs, such as fintechs) to manage their assets or take advantage of financial and payment services.

For banks, ensuring compliance with PSD2 entails a series of technological and operational complexities, particularly burdensome for small and medium-sized institutions. The same complexities must also be addressed by TPPs who intend to take advantage of new opportunities to create services based on 'open' APIs.

To address these needs, **SIA has developed the open banking platform that allows customers to minimize development costs, technological investments and organizational impacts.**

The platform, released in June 2019 to over 80 between Financial Institutions and Payment Institutions on the Italian market, allows to transform the challenges of PSD2 into opportunities and accompany the bank towards complete transformation, enhancing its digital strategy and experimenting with new service models.

NEW CARD CUSTOMIZATION CENTER

In July 2019, SIA inaugurated a new card issuing center in Verona, equipped with cutting-edge machinery, compliant with current regulations and highly specialized.

The center completes the SIA offering in the issuing sector and introduces the payment card personalization service to its portfolio.

Through a monitoring system compliant with the highest safety standards, the center is able **to manage every phase of the issue of a card, from design to customization, from enveloping to distribution**.

There is a wide range of cards in production for the materials used (from traditional PVC to those in metal or other eco-sustainable material) and for supporting technologies (microchip, contactless, biometric recognition).

Even though it is among the first companies to offer card digitization services with the Samsung Pay and Apple Pay projects, SIA still believes that offering all types of payment card constitutes a plus for the bank customer and for the end customer: for the former because it can take advantage of new features and personalization to attract new customers, for the latter because they can, for example, always use the physical card as a backup (for example, when someone's smartphone needs recharging or they just don't want to take it with them).

CARD VIRTUALIZATION ON MOBILE DEVICE

Payments by "mobile" devices is now a well-established trend, also driven by the main manufacturers (first of all Apple). The solutions are based on a "tokenization" process through which the card data is stored on the device (mobile wallet function) by replacing the card identification (PAN) with an alternative code ("alternate PAN" or "Token"). In this way the "mobile" device can **make payments near or in the App (Digital Secure Remote Payments), emulating a contactless card**.

The service allows payment card issuers to manage the tokenization process by applying the MasterCard and Visa specifications for storing the Digital Giants (e.g. Google) and OEM (Original Equipment Manufacturers - Apple, Samsung etc.) in the mobile wallet to create their own mobile wallets.

At European level, the SIA solution has already been adopted by 14 broadcasters for a total of about 3 million virtualizations at the end of 2019.

E-MARKET SDIR CERTIFIED

QUALITY OF SERVICES

SIA's success is based on the reputation and trust that customers and other stakeholders of the business community place in it. With this in mind, the **data security**, the **privacy protection** and the **business continuity** are essential aspects. For this reason, SIA updates and increases the protection and resilience systems of the services and products offered to customers on a daily basis, integrating their requirements into the systems and procedures, both their own and those of their suppliers.

In 2019, this activity was accompanied by the search for solutions characterized by highly innovative aspects which, in addition to ensuring compliance with the quality objectives, translate into advantages in terms of flexibility and effectiveness.

To maintain high customer satisfaction and high quality levels of the services offered, SIA has defined a process and procedures for handling complaints, requests for reimbursements and the application of penalties by customers based on what is established by the **contracts** in force.

POLICY FOR THE QUALITY OF SIA
GUIDING PRINCIPLES
Guarantee that customer requirements and applicable regulatory requirements are met.
Continuous improvement of business processes through measurement and monitoring systems.
Behavioral and technical training aimed at ensuring levels of professionalism capable of ensuring the supply of services at the highest market standards.
Periodic review of the Quality Policy to ensure the constant satisfaction of customer and market needs.
Implementation and maintenance of a Quality Management System compliant with the international standard ISO 9001: 2015.

The SIA's **Quality Management System** (QMS) includes:

- the definition of business processes;
- the assignment of the related responsibilities;
- specific indicators to measure the ability of its processes and services to produce the results expected vis-à-vis set objectives.

PRIVACY AND CUSTOMER DATA SECURITY: THE DPO

In order to comply with the requirements set out in the privacy legislation, SIA uses a special Governance System, which involves all members of staff, each according to his role and skills. At Group level, oversight is guaranteed by SIA's DPO (Data Protection Officer), who has also been designated for the other companies, and who makes use of the collaboration of focal point/privacy officer at local level.

Activities in 2019 continued:

- to perform the steps for the internal GDPR improvement program, to ensure effective and efficient responses to requests of people to exercise their rights;
- to keep the Data Protection policies, procedures and documentation up to date, in line with the evolution of the regulatory scenario and the organizational model;
- to update the Processing Register with particular attention to the processing of personal data as part of services provided to Customers;
- to optimize the handling of requests from Customers, Suppliers and internal structures in the field of Data Protection;
- to deliver a training program in line with the contents of the GDPR and improve awareness with specific campaigns;
- to check that the processing of personal data is carried out according to the regulations and in compliance with the contractual agreements in force;
- to guarantee periodic reporting to top management.

CERTIFICATIONS

SIA has numerous certifications which confirm and guarantee the quality of services and business processes, card processing services, payment infrastructures, mobile telephony applications.

Main certification of the SIA Group at December 31, 2019

QUALITY

Compliance with the **ISO 9001** standard certifies the existence and monitoring of a Quality Management System aimed at guaranteeing the effectiveness and efficiency in the supply of company services and increasing customer satisfaction.
Certified Group companies: **SIA S.p.A., SIApay, SIA Greece.**

SECURITY OF INFORMATION

Compliance with the **ISO/IEC 27001** standard certifies the existence and monitoring of an Information Security Management System aimed at guaranteeing the objectives of confidentiality, integrity, availability and compliance of company information.
Certified Group companies: **SIA S.p.A., Perago FSE, SIA Greece, P4cards.**

BUSINESS CONTINUITY

Compliance with the **ISO 22301** standard confirms the existence and monitoring of a Business Continuity Management System designed to guarantee the operational continuity of corporate services.
Certified Group companies: **SIA S.p.A., P4cards.**

PAYMENT CARD INDUSTRY – DATA SECURITY STANDARD (PCI DSS)

Compliance with the **PCI DSS** safety standard certifies the protection of information relating to debit and credit cards issued by the International VISA, MasterCard, Amex, JCB and Discover Circuits. SIA is included in the list of certified companies published on the VISA and MasterCard websites.
Certified Group companies: **SIA S.p.A., SIA Central Europe, P4cards, SIA Greece, SIA Slovakia.**

Furthermore, within the SIA Group some companies have certifications and approvals at local level, specific or technical for markets and payment systems, and certifications relating to environmental management systems or physical security (systems, electrical systems, etc.), including:

- ISO 27017 and ISO 27018: SIA S.p.A. for digital document retention services and EasyPA
- ISO 14001: SIA Greece
- ISO 20000: SIA Greece, SIA Central Europe, SIA RS d.o.o. Beograd
- OHSAS 18001: SIA Greece.

At Group level, SIA has a series of ISAE reports (International Standards for Assurance Engagements) which confirm the effectiveness and effective functioning of existing control systems.

CONTINUITY OF SERVICE

Business continuity risks are inherent in the type of services that SIA provides to its customers.

SIA has a specific "Business Continuity System" to counter these risks.

SIA operates in compliance with national and European banking regulations, as defined in contracts with customers and in compliance with the ISO 22301 standard.

For the continuity of its business and of the services provided to its customers and to the financial community, "SIA guarantees the restoration of business services as well as support activities relevant to the company in compliance with the Bank of Italy Guidelines on business continuity and contracts with customers taking into account the technological characteristics of the systems".

The main activities carried out in 2019 are listed below:

- to keep the procedures and documentation of the business continuity management system up to date;
- to update the emergency and crisis response teams to the organizational structure;
- to test the Business Continuity and Disaster Recovery solutions, with the participation of customers in extreme risk scenarios;
- to participate in the CODISE tests (structure chaired by the Bank of Italy for continuity of the financial marketplace);
- to ensure constant monitoring and assistance to customer inquiries about business continuity.

Actions were initiated in 2019 to develop Group business continuity plans which will take effect from 2020.

LISTENING AND SATISFACTION OF CUSTOMERS

SIA conducts a Customer Satisfaction survey every two years to detect the level of customer satisfaction with its products and services and the existence of any critical issues. Depending on the results, steps are taken to improve and resolve any aspects reported as being unsatisfactory.

The latest survey was carried out in 2018 and involved Italian and foreign customers. From the interviews it emerged how, in a constantly evolving market, SIA is an **essential strategic supplier** and a consolidated partner for its skills.

SIA is perceived as an increasingly "international" company, thanks to its global vision and participation in important European projects. This feature is highly appreciated by customers, because it guarantees the use of security technologies and mechanisms in line with European standards.

In general, SIA is recognized as **highly reliable** in the ordinary management of services, as well as being **always very helpful** in terms of assistance. In particular, the **responsiveness and flexibility in proposing solutions** to customer reporting problems is greatly appreciated.

Considering it more a partner than a provider, the customers interviewed have developed high expectations for SIA and have not failed to report some weaknesses where they hope for improvement: greater pro-activity and innovation in the proposition and design and greater timeliness in the design and proposals.

The following table summarizes the main strengths and areas for improvement that emerged from the Customer Satisfaction survey conducted in 2018.

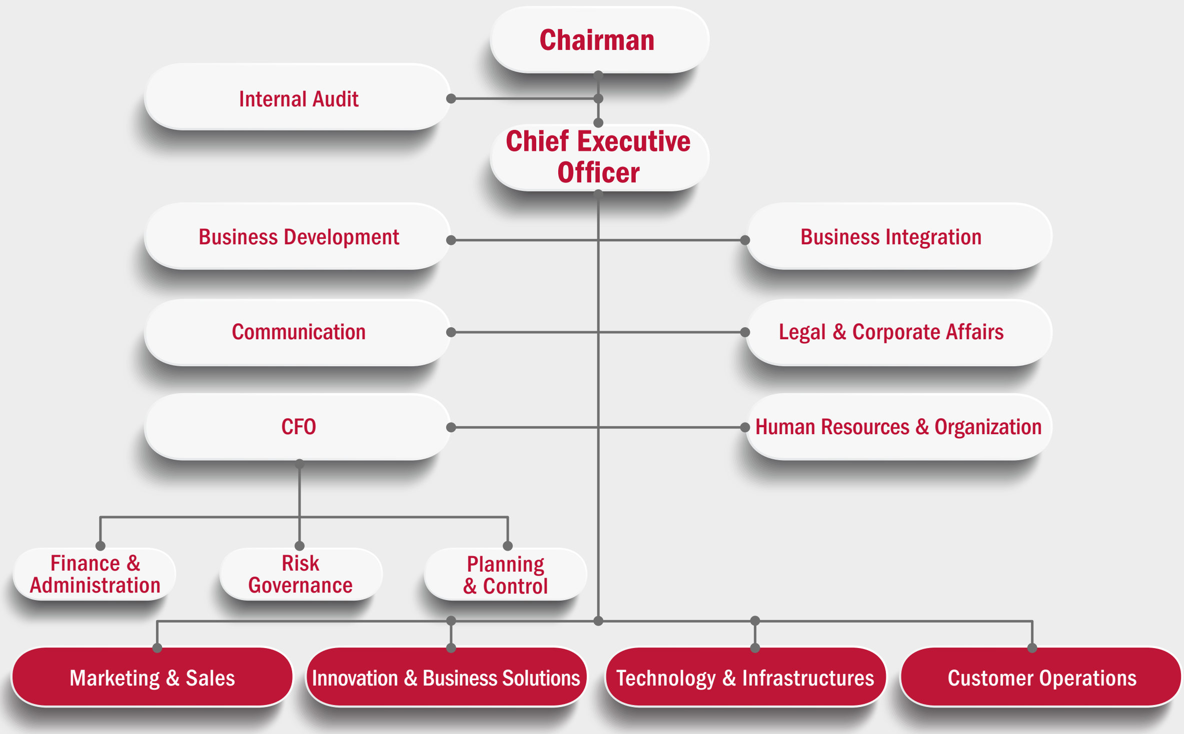
RESULTS OF SIA'S CUSTOMER SATISFACTION SURVEY 2018

STRENGTHS	IMPROVEMENT AREAS
✔ Reliability/solidity ✔ Prestige/leadership ✔ Tradition/Experience ✔ International company/provider ✔ Availability/customer focus ✔ Professionalism ✔ Expertise and in-depth knowledge of the market ✔ Diversification of products and services/wide range of offerings ✔ Constant/continuous support	✔ Greater efficiency ✔ Greater flexibility and customization of services according to customer needs ✔ Greater pro-activity in proposing new strategies and products ✔ Broaden its own vision, from European to global

THE NEW ORGANIZATIONAL STRUCTURE

With the aim of listening better and being closer to customer requests, a new organizational structure was introduced in March 2019 with 3 new macro-departments.

- **Marketing & Sales** has responsibility for sales and coordination of the Group's commercial initiatives: in addition to preparing marketing plans for the various customer segments and for the commercial regions in Italy and abroad, it oversees the relationship with customers;
- **Innovation & Business Solutions** constitutes the new reference for digital development and design;
- **Customer Operations** constitutes the central control over the back office, call center and business process automation tools.



PRODUCTION CONTROL

To effectively manage the services provided and communication with customers, in 2017 SIA created the structure of **Production Control ("Control Tower")**, which has the specific task of:

- centralizing all communications, diversifying and customizing channels and methods;
- ensuring coordination of activities among the SIA organizational units.

In 2019, the service revised methods and processes, transferring information requests to Customer Operations Cards - which represents the point of reference for services provided in the payment card sector - and handled 9,037 requests received from 266 customers. SIA also has a **Service Desk System** through which all requests received from customers and end users pass: from the simple request for information to the submission of complaints, up to the request for any refunds and penalties.

The complaints management process aims to follow up as soon as possible the reports of customers who are not satisfied with the services provided or products offered, taking steps, where necessary, to improve the service and prepare adequate corrective measures, as well as preventive actions, to prevent the disservice from happening again.

The **process of managing refunds and penalties** has the purpose of ensuring timely responses to requests received from customers, in accordance with the provisions of the contracts and the Italian Civil Code.

RELATIONS WITH CUSTOMERS AND PARTNERS

SIA pays great attention to the development of dialogue and the consolidation of relationships with current and potential customers and partners. To this end, in addition to making visits and presentations to customers and prospects, it organizes meetings, events, conferences and handles communication on both online and offline media. In this context, during the year SIA participated in 70 events, in Italy and abroad, almost all of which saw SIA management intervene as a speaker.

Among the most significant events:

SIBOS - September 23-26, 2019 - London

Sibos is the world's leading conference dedicated to the financial services sector. SIA was present with an exhibition stand where the offer for central banks was promoted: connectivity to Eurosystem services, solutions based on blockchain technology and proposals for market scenarios outlined by PSD2.

The latter issue, together with that on Instant Payments, was at the center of the intervention by SIA which was held in the conference part.

The 2019 Payments Canada SUMMIT - May 14-16 - Toronto

Closely connected to the choice of the Canadian authorities to entrust SIA with the construction of their new national large payments system called Lynx, the participation of SIA in The Payments Summit Canada wanted to emphasize the primary role of SIA in modernization initiatives in the field RTGS solutions and in the evolution of the global payments ecosystem.

ABI Payments Show - November 06-08, 2018 - Milan

SIA participated in the main Italian event dedicated to the payments sector, presenting itself as a partner capable of accompanying banks, businesses and the Public Administration towards digital transformation and cashless society.

The schedule of the event saw a significant presence of SIA speakers, who took part in a dozen workshops and thematic sessions over the three days of the convention. SIA presented its most innovative services in its stand: solutions for banks and PSD2 payment service providers, the latest generation POS and cash desks, Instant Payments services and those in support of the Public Administration such as PagoPA, of which SIA is a technology provider.

SIA at the Teatro alla Scala - December 11, 2019 - Milan

SIA and Teatro alla Scala: a tradition of excellence 20 years long. In fact, the 20th anniversary of the first evening reserved for SIA was in 2019.

Over 1,600 clients, partners and prospects, both Italians and foreigners, attended the concert of the Philharmonic Orchestra of the Teatro alla Scala conducted by Maestro John Axelrod with music by Dvorak and Bernstein.

The electronic ticketing system, developed for SIA's own evening in 2018, has been further enriched with new features to simplify the response to the invitation, confirm presence, receive the entrance ticket in completely paperless and digital logic, in complete safety and ease.

DIGITAL COMMUNICATION

The main digital communication channels with customers and partners are the **institutional site** (www.sia.eu), **Linkedin and Twitter** social networks (for which please refer to the “Relations with the media and social activities” paragraph in the “SIA and the community” section) and the magazine **The Place**. The latter is an online quarterly magazine dedicated to technological innovation. In 2019 it celebrated its first 4 years with the 12th issue sent to 6,500 customers and partners, as well as to more than 3,500 Group employees in Italy and abroad.

The corporate website www.sia.eu provides a broad overview of the Group: the structure, governance, geographic presence, services offered and the latest news on the market. The most topical issues and news, spread through press releases, are told more in-depth and enriched with videos and infographics, also through social channels.

Online communication for customers and partners

SIA
www.sia.eu

	2017	2018	2019	Change 2019 vs 2018
unique users	154,619	195,467	245,213	+25.45%
sessions	220,924	268,872	321,273	+19.49%

NEWS
THE PLACE
3 issues

	2017	2018	2019
recipients outside the Group	4,376	5,826	6,496

Information on further initiatives for customers and partners can be found in the “SIA and the community” chapter in the “Media relations and social activities” paragraph.

SIA AND THE PEOPLE OF THE GROUP

RELEVANT ISSUES FOR THE GROUP'S PEOPLE AND SIA'S ANSWERS

MATERIAL ISSUES	MAIN RISKS (2019)	MANAGEMENT METHODS AND POLICIES (2019)	ACTIONS CARRIED OUT IN 2019
Protection of work, human rights, diversity and equal opportunities	✔ Reputational risk ✔ Risk of discrimination ✔ Risk of non-respect of equal opportunities	✔ SIA strictly complies with labor and human rights standards in all the countries in which it operates; it guarantees its employees a safe and healthy working environment, fighting any type of discrimination ✔ SIA invests in people and guarantees correct and transparent working relationship management ✔ SIA adopts personnel selection policies that respect diversity ✔ SIA promotes a working environment aimed at respecting and accepting diversity in all its forms	✔ Constant respect for human rights, labor regulations and freedom of association in all countries in which the Group operates ✔ Flexible working hours, home and smart working, career paths, parental leave without discrimination ✔ Internal initiatives to support cultural integration and diversity
Recruiting new professional skills and developing skills	✔ Risk of high turnover and skill gaps	✔ SIA involves all employees in training programs aimed at improving and strengthening the knowledge already acquired and obtaining new ones, in a client based perspective and in line with company objectives ✔ Hiring ✔ SIAcademy ✔ Risk culture, Business Continuity and Cybersecurity	✔ Offer of a wide training program in response to technical, managerial and linguistic needs ✔ Internal Academy enhancement with the involvement of trainers and speakers among employees
Development of corporate welfare programs	✔ Risk of inadequate listening to human resources	✔ SIA analyzes the needs of the staff, also after work, and favors the implementation of programs and initiatives that allow an ever better balance between private and work life	✔ Offer of flexible benefits, time-saving and money-saving services, family support contributions
Creation of jobs	✔ Reputational risk	✔ SIA offers jobs based on internal operational needs and market trends	✔ 385 new hires in the year ✔ Inclusion/maintenance of all employees of the acquired companies

EMPLOYMENT AND TURNOVER

3,551 persons +2.5% compared with 2018

People are a crucial resource for SIA, which has made excellence and innovation the main strengths on which to build its success. **The Group invests in people in every respect: training, career development, professional growth, merit, equity and welfare.** All elements that SIA considers to be fundamental for an effective management of human resources.

As of December 31, 2019, the SIA Group has 3,551 employees, of which 43% are women and 97% with permanent contracts. The company population has grown by about 2.5% compared with 2018.

During the year, net of intra-group transfers, 385 new hires and 299 terminations were made.

The hires were aimed at internalizing key competences and business innovation, focusing on the inclusion of young people: 117 new insertions concerned under 30s, graduates and university graduates mainly in the technical-scientific field.

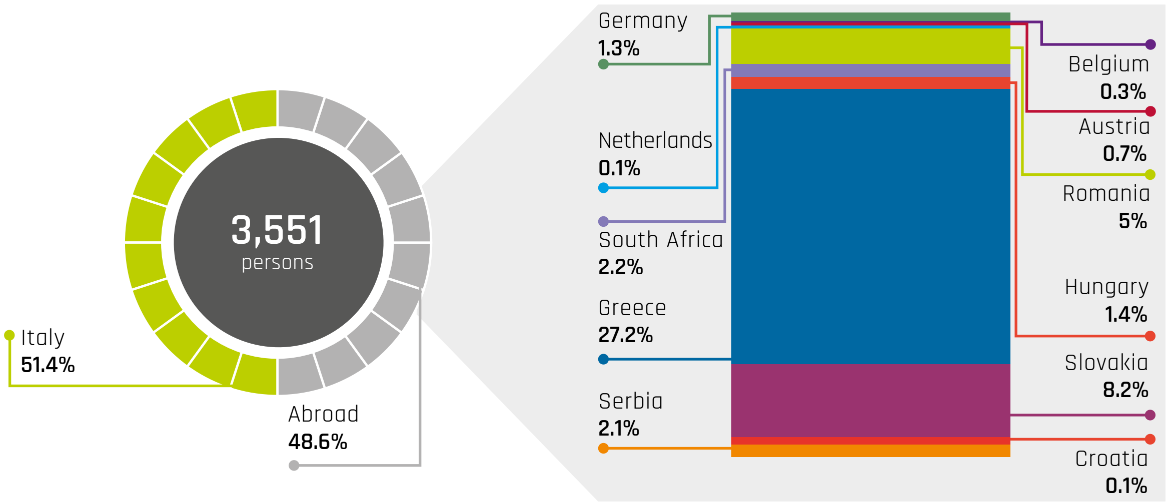
During the year 70 trainees were introduced. The internship for recent graduates was confirmed as a positive experience and translated into an almost 50% hiring rate.

EMPLOYEES BROKEN DOWN BY GROUP COMPANIES

	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
SIA S.p.A	1,053	472	**1,525**	1,042	469	**1,511**	1,036	462	**1,498**
Emmecom	9	1	**10**	10	1	**11**	11	1	**12**
Perago FSE	51	28	**79**	47	27	**74**	48	28	**76**
PforCards	19	6	**25**	14	4	**18**	10	1	**11**
P4cards	226	242	**468**	201	205	**406**	179	172	**351**
SIAadvisor[1]	15	14	**29**	12	12	**24**	5	9	**14**
SIA Central Europe	28	7	**35**	36	10	**46**	41	9	**50**
SIApay[2]	18	10	**28**	13	7	**20**	14	4	**18**
Ubiq[3]	-	-	**-**	8	6	**14**	11	7	**18**
SIA Greece[4]	372	594	**966**	374	599	**973**	-	-	**-**
SIA CEE[4]	182	124	**306**	175	112	**287**	-	-	**-**
SIA SEE[4]	35	45	**80**	36	45	**81**	-	-	**-**
Total	**2,008**	**1,543**	**3,551**	**1,968**	**1,497**	**3,465**	**1,355**	**693**	**2,048**

[1] The company took this name on December 1, 2018 from the previous one of LM-e.
[2] The company took this name in January 2018 from the previous one of Pi4Pay.
[3] The Company merged into P4cards in July 2019 with retroactive effect from January 2019.
[4] Organizational grouping of companies acquired by the SIA Group on September 28, 2018, for more details see methodological note.

Geographical distribution of the number of employees



EMPLOYEES BY CONTRACT TYPE

	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Fixed term	64	42	**106**	34	34	**68**	29	23	**52**
Indefinite time	1,944	1,501	**3,445**	1,934	1,463	**3,397**	1,326	670	**1,996**
Total	**2,008**	**1,543**	**3,551**	**1,968**	**1,497**	**3,465**	**1,355**	**693**	**2,048**

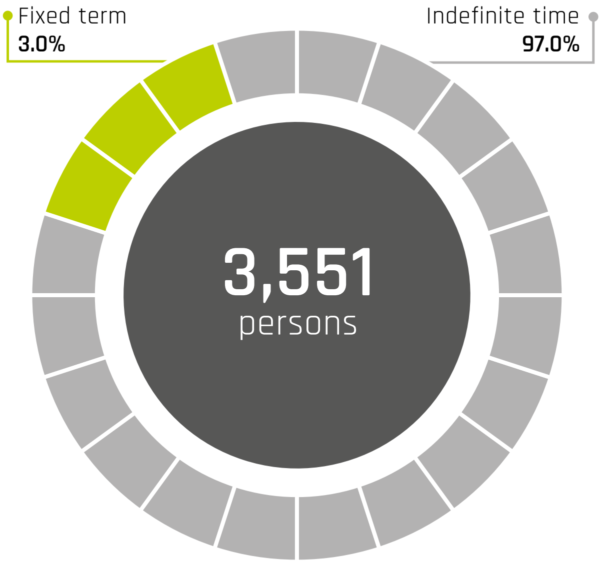
FULL TIME / PART TIME EMPLOYEES

	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full time	1,975	1,346	**3,321**	1,941	1,280	**3,221**	1,340	533	**1,873**
Part time	33	197	**230**	27	217	**244**	15	160	**175**
Total	**2,008**	**1,543**	**3,551**	**1,968**	**1,497**	**3,465**	**1,355**	**693**	**2,048**

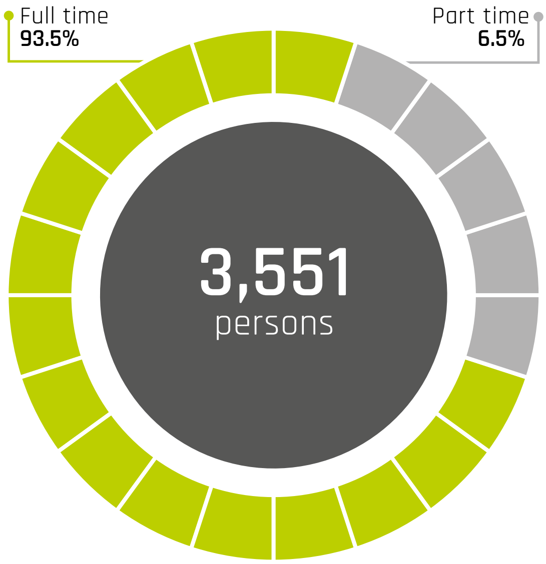
EMPLOYEES BY PROFESSIONAL LEVEL

	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	33	7	**40**	53	18	**71**	31	5	**36**
Middle managers	766	275	**1,041**	779	270	**1,049**	640	214	**854**
Employees	1,209	1,261	**2,470**	1,136	1,209	**2,345**	684	474	**1,158**
Total	**2,008**	**1,543**	**3,551**	**1,968**	**1,497**	**3,465**	**1,355**	**693**	**2,048**

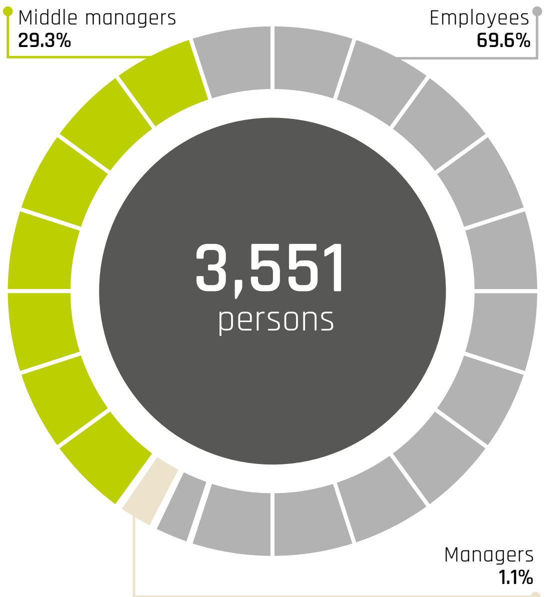
Employees by contract types



Full time / part time employees



Employees by professional category



The **selection policies** are regulated by the "Personnel search, selection and hiring process" document, valid for the whole SIA Group and integrated by local policies.

The Code of Ethics also states that: "Through the competent functions, SIA selects, hires, remunerates and manages its employees on the basis of merit and competence, without any political, trade union, religious, racial, language or gender discrimination, in compliance with all laws, employment contracts, regulations and the directives in force".

The Industrial Plan puts SIA before some recruiting challenges: increase skills in digital, Cybersecurity, innovation, business development; search for new profiles and new professional figures.

Employer branding activities are strongly oriented towards relations with the university world and aim to focus on areas that are increasingly specific and coherent with strategic corporate developments.

In this sense, the partnership with the MIP (Business School of the Politecnico di Milano) was further strengthened, with SIA taking part in the Career Day reserved

RECRUITMENT AND TURNOVER RATE IN 2019

	GENDER			AGE GROUP			GEOGRAPHIC AREA		
	Men	Women	Total	<30 years	30-50 years	>50 years	ITALY	UE	Extra-UE
Total number of employees	2,008	1,543	**3,551**	252	2,432	867	1,823	1,574	154
Number of new hires	218	167	**385**	117	244	24	98	257	30
New employee hiring rate	10.9%	10.8%	**10.8%**	46.4%	10.0%	2.8%	5.4%	16.3%	19.5%
Leavers	180	119	**299**	65	204	30	66	205	28
Employee turnover rate	9.0%	7.7%	**8.4%**	25.8%	8.4%	3.5%	3.6%	13.0%	18.2%

for MBA students, the first edition of the Global Talent Recruiting Day event and the first Business Game organized by MIP; events that gathered hundreds of students participating from Italian and foreign universities.

In addition to the company's presence at the Career Days of the Politecnico di Milano and Bocconi University, during 2019 SIA participated in employer branding events organized by the Politecnico: a round table with computer engineering students and a practical exercise in the Cybersecurity field.

The search for innovative solutions in the field of selection also saw the use of blind recruiting platforms, which through a high media exposure on social media, accredit the company towards young people who are more oriented towards digital transformation.

Employer branding activities have also been developed at the international level, in particular in Slovakia and Greece.

EMPLOYER BRANDING IN THE SIA GROUP

In **Slovakia** SIA participated in the Profesia Days, Iaeste and Night of chances.

Profesia days is the most popular job fair in the country and allows potential candidates to participate in workshops, panels and competitive challenges. SIA participated for the first time, involving HR together with colleagues from Fraud Monitoring, Project management, ATM & POS Management.

IAESTE is an event dedicated to job opportunities, organized by the technical-scientific university faculties of Bratislava, Kosice, Trencin, Zilina and Zvolen.

It is the best opportunity for direct and personal contact with new graduates from the IT world, to illustrate them internship opportunities and entry level roles.

Night of Chances offers students round tables, discussion panels, workshops, stands: all in one night! SIA offered the students a contest in collaboration with the ATM Development team and a workshop.

In **Greece** SIA participated in November 2019 at the Developers Day Career Fair, organized by kariera.gr, the best known job search website in the country. The presence of Greek colleagues has allowed us to create awareness mainly towards young people and to introduce ourselves as an IT company in the local market, as well as developing a more solid relationships network in the technological community of the country.

INDUSTRIAL RELATIONS

In SIA, industrial relations are characterized by a **climate of collaboration and participation without conflict, in a favorable market context**. The "Group Industrial Relations & Welfare" structure is responsible for relations with the trade union representatives of the Parent Company, manages the negotiations for union agreements and advises subsidiaries.

The Banking Sector's national labor contract is applied at SIA S.p.A., SIApay and P4cards. The Commerce Sector's contract is applied at Emmecom and SIAadvisor.

In managing contractual relationships with employees and in working relationships, SIA works to ensure that the management role is exercised with fairness and correctness and the reward system and company careers is based on the skills of the employees and the results achieved.

The company guarantees the privacy and physical and moral integrity of its employees and collaborators, ensuring working conditions that respect their personal dignity.

The main organizational changes are implemented through an intense dialogue between the Human Resources & Organization Department and the business divisions, after having informed the union representatives.

The Supplementary Company Agreements of SIA S.p.A., SIApay and, from 2018, also of P4cards Italia provide for hourly flexibility, contributions for the family sphere (education, scholarships, contributions for employees with children with disabilities, donations to children in the event of premature death of an employee, travel passes), supplementary health care and complementary pensions.

There are 4 trade union acronyms represented in the Italian companies, with approximately 650 members among the employees of SIA S.p.A., SIApay and P4cards, 18.4% of the related company population: this translates into active involvement of these organizations in activities and policies, as well as in the company's commitment to freedom of association and workers' rights.

In 2019, negotiations began for the renewal of supplementary second-level contracts for SIA S.p.A. and SIApay. The supplementary contract in Romania is also being renewed.

Trade unions are also present in Greece, Germany, Romania and Slovakia.

The highlights of the SIA, SIApay and P4cards Supplementary Company Agreement

- Progressive increase in the company contribution for supplementary pensions (up to 6% in 2020)
- Health coverage with extension to all family members, including partners living together, without gender discrimination
- Contribution for each disabled child, up to € 3,000
- Contributions for kindergartens, scholarships, student workers and summer camps
- Up to € 20,000 for each dependent child in the event of premature death of an employee to help cover education costs
- Contribution, with annual increase, for the expenses related to the transport means
- Flexible working hours are also applied to part-time workers
- Possibility to diversify the daily value of the meal voucher for further tax advantages
- Up to 20 days per year of occasional telework per employee
- Possibility of traineeships for employees' children, without necessarily hiring them, essentially to give them initial work experience

HOME WORKING AND SMART WORKING

Group companies offer the possibility of working outside the office in two ways:
- **teleworking** at home, on set days;
- **smart working** according to autonomous agreements among the employee, the manager and HR that allow to work anywhere, without constraints and without limits of days.

Over the years, the popularity and use of flexible forms of work has continued to grow.

In 2019, 1,500 people benefited from it. Both the number of beneficiaries and the total number of days used are increasing (in Italy alone, around 80,000 hours of smart working).

One of the Milan offices, set up in 2018, is completely designed for smart workers: inspired by innovative ways of working, it has allowed over 200 people, accompanied by a training course on management and smart capabilities, to experience this form of broad flexibility.

There were 341 smart working employees in 2019.

EMPLOYEES EMPLOYED IN TELEWORKING AND SMART WORKING[1]

	12/31/2019[1]			12/31/2018[1]			12/31/2017[2]		
	Men	Women	Total	Men	Women	Totale	Men	Women	Total
Teleworking	786	407	**1,193**	653	340	**993**	546	277	**823**
Smart working	203	138	**341**	139	57	**196**	-	-	**-**
Total	**989**	**545**	**1,534**	**792**	**397**	**1,190**	**546**	**277**	**823**

[1] The figures include the whole Group with the exception of Perego FSE and SIAadvisor.
[2] The figures refer to SIA S.p.A. and SIApay.

DIVERSITY AND EQUAL OPPORTUNITIES

All Group employees are offered equal job opportunities, based on their professional qualifications and performance capabilities, without discrimination.

The selection, hiring, remuneration and management of each employee's career development take place exclusively on the basis of merit and competence criteria, without any discrimination based on politics, trade union, religion, race, language, gender, age, working hours, family status and role within the organization, in compliance with the laws, employment contracts, regulations and directives in force.

The Group has 120 people belonging to protected categories.

The continuous dialogue with the union representatives offers a constant point of attention and stimulation on the issues of work and the prevention of any possible form of discrimination, allowing us to monitor practices and procedures, highlighting any critical issues and making proposals for improvement on flexibility, teleworking, career paths, work/life balance, return from leave.

SALARY LEVELS BY GENDER IN DIFFERENT PROFESSIONAL FRAMEWORKS[1]

RATIO BETWEEN BASIC SALARY AND TOTAL REMUNERATION FOR WOMEN/MEN (%)[1]

GROUP	BASIC SALARY		OVERALL REMUNERATION	
	2019	2018	2019	2018
Managers	77	103	69	n.a.
Middle managers	89	92	89	n.a.
Employees	75	96	73	n.a.

[1] Note
- Basic salary is the minimum fixed amount paid to an employee for performing their duties. This does not include any additional types of remuneration, such as overtime or bonus payments. We therefore have to take the fixed gross annual amount paid to the employee for the position that they hold or for specific assignments.
- Total average remuneration is the basic salary plus any additional amounts, such as those based on years of service, including cash bonuses and equity-based schemes (involving securities and shares), payment of benefits, overtime, time due, any perks (such as transport, life and child allowances) and all other additional elements of pay which are non-impromptu.
- The 2019 figures include: SIA S.p.A., SIApay, Emmecom, P4cards Italia, P4cards Germania, PforCards, SIA Slovakia, SIA SEE and SIA Greece.
- The 2018 figures include: SIA S.p.A., SIApay, Emmecom, Perago FSE, SIA Central Europe, Ubiq, P4cards Italia.

RATIO BETWEEN BASIC SALARY AND TOTAL REMUNERATION FOR WOMEN/MEN (%)				
ITALY[1]	BASIC SALARY		OVERALL REMUNERATION	
	2019	2018	2019	2018
Managers	89	103	84	106
Middle managers	94	92	93	90
Employees	99	94	97	92

[1] *The figures refer to SIA S.p.A., SIApay, Emmecom and P4cards Italia.*

As regards salary levels, the SIA Group's policy in Italy has for some time been to give substantially equal pay for men and women, especially for white-collar workers and middle managers. Internationally, the gender pay gap is affected by the figures of the companies acquired by First Data in various countries of central and south-eastern Europe, where there is a significant presence of Customer Support structures compared with other corporate functions, with a prevalence of female employees.

In the context of family policies, data on parental leave - for both parents - show that the return rate is close to 100%.

PARENTAL LEAVE AND RETURN RATES

PARENTAL LEAVE[1]									
	2019			2018			2017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTALE	MEN	WOMEN	TOTAL
No. of parental leave granted	14	117	131	4	24	28	11	7	18
No. of leave ended in the period	12	67	79	4	23	27	21	26	47
Return to work rate	100%	94%	95%	100%	100%	100%	100%	100%	100%
12-month retention rate[2]	n.a.	n.a.	n.a.	100%	100%	100%	100%	100%	100%

[1] *The 2019 figures refer to SIA S.p.A., SIApay, SIA Central Europe, P4cards, PforCards, SIA SEE, SIA CEE and SIA Greece. The 2018 and 2017 figures refer to SIA S.p.A. and SIApay.*
[2] *Retention rate: Total number of employees still employed 12 months after returning to work at the end of parental leave / Total number of employees returning to work following parental leave in previous reporting periods.*

CAREER TRAINING AND DEVELOPMENT

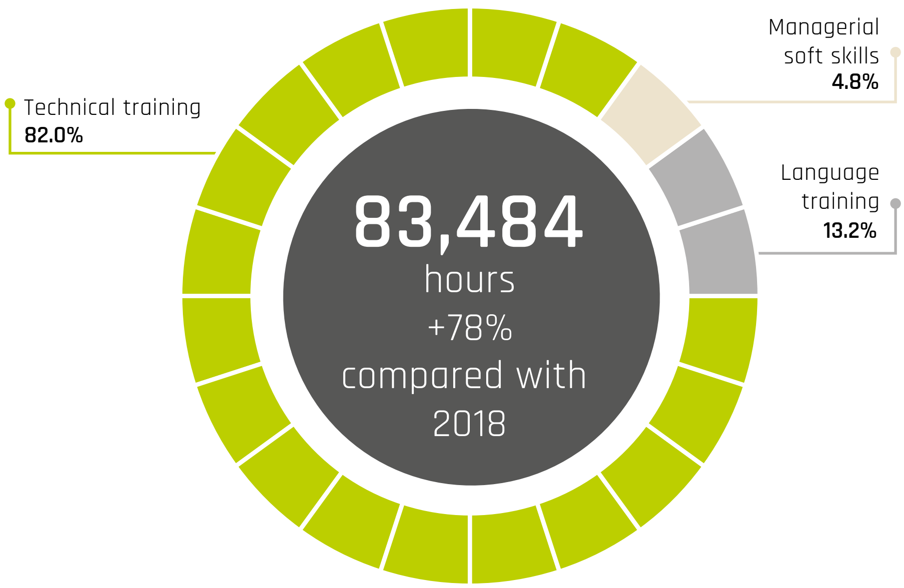
SIA protects and promotes the value of human resources and is committed to preserving and developing the wealth of professional skills, making sure that the skills and aspirations of individuals find fulfillment.

The training programs aim to constantly improve the way of working, making professionals grow and spreading excellent behaviors and practices.

2019 was characterized by intense training activity in response to technical, managerial, behavioral and linguistic needs, with **a total investment of 1.4 million euro, thanks to which over 83,000 hours of training were provided during the year, an average of about 24 hours per head**.

The Organization & Development structure defines and organizes the Parent Company's training programs and some intra-group training initiatives. Locally, training is managed and monitored by the HR managers of the respective companies.

Training activities by type of content[1]



[1] *The significant growth compared with the previous year is mainly due to the expansion of the reporting perimeter that included the companies acquired at the end of 2018, for more details see the Methodological Note.*

AVERAGE ANNUAL TRAINING HOURS PER EMPLOYEE

	12/31/2019			12/31/2018[1]			12/31/2017[2]		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	18.9	36.6	**22.0**	21.6	. 20.5	**21.4**	17.2	8.4	**16.0**
Middle managers	18.8	19.0	**18.8**	23.6	26.2	**24.3**	18.5	30.9	**20.1**
Employees	22.2	28.6	**25.5**	23.0	18.7	**21.2**	18.6	9.4	**15.9**
Total	**20.9**	**26.9**	**23.5**	**23.3**	**21.0**	**22.5**	**26.7**	**16.0**	**17.7**

[1] *The 2018 figures include all Group companies, with the exception of SIA Greece, SIA SEE and SIA CEE.*
[2] *With regard to 2017, the figures include the whole Group. For the calculation of the average hours, reference was made to the number of average employees in force during the year.*

The internal Academy saw the start - for the second year in a row - of the teacher recruitment campaign to strengthen knowledge sharing and enhance the wealth of knowledge and experience, also with new tools and spaces to build their own course of training:

- the "Academy online" e-learning platform, the use of which has been further extended to Group companies;
- over 100 free access to online courses in the digital & soft skills area;
- the e-learning portal for language learning;
- the Linkedin Learning platform.

The strong increase in staff abroad recorded in 2018 led to the organization of new training initiatives in English, in support of the Group's growing international presence.
The substantial increase in technical training in percentage terms is due to the strong push towards these contents and to the inclusion of "training on the job" in reports, a fundamental, day-to-day complement to the training given by external providers.

Main training novelties in 2019:

- A cycle of events dedicated to **Young People** that includes conferences, internal testimonials and networking opportunities for the population under the age of 35.
- **Inside SIA**: in-house lecturers related every aspect of the company, including future challenges and new technologies. The 8 conferences involved more than 500 participants and 17 speakers.
- The **SIAgile project**: about 200 employees of different functions have been involved in a process of promoting agile culture: best practices, fundamentals, mindset, methodology. The training touched on HR issues, styles of leadership and collaboration, certifications for the key

roles of this methodology (scrum master and product owners), the Practitioner course to learn the method, coaching for the offices engaged in agile projects.

- The **cultural integration** program (see dedicated box).
- **Soft skills blended**: the topics of greatest interest on the online Academy platform are listening and communication. Based on these data, employees benefiting from e-learning content were rewarded with two classroom workshops to experiment effective writing techniques, feedback and communication among colleagues.
- The **Internal Academy**: in the last two years the database of in-house lecturers has been developed and enhanced, and can now offer courses on agile development, office, compliance, risk and sales.
- **Train the trainer** is dedicated to in-house lecturers, who meet in the classroom to discuss presentation techniques, classroom management and training. Each of them can also access personalized and individual tutoring.
- **Management pills**: four meetings followed by post-class stimuli in digital learning, always with the participation of corporate testimonials. Reflections on diversity and variety, smart working, people management, values and corporate style, all fundamental issues for new managers.
- **Welcome to SIA**: every two months and reserved for new hires, with HR and Communication lecturers on contracts and policies, sharing values, tools, services and welfare.
- **Gamification**: is an experiment carried out in 2019 for people on the e-learning platform. It allows them to use credits earned by doing online courses to take part in other individual development initiatives.

There are also numerous professional certifications that SIA staff can obtain to help them acquire more and more skills for the performance of their jobs, including:

- PMP – Project Management Professional of PMI (Project Management Institute);
- CISSP – Certified Information Systems Security Professional;
- CISM – Certified Information Security Manager;
- CISA – Certified Information Systems Auditors;
- ITIL - Information Technology Infrastructure Library, certification of professionals related to the framework containing the best practices for managing IT services;

CULTURAL INTEGRATION PROGRAM

2018 was an important year for SIA, a giant leap forward: before it was almost exclusively an Italian company, where now it is in fifteen countries with more than 1,500 employees abroad.

How to introduce and blend new colleagues from different cultural backgrounds? Can a “team culture” be created after an acquisition?

It was from these questions that the “Cultural integration program” was born. It was launched immediately after the acquisition in 2018 of the business units in Greece, Slovakia, Czech Republic, Hungary, Romania, Serbia and Croatia and was initially dedicated to the people involved in the main group processes.

It was an opportunity to get to know each other and work together, to define the pillars on which to successfully share SIA’s own values and culture: 170 managers and professionals from all Group companies discussed these matters from an individual and team perspective, directing their thoughts to the two-year period 2019-2020. This is a process that continues with a view to **building together corporate strategy, guiding principles and values in an increasingly multicultural and international reality**.

The Cultural Integration Program also has a dedicated page on the intranet to share any thoughts developed during the classroom sessions with an even wider audience.

Moreover, in November 2019, we organized the internal event “The great challenge of internationalization” during which Sara Spallazzo (Head of Client Support) spoke about communication among different countries, cultural diversity, the dynamics that facilitate collaboration and behaviors that can bring together colleagues who are geographically distant (or not, as the case may be).

Cultural differences seen as opportunities and not obstacles, the experience of a female manager to understand how to orientate oneself among meetings, phone calls and lunch breaks, seen through the eyes of different cultures.

SIA ALONGSIDE MIP AND CeTIF

With a view to developing relations with the university and post-university world, SIA is among the members of MIP, the Graduate School of Business of the Politecnico di Milano, with the aim of creating a **collaboration in terms of recruiting, training and employer branding** with an internationally recognized institution.

The MIP provides post-graduate courses in the field of management, economics and industrial engineering and develops applied research projects. SIA is also a member of the board of the Banking program of the Research Center in Technologies, Innovation and Financial Services (CeTIF) of the Catholic University, which carries out studies, research and training projects on the dynamics of strategic and organizational change in the financial, banking and insurance sectors.

- ADACI - Associazione Italiana di Management degli Approvvigionamenti (Italian Association of Procurement Management);
- COBIT - Control Objectives for Information and related Technology, certification of professional skills in the field of governance and management of IT companies;
- Agile Scrum Master;
- Agile Product Owner.

HIGH LEVEL TRAINING

To encourage the insertion, training and development of people, SIA has offered the opportunity to participate in the following masters:

- MBA International - MIP Politecnico
- Administration Finance and Control – SDA Bocconi
- Design and Innovation Management – MIP Politecnico
- MBA - CDP
- Master of finance and markets - CDP
- Digital innovation - CeTIF
- Big Data - CeTIF
- M&A - SDA Bocconi
- Digital Product Management - TALENT GARDEN
- Blockchain executive program - CeTIF
- Payments expert - ABI
- Key account Management - SDA Bocconi
- Sales & Control - SDA Bocconi.

INSIDE SIA: TO KNOW IS TO UNDERSTAND

The competence of 19 colleagues was chosen for this training project to talk about SIA, the market and new technologies. In one year, 8 conferences (some of them in webinar or streaming mode) and over 500 participants.

11/13/18 - Instant Payments
11/13/18 - SIA & Project Management
06/05/19 - SIA for Public administration
09/18/19 - Cybersecurity and SIA, between technologies and challenges
09/23/19 - POS Android: POS becomes Smart
10/03/19 - The future of payments between Open Banking, Instant Payments and Fintech
10/09/19 - A-Team, one year of Agile Experience
11/20/19 - The great challenge of internationalization.

The cycle of meetings will continue in 2020 with monthly appointments.

SIA GOLD EXCELLENCE IN LEARNING: RISK CULTURE

Brandon Hall Group - The American research, analysis and consultancy company specialized in training, talent acquisition and personnel management - in 2019 awarded SIA the Gold Excellence in Learning Award in the Compliance category for excellence in staff training, in particular through the online course “The ABC of Risk Culture”.

The training program, published from November 2018 to January 2019 on the Academy Online platform, promotes awareness of risks among staff by using interviews, quiz games, glossaries and comics.

PERFORMANCE ASSESSMENT AND CAREER DEVELOPMENT

For the purpose of career development, a crucial role is played by the performance assessment process, which is fundamental to direct in the best way possible the expectations and activities of the collaborators, by evaluating two different aspects of their work:

- performance, i.e. the contribution made by each worker to the achievement of the corporate result;
- behavior, i.e. each individual's attitude to work, which needs to be consistent with SIA's mission, vision and corporate values.

The process is divided into four stages:

- **assessment**, by the person's direct manager who identifies projects and activities carried out by the employee, assesses their performance and behavior and indicates a development path;
- **calibration**, in which all of the assessments are verified and validated, first by panels within each Division, then by the Committees and lastly by the Board of Directors;
- **feedback interview**, in which the manager and employee discuss the assessment, areas for improvement and opportunities for development;
- **closure of the assessment process**, during which the employee can make observations and make suggestions about their own training requirements.

Group employees have a performance assessment periodically for an overall coverage close to 100%.

EMPLOYEE HEALTH AND SAFETY

The people of the SIA Group carry out the processing and transformation of information and data, through the use of IT supports and machines. For the purposes of health and safety for this type of activity, the more relevant issues are represented by emergency management, microclimate and use of video terminals, in addition to the general problems relating to structures, plants, equipment and safety regulations.

Occupational health and safety management system

All Group companies undertake to adopt an "Occupational Health and Safety Management System" (OHSMS) as an integral part of their organizational model.
In compliance with the requirements of the main international regulations[1] in this regard, SIA's OHSMS is an organizational tool that allows us to manage employee health and safety in an organic and systematic way, through:

- the adoption of a Group Health and Safety Policy;
- identification of hazards, risk assessment and identification of control methods, in close connection with the regulatory provisions adopted;
- the definition of the criteria aimed at identifying the rules, roles, responsibilities and tools necessary for the achievement of the above objectives;
- the definition of staff training and involvement programs;
- consultation and communication methods with employees and stakeholders;
- controlled management of the documentation;
- the implementation of control methods for activities related to identified significant risks;
- the preparation and adoption of measures to identify, prevent and control possible accidental events (injuries and accidents) and emergencies;
- the definition and implementation of periodic checks (injuries, accidents, non-conformities, corrective and preventive actions) on the adequacy of the management system.

The Health and Safety Policy describes SIA's commitment to the protection of the working environment, the health and safety of all those who work inside or outside the premises owned by the company.
This policy applies to all SIA Group employees and external workers who work in the company's premises. Failure to comply with the established principles entails the application of disciplinary measures - as

[1] - Directive CEE 89/391 (Framework Directive)
- D. Lgs.81/08
- OHSAS 18001 (SIA Greece)
- Act No. 124/2006 on Occupational Safety and Health (SK)
- P.D 16/1996 (G.G. 10A_96)
- P.D 17/1996 & L. 50/38/2010
- P.D 105/1995
- P.D 57/2010
- P.D 77/1993
- P.D 294/1988
- P.D 305/1996
- L. 1568/1985
- L. 4067/2012

required by the Organization, Management and Control Model pursuant to Legislative Decree 231/01 - to Italian companies or with local regulations to foreign companies.

The OHSMS defines the methods for identifying the responsibilities, procedures, processes and resources within the organizational structure to implement the prevention policy. This system is verified and maintained by the Head of the Prevention and Protection Service (part of the Risk Governance structure) through a system of processes and procedures in line with the law in force and with the best international practices and through a program of infrastructural, organizational and training activities involving all staff and stakeholders.

In compliance with Legislative Decree 81/08, SIA S.p.A. draws up a **Risk Assessment Document** (RAD) annually and takes care of its periodic adaptation to regulatory requirements and corporate structure. Each Group company applies the laws in force in the countries of origin regarding health and safety in the workplace. Beyond attention to the legal requirements, there is an intense commitment to promote programs and initiatives for the **protection of health and safety at work**, as well as the assessment and monitoring of work-related stress risk.

For the protection of the health and safety of employees of third-party companies that collaborate with SIA, whose business could involve risk, the company prepares for each supplier an **Interference Risk Assessment Document (IRAD)**. Integrated with the acquisition of detailed information about the activities carried out by the supplier, the IRAD illustrates the methodology used for the assessment of risk levels for the safety and health of personnel, clearly identifies the sources of danger and potential risks of exposure, and provides an estimate of the level of any risk.

An "Injury Analysis" is also produced together with the RAD containing details of any accidents that took place during the year (number of accidents, type, days of sick leave, causes, frequency, gravity, etc.) in comparison with the last two years. In the case of serious injuries, the analyzes include the consequent corrective actions to be implemented.

In 2019, 5 accidents occurred in the workplace throughout the Group. Another 19 took place while commuting between home and the workplace or outside company premises. There have been no deaths or occupational diseases in the past three years.

NUMBER OF ACCIDENTS AND INDICATORS ON WORKERS' HEALTH AND SAFETY[1]

	2019	2018
Total number of accidents recorded at work	5	2
Total number of deaths due to accidents in the workplace	0	0
Total number of accidents at work with serious consequences (excluding deaths)	0	0
Hours worked[2]	5,542,059	2,952,984
Recordable accident rate	0.90	0.68
Death rate due to work accidents	-	-
Rate of serious accidents at work (excluding deaths)	-	-

[1] *The new Standard GRI 403 published by the Global Reporting Initiative (GRI) in 2018 was used to report accident data, replacing the version published in 2016 and used in previous documents, which are available on the SIA website (www.sia.eu) in the «Sustainability» section.*

[2] *The 2019 figures refer to SIA S.p.A., SIApay, SIA Central Europe, P4cards, SIA Slovakia, SIA SEE and SIA Greece. The 2018 figures refer to the following companies: SIA S.p.A., SIApay, SIA Central Europe and P4cards.*

Participation and consultation of workers and communication on health and safety at work

In order to guarantee constant monitoring of risks, the Head of the Prevention and Protection Service meets the Workers' Safety Representatives every three months to be informed of possible risks that might arise. In the meantime, again on a quarterly basis, the Workers in the Prevention and Protection Service (ASPP) carry out an assessment of workplace and fire prevention risks using a specific checklist.

In line with the main regulations, a meeting is held annually and attended by all parties involved in the OHSMS. The SIA Group maintains constant and collaborative relationships with the Trade Union

Representatives regarding health and safety issues.

Workers can raise any concerns they might have at any time by using the references contained in the company intranet about the people and roles operating in the field of prevention and safety. Such communications are treated confidentially as laid down in the Code of Ethics.

Training of workers and promotion of workplace health and safety issues

The SIA Group pursues the dissemination of the culture of safety at all levels through systematic training plans for workers, both in the classroom and through an e-learning platform which, in accordance with the requirements of the State Regions Conference Agreement of July 2016, makes it possible to trace the training path.

For training related to safety and health in the workplace, SIA uses an e-learning platform that can manage, track and deliver online training. The portal monitors training projects thanks to a tracking system and offers the possibility of creating reports.

This platform also creates personalized certifications, assigning them to specific courses and certifying users automatically. New employees are provided with a communication containing the operating procedures for accessing video courses.

Given the mandatory nature of this type of training, the platform automatically issues reminders and can provide subtitled courses for the deaf.

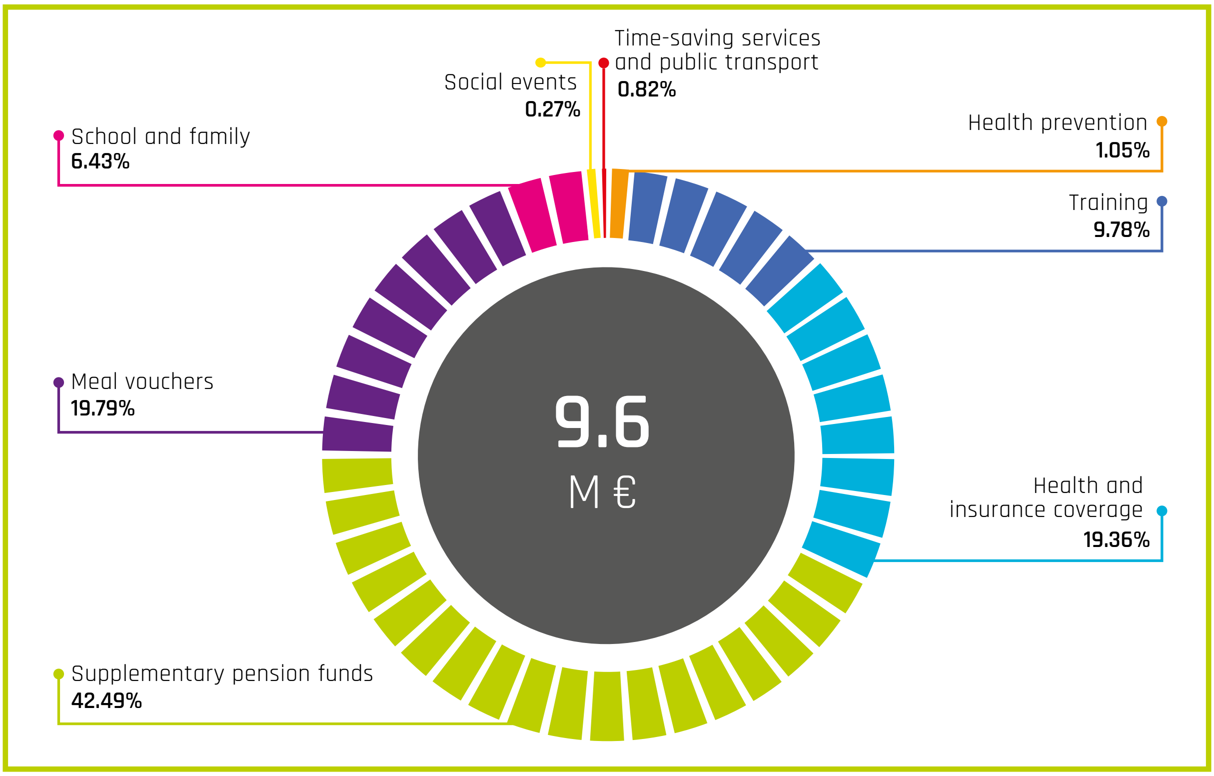
SIA also uses certified suppliers of classroom courses.

Evacuation tests are conducted annually involving all internal and external staff.

Lastly, with a view to promoting the importance of healthcare, the Group conducts a workplace health promotion program each year that also includes specific clinical analyzes. In Slovakia private healthcare services are offered to all employees (ProCare) and the entire cost is covered by the company. In Greece all employees are entitled to a free annual check-up.

COMPANY WELFARE

SIA wants to be an attractive group for talented people and also for this reason it has developed a careful and rewarding welfare policy. Almost 9.6 million euro were invested in SIA S.p.A. and SIApay in 2019 for this purpose.



"ME AND MY WORK"

SIA has created a set of activities and projects aimed at constantly improving the way of working, increasing professionalism and spreading excellent behaviors and practices.

The wide range of initiatives includes:

- **training meetings** on business topics and on technical and managerial issues;
- moments of **discussion with management** and top management on the industrial plan, internal strategies and significant events;
- **information** on all news of interest, internal and external, through the press review (also available on smartphone) and the Intranet information portal;
- in-house **awards**;
- **risk culture** programs aimed at spreading an adequate risk management culture;
- **change management processes** for the management of organizational changes;
- **smart working** and **home working**.

"ME AND MY PRIVATE LIFE"

SIA has devised a set of initiatives aimed at supporting employees in solving aspects of reconciliation between private life and work, as well as creating opportunities for socializing and leisure, also open to family members:

- **parenting services**: internal campus open to employees' children on school closing days in summer, special agreements with external campuses;
- **various benefits**: internal flexibility, extension of leave, supplementary health coverage, complementary pensions, flexible benefits, scholarships for employees and children, income support (for families with children enrolled in the nursery, with children and teenagers attending summer centers and camps with disabled children);
- **time-saving services** on site and on demand and agreements with shops: in addition to the recent tax consultancy and social security assistance services;
- **health**: supplementary health insurance, check-up, company doctor, flu vaccination;
- **promotion of correct lifestyles**: changing rooms and showers for those who play sports during the lunch break, partnerships with non-profit associations of employees at the Milan Marathon;
- **community and aggregation**: sporting events also open to families;
- **environmental responsibility initiatives**: recovery and recycling of materials.

SIA AWARD 2019

The eighth edition of the SIA Award was held in 2019 which rewards the most deserving projects and initiatives within the Group.

sia Excellence Award2019

The prizes were awarded to 4 categories, corresponding to the guiding principles of SIA's activity during the year. From the numerous applications received by Group companies, we selected 24 projects that were admitted for pre-nomination and, among these, 3 projects for nomination in each of the categories.

The final selection saw the following projects rewarded:

EFFICIENCY - "Smart acquiring services for Credem Bank", thanks to a totally innovative approach to the acquiring services offer, the work team made up of several Group companies managed to win the tender and to start the service in just 4 months in a timely and effective manner.

INNOVATION - "PagoPA: the easy way to pay the public administration", a revolutionary service that allows citizens to make payments to the Public Administration at any time, using multiple devices (PC or mobile browser, applications) and through different payment methods (BancomatPay, credit cards, MyBank, PayPal, Satispay, bank account , ...).

INTEGRATION - "Magnolia Program: becoming One Company", which rewarded continuation of the project to integrate the companies acquired in 2018 with the aim of harmonizing cultures and skills to offer the best service to customers throughout the SIA Group.

INTERNATIONALIZATION - "SIAnet ready to offer access to Eurosystem Services", a project that added additional features to the connectivity services provided with SIAnet to meet customer access needs to the Eurosystem.

MANY ADVANTAGES WITH FLEXIBLE BENEFITS

The Flexible Benefits plan allows employees of SIA S.p.A. and SIApay to allocate a part of the corporate bonus to obtain a wide range of services. The choice offers a significant advantage in that the portions of the premium destined for Flexible Benefits do not contribute to the formation of income and, therefore, are not subject to taxes and contributions.

Many advantages with flexible benefits

EDUCATION AND CHILDREN

Reimbursement of education, nursery, kindergarten, study holidays, summer campuses, and school textbooks.

HEALTH

Reimbursement of specialist visits, check-ups, dental services and interventions, glasses, lenses, drugs.

SUPPLEMENTARY SECURITY AND LOAN

Additional contribution, supplementary pension fund, reimbursement of interest expense in excess of the Official Reference Rate.

MOBILITY

Direct purchase of annual ATM passes and reimbursement of travel passes also for dependent family members.

RECREATIONAL SERVICES, SPORT AND LEISURE

Spas, gyms, cinemas and travel.

Time-saving services

Numerous services are available for employees and their families on fixed days or on request, which save time and money:

- CHEMIST SHOP
- DRY CLEANER/ TAILOR
- SHOEMAKER
- ELECTRICIAN/ MECHANIC
- REFRESHMENTS
- RECEPTION OF POSTAL SERVICES, PACKAGES
- INSURANCE CONSULTING
- BANKING CONSULTING
- TAX CONSULTING AND FLEXIBLE BENEFIT
- TRAVEL AGENCY
- BUILDING CONSULTANCY
- SOCIAL SECURITY CONSULTING
- PARKING AT DISCOUNTED COSTS
- PAYMENT OF PRE-MARKED BULLETINS WITH POS

LISTENING AND INVOLVEMENT OF EMPLOYEES

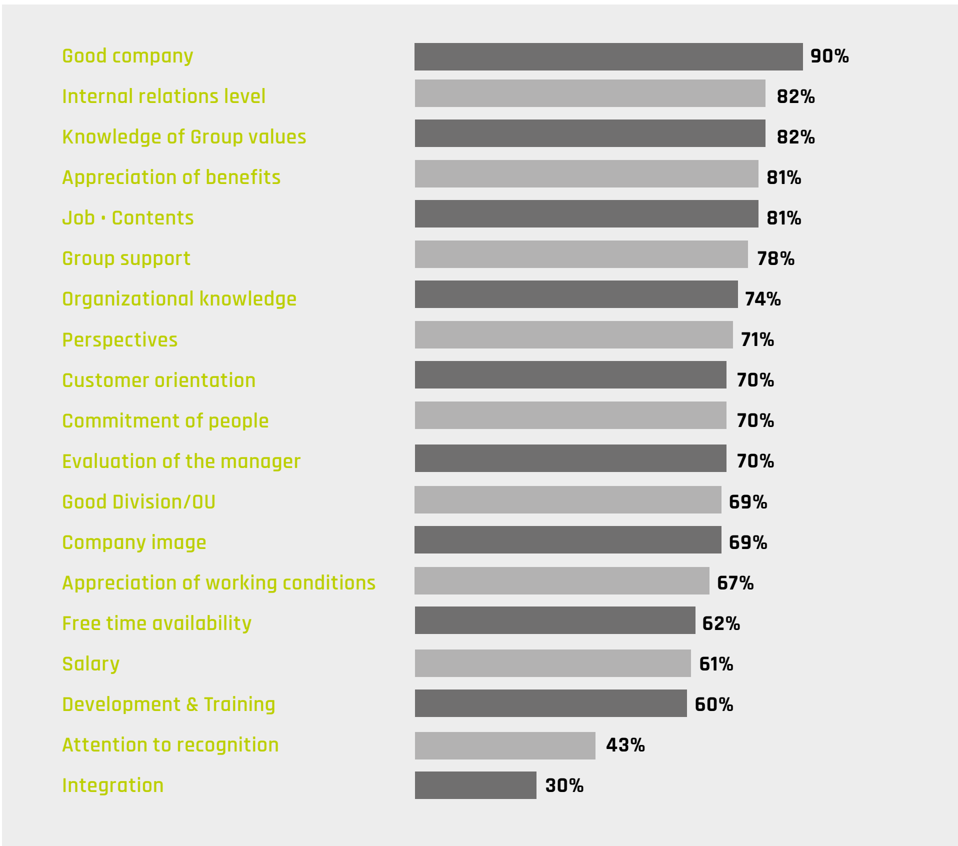
Ensuring a positive and stimulating working environment for its employees is a constant commitment for SIA. To this end, a business climate survey is carried out every two years with the aim of collecting suggestions for possible improvements.

In 2019, SIA experimented with a new method for climate analysis, using a people management platform capable of calculating, through an algorithm, the level of satisfaction and involvement of people. The application, downloaded by employees on their smartphones, allowed them to record their daily feedback, through short questionnaires during the last few months of the year. Based on scientific studies developed for over 40 years, the application has combined Emotional Intelligence and new technologies such as Artificial Intelligence and Machine Learning.

The experiment, the results of which will be analyzed in the early months of 2020, had the aim of strengthening engagement through continuous and high frequency interaction, rather than in a classic form with a single questionnaire.

The previous survey, conducted in 2017, involved all the Group's companies and saw the participation of 72% of the overall population. The main results highlighted how the Group was appreciated as a place to work, for the level of internal relations, shared values and benefits as well as the content of the job. More attention was required from employees on the integration process, on training and professional development programs and on the recognition of the work done.

Climate analysis - 2017: Group results



INTERNAL COMMUNICATION

Developed using multiple channels, internal communication plays an important role in SIA to inform, involve and keep employees updated on events, facts and news concerning the life of the Group.

COMPANY INTRANET PORTAL

General purpose information, company procedures, forms, facilities, applications.

PRESS REVIEW

Daily review with articles about the SIA Group and reference markets.

E-MAIL AND BULLETIN BOARDS

For the launch of internal communication initiatives.

MEETINGS WITH THE CEO

Updating on the Business Plan and on the performance of results with managers and middle managers of the whole Group who can assist and interact from all offices, also in live streaming.

THE PLACE

Involvement in content development and distribution to all employees of the digital magazine.

PRESS AGENCIES

Daily distribution to top and middle managers via e-mail of the main news published by press agencies that involve the sector.

SIA AND SUPPLIERS AND PARTNERS

RELEVANT ISSUES FOR GROUP SUPPLIERS AND PARTNERS AND SIA'S REPLIES			
MATERIAL ISSUES	**MAIN RISKS (2019)**	**MANAGEMENT POLICIES METHODS (2019)**	**ACTIONS CARRIED OUT IN 2019**
Responsible sourcing and supplier evaluation	✔ Risk of choosing an unsuitable supplier	✔ SIA promotes fairness and transparency in the supply chain, in compliance with the criteria of economy and ethics of supplies ✔ SIA promotes the adoption of good social and environmental responsibility practices with suppliers	✔ Project to integrate the Procurement portal with an information platform in compliance, reputation, environmental and financial fields using a certified external DB ✔ Continuation of assessment activities on suppliers ✔ Continuous improvement of the procedure for managing the purchasing cycle and introduction of the electronic signature book

PURCHASES AND SUPPLIERS

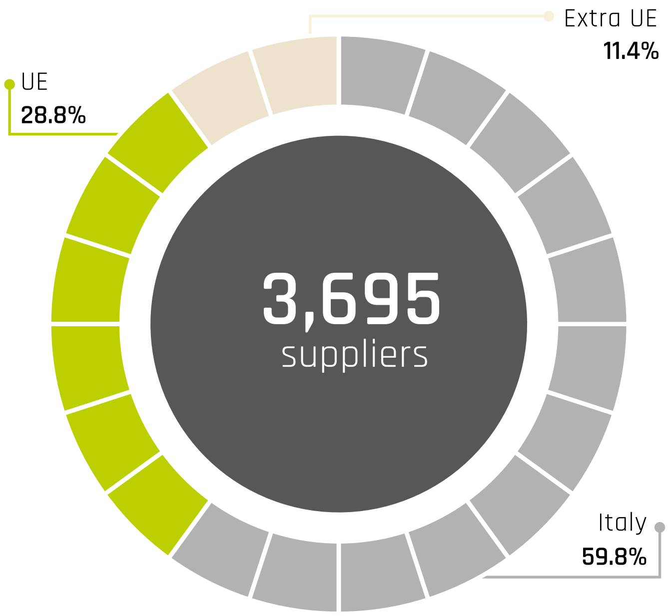
The purchase policies of the SIA Group are aimed at **ensure effective and efficient procurement processes** and control of the goods and services purchased, through lean procedures, aimed at guaranteeing the fulfillment of the requirements requested from suppliers and seeking the best quality/ price ratio for each order.

Economy is pursued in **compliance with ethical principles,** which prohibit obtaining the maximum competitive advantage by using suppliers that are not in line with the principles declared and observed by the SIA Group. This objective is achieved for all companies through Group purchases and contracts, technical and economic evaluation metrics both on budgets and on existing costs.

In 2019 the SIA Group made purchases in Italy and abroad for a total value of over 414 million euro (+29.9% compared with last year), of which about 75% from Italian suppliers.

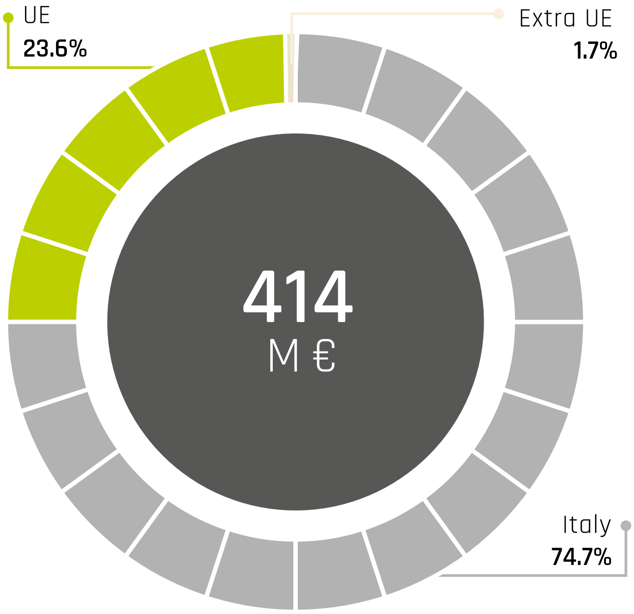
The increase on the previous year is mainly attributable to the extension of the reporting perimeter to the companies acquired in 2018.

The Group's suppliers are around 3,700, of which around 60% are Italian.



TOTAL NUMBER OF SUPPLIERS BROKEN DOWN BY GEOGRAPHICAL AREA*	12.31.2019	% TOT
Italy	2,209	59.8%
UE	1,063	28.8%
EXTRA UE	423	11.4%
Total	**3,695**	**100%**

** Suppliers are broken down by geographical area starting from the Parent Company's registered office.*



SIA GROUP PURCHASES BY GEOGRAPHICAL AREA*	12.31.2019	% TOT
Italy	309,388,764	74.7%
UE	97,542,224	23.6%
EXTRA UE	7,190,783	1.7%
Total	**414,121,771**	**100%**

** Suppliers are broken down by geographical area starting from the Parent Company's registered office.*

Following SIA's acquisition of the companies belonging to the First Data group, the procurement-side integration project was started to direct purchases by extending the procedural and instrumental structure, particularly by sharing the platform already being used by the Parent Company and some of its subsidiaries.

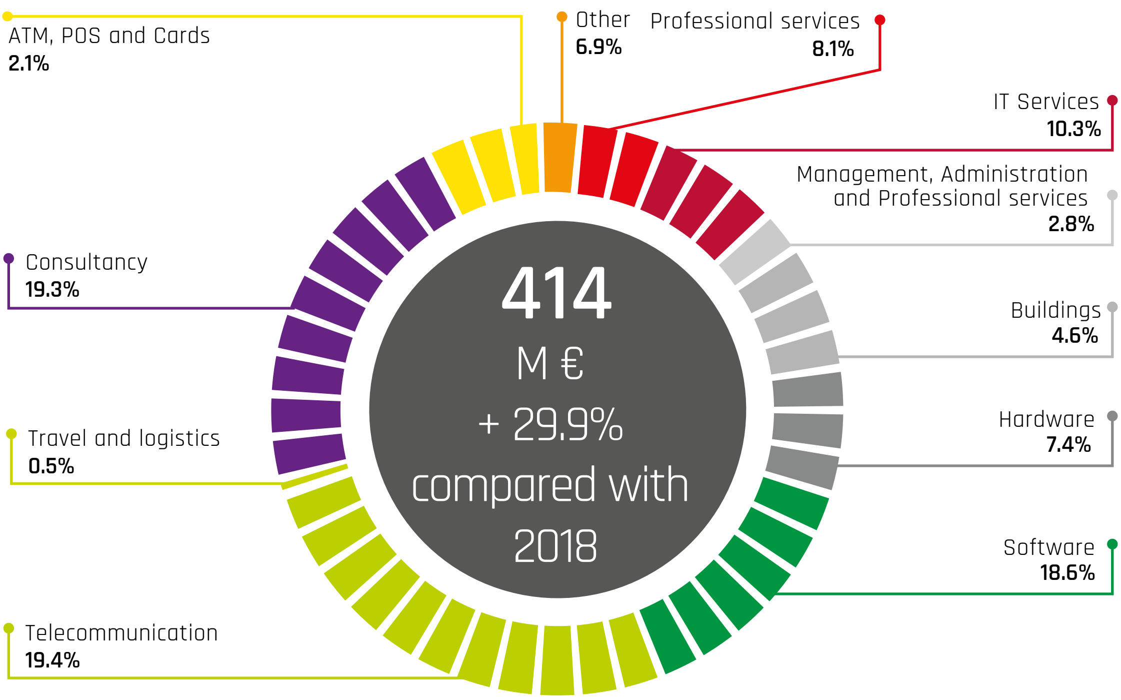
The aim is to manage suppliers, tenders/purchase requests, performance assessments and contracts in the same manner throughout the Group. This will allow information sharing and optimal expense management in line with the Group's strategic sourcing objective.

Supplier assessments and performance evaluations on supply orders in excess of € 75,000 continued in 2019.

Lastly, a project is underway to integrate the Procurement portal with an information, compliance, reputational, environmental and financial information platform that will allow a wider program of analysis, checks and controls on suppliers.

[1] The significant growth compared with the previous year is mainly due to the expansion of the reporting perimeter to include the companies acquired at the end of 2018, for further details see the Methodological Note.

Purchases of the SIA Group by product category[1]



SIA GROUP PURCHASES BY CATEGORY	YEAR 2019	YEAR 2018
Professional services	33,726,551	19,130,750
IT Services	42,637,332	25,595,010
Management, Administration and Professional services	11,642,150	8,291,817
Buildings	18,862,484	21,490,368
Hardware	30,616,487	20,994,277
Software	76,897,171	48,704,542
Telecommunication	80,328,151	85,044,497
Travel and logistics	2,171,774	3,558,355
Consultancy	79,964,202	69,121,181
ATM, POS and Cards	28,416,384	15,150,072
Other	8,859,085	1,797,122
Total	**414,121,771**	**318,877,991**

TENDER PROCEDURES AND SUPPLIER QUALIFICATION

SIA has a **strict procurement** procedure in force which regulates the purchase of each good and service, describing and regulating the entire purchase cycle in a timely manner. In addition and based on the needs expressed by the various Budget representatives, the Purchasing organizational structure draws up a "**procurement plan**" through which it defines purchasing strategies towards suppliers and the market.

As specified in the SIA Code of Ethics "the company prepares appropriate procedures to ensure adequate competition for each purchase process as well as maximum transparency in the selection of the supplier and the purchase of goods and services".

Since 2015, the parent company uses a **Procurement platform** which allows to manage the entire procurement process, from the initial qualification to the performance evaluation.

This platform, which was made more and more available from 2017, also at P4cards, and currently consisting of **three main work modules**, makes the purchasing process transparent and traceable:

- **Vendor**, for the management of qualifications and assessments;
- **Sourcing**, for the management of negotiations through RFI (Request for Information), RdO (Request for Offer), Tenders and Auctions;
- **Contract**, for the management of contracts and related deadlines.

Registration in the SIA Supplier Register on the platform and the selection criteria for the assignment of orders are subject to **objective and transparent assessments** of the quality, the price, the methods of carrying out the service and delivery, as well as the availability of means and organizational structures, in compliance with the company's current procedures.

The portal also allows us to manage foreign suppliers and to introduce questionnaires of both a generic and specific nature for product categories, which enable each supplier to be included correctly in the ranking.

In 2019, through the Procurement module, the companies SIA and P4cards were able to manage 48 Requests for Quotation (RfQ) and 7 Requests for Information (RfI) through the platform, in line with previous years.

During 2019 some atypical and unusual facts emerged relating to a few suppliers of goods and services, which in previous years had relationships with a non-core function of SIA S.p.A.; as soon as they were known, the Company promptly handled the situation with the support of qualified third-party experts, taking every action and adopting every measure deemed necessary and appropriate to protect the Company's interests. Management continues to monitor developments, with particular reference to the progressive consolidation of the design and effective operation of the Company's procedures and controls, as well as the evolution of the related legal and judicial profiles.

When possible, SIA's strategy calls for offers from multiple suppliers in order to maximize cost-effectiveness, always in compliance with the principles of the Code of Ethics.

Below is the list (extracted from the portal) of the certifications for which SIA requests feedback:

- ISO 14001 certification
- ISO 22301 certification

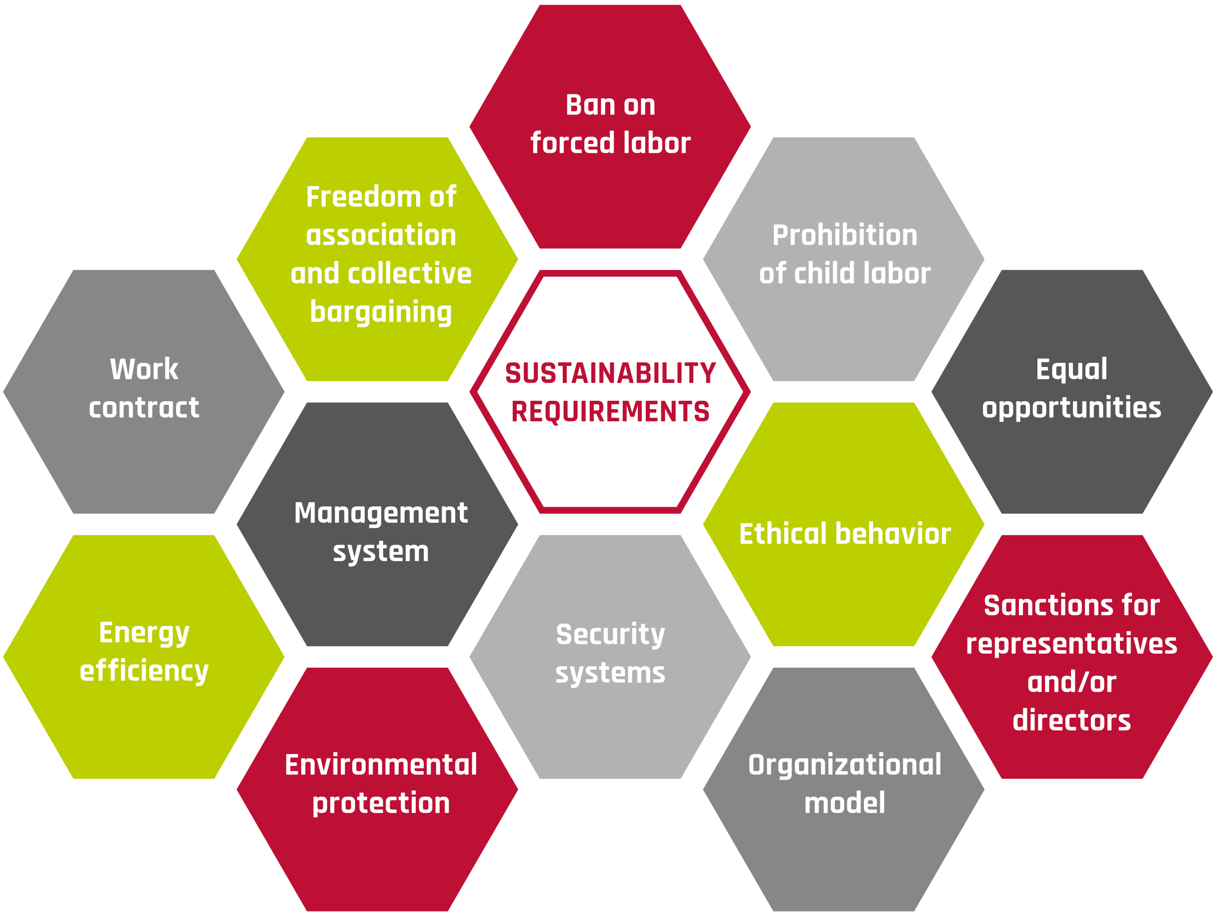
- ISO 27001 certification
- ISO 9001 certification
- OHSAS 18001 / ISO 45001 Certification
- PCI DSS Certification
- Specific certifications
- Certification of the National Register of Environmental Managers.

QUALIFICATIONS HELD BY SUPPLIERS[1]

QUALIFICATIONS	NUMBER OF SUPPLIERS WITH THE QUALIFICATION		
	12/31/2019	12/31/2018	12/31/2017
ISO 9001 (quality management)	564	374	307
ISO 14001 (environmental management standard)	47	31	20
OHSAS 18001 / ISO 45001 (worker health and safety)	67	49	34
Legislative Decree 231/01 (administrative liability)	622	315	183
Code of Ethics	611	369	208
Environmental certifications	9	10	11

[1] *The 2019 figures refer to SIA S.p.A., Emmecom, SIApay and P4cards. The 2018 figures refer to SIA S.p.A., P4cards and Emmecom The 2017 figures refer to SIA S.p.A., Emmecom and SIApay.*

The Supplier Portal also includes a section dedicated to **verification of sustainability and social and environmental responsibility requirements** owned by the suppliers themselves, with specific reference to the aspects represented below.



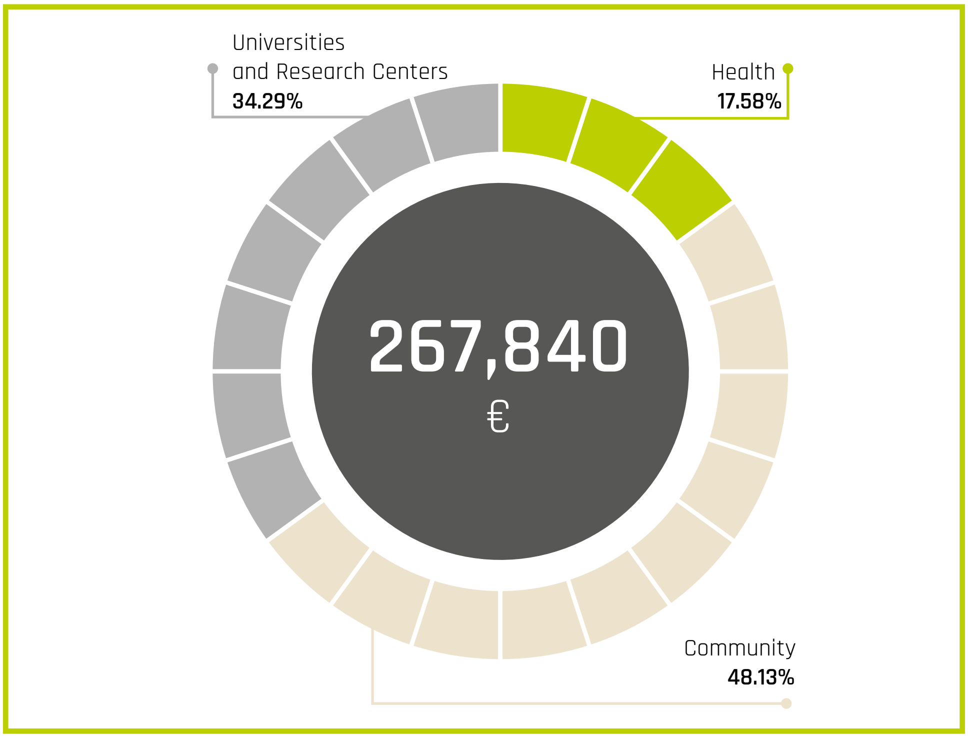
In 2019 the companies of the SIA Group, SIApay and P4cards qualified 139 new suppliers, of which 114 using social criteria (for example relating to contractual and labor aspects), environmental criteria and human rights criteria.

E-MARKET SDIR CERTIFIED

SIA AND THE COMMUNITY

KEY ISSUES FOR THE COMMUNITY AND SIA'S RESPONSES			
MATERIAL ISSUES	**MAIN RISKS (2019)**	**MANAGEMENT POLICIES AND METHODS (2019)**	**ACTIONS CARRIED OUT IN 2019**
Indirect economic impacts	✔ Reputational risk in the communities where the Group is present	✔ SIA supports communities and contributes to the growth of economic and social systems in the areas/countries in which it operates	✔ Assessment of the impacts on the end user of the solutions developed for customers ✔ Support for the digitization of the Italian PA with the creation of value for citizens and the country system ✔ Support for local projects and philanthropic donations for the community ✔ Management of an advanced technological infrastructure (CLOUD4CARE) to support research activities on ovarian cancer
Support for social activities	✔ Reputational risk ✔ Failure to monitor important activities or support activities the mission of which is not clearly defined	✔ SIA supports activities and projects of social interest in order to respond to the needs of the reference communities, generate shared value and stimulate the growth of people and territories	✔ Extension of the Guidelines for donations to the whole Group ✔ Interventions in favor of medical-scientific research, disease prevention and assistance to the sick ✔ Interventions for people in conditions of poverty and vulnerability ✔ Collaborations with universities and research centers ✔ SIA maintains relationships with numerous trade associations

SIA is active in the construction of **concrete value for the community** and, in line with its mission, it constantly communicates with public and private entities present in the area and supports social development projects in partnership with the non-profit world.



INTERVENTIONS AND DONATIONS IN SUPPORT OF HEALTH AND COMMUNITY

The donations of SIA are a social responsibility tool, used according to the principles and rules of conduct set out in the corporate Code of Ethics, aimed at **promoting and supporting the realization of concrete and measurable projects**.

The projects and subjects (Associations, Foundations, Onlus, NGOs, etc.) to which any payments are made are selected on the basis of the following criteria:

- social relevance and innovation of the project;
- sustainability of lasting and continuous interventions;
- true feasibility and concreteness of implementation;
- possibility of checking the results;
- agreement with the objectives of SIA's social commitment;
- reliability and reputation of the non-profit partner;
- possibility of employee participation as economic or voluntary supporters.

In 2019 the guidelines for donations were extended to the whole SIA Group. In addition to the principles already in place, it has been established that “Relations with non-profit organizations must respect the objectives and guidelines set out in this policy, not only as regards donations, but also for payments of other types, such as donations made in lieu of paying taxes to the State or to the Public Administration or that take the form of providing specific services typical of the company”.

In continuity with what has been done in previous years, also in 2019 SIA has chosen to focus its interventions in favor of the community on two specific areas:

- **community**, intended as a contribution towards mitigation of social and economic inequalities;
- **health**, intended as support for research, prevention and assistance.

CLOUD4CARE

The CLOUD4CARE project conceived by SIA also continued in 2019, in collaboration with Intesa Sanpaolo and UniCredit, provides the Mario Negri IRCCS Pharmacological Research Institute with an advanced technological infrastructure consisting of networks and data centers in order to conduct research activities on ovarian cancer, with greater speed and computing power.

Last year, the development of this IT resource has allowed the Mario Negri Institute to articulate its activities into two new lines of research.

The first one is the consolidation of an activity already started last year, regarding the analysis of tumor DNA in the blood of patients as a tool to follow the evolution of the disease over time and predict its recurrence, and the molecular characteristics of the tumor.

The second line of research concerns the study of the molecular characteristics of the various cell populations that characterize the tumor and is defined with the term “single cell RNA sequencing”.

For more information see the link: www.sia.eu/en/innovation/cloud4care

Community

SCOPE OF INTERVENTION	ENTITY / ASSOCIATION	SIA INTERVENTION
COMMUNITY	**Associazione Seneca** Milan	**Assistance to poor elderly people** Purchase of food vouchers for the elderly with a low pension
	Fondazione Casa della Carità Milan	**Assistance to homeless people** Showers and cloakroom service for homeless people
	Progetto ARCA Milan	**Assistance to poor people** Hot meals for guests of shelters during the Christmas period
	Laboratorio di Quartiere Giambellino Lorenteggio Milan	**Assistance to destitute students** “Right to Education Fund” to guarantee access to school education for children aged 11 to 18 in economic difficulty (purchase of books, school materials, registration fees for workshops, sports activities and training proposals)
	I Bambini delle Fate Bolzano, Trento, Udine, Treviso, Lodi, Bologna, Rome, Civitavecchia	**Social aggregation** “Social Time Bank” to connect children with autism and disabilities with high school students
	Il Castello dei Sorrisi Verona	**Support for school facilities for children** Replacement of old boiler
	ABE - Associazione Bambino Emopatico Onlus Verona	**Support for families with sick children** Use of apartments near the hospital for family members of hospitalized children
	PRO VITA Association Bucharest	**Support for victims of domestic violence** Support for the “The social establishment for victims of domestic violence” project: solar panels for home, outdoor playground and bills
	VIDAS Milan, Monza and province	**Pediatric home care** Coverage of the cost of free home care for incurable minors
	Associazione CasAmica Milan	**Support families and children with cancer** Overnight stays for children with cancer and their families who, for reasons of treatment, must stay away from home
	Centro UmanaMente Milan	**Support to structures for families and children with autism** Rent and administration costs of the educational qualification center
	FA.TA. Families for temporary hospitality Milan, Cesano Boscone	**Support to residential service for minors removed from their family of origin** Purchase of a car to transport children and teenagers to school, sports and holidays
	UILDM Verona	**Support to social services for those suffering from muscular dystrophy** Fuel costs for accompanying sick people
	Prematuramente Verona	**Support for families of visually impaired premature babies** Purchase of materials and reimbursement of expenses for operators of physiotherapy laboratories for one year
	The Smile of the Child Greece	**Support for home for minors in difficulty** Expenses of kitchen and cook for children guests of the home

Health - research

SCOPE OF INTERVENTION	ENTITY / ASSOCIATION	SIA INTERVENTION
MEDICAL-SCIENTIFIC RESEARCH	**Istituto Mario Negri** Milan	**Oncology** Renewal of the annual scholarship “Pharmacogenic study of ovarian tumors”

Health - prevention and assistance

SCOPE OF INTERVENTION	ENTITY / ASSOCIATION	SIA INTERVENTION
PREVENTION AND ASSISTANCE	**ASST Santi Paolo e Carlo** Milan	**First aid and intensive care for patients with trauma and craniofacial malformations** Purchase of a video endoscope for flexible intubation
	Fondazione TOG (Together To Go) Milan	**Healthcare for children** One year of rehabilitation therapies for a girl suffering from injuries to the nervous system

COLLABORATIONS WITH UNIVERSITIES AND RESEARCH CENTERS

SIA promotes and sponsors study and research initiatives and projects in the IT, financial and economic sectors, in collaboration with universities and qualified research centers, supporting, among other things, the activities of numerous observatories.

As part of the ongoing collaboration with the Polytechnic of Milan, also in 2019 the Group sponsored and contributed to important investigations on the key issues of digital innovation in businesses and in the Public Administration, conducted by the Digital Innovation Observatories of the School of Management.

SIA also collaborates with CeTIF, the Research Center in Technologies, Innovation and Financial Services of the Catholic University of the Sacro Cuore of Milan which, since 1990, has been carrying out studies and promoting research on the dynamics of strategic and organizational change in the financial, banking and insurance sectors.

The applied research activity involves the financial institutions belonging to CeTIF in periodic working tables aimed at examining strategic issues in greater detail.

Digital Agenda Observatory

It offers Decision Makers interpretative models, tools based on solid empirical evidence and spaces for discussion to implement the opportunities offered by Digital Innovation in relation to some major issues that affect the country's competitiveness (efficiency of the PA, fight against tax evasion, support to development, etc.).

Big Data Analytics & Business Intelligence Observatory

It aims to highlight the strategic value that Business Intelligence and Big Data Analytics methodologies play in companies and in the Public Administration, highlighting the potential advantages related to competitiveness, profitability, timeliness and increase in effectiveness in decision-making processes.

Blockchain & Distributed Ledger Observatory

Its objective is to generate knowledge about the Blockchain phenomenon, on Distributed Ledger systems (which allow the nodes of a network to reach consensus on changes to be made to a distributed register in the absence of a central entity) and, more generally, on the Internet of Value (i.e. digital networks of nodes that transfer digital assets, in the absence of trust, through a system of algorithms and cryptographic rules that make it possible to reach consensus on changes to be made to a distributed register), contributing to the correct development of the Italian market and creating opportunities for meetings and discussions between the main players involved in this topic.

Fintech & Insurtech Observatory

It is the constant point of reference for digital innovation within the Italian financial and insurance ecosystem, in order to better manage the changes taking place.

Internet of Things Observatory

It aims at investigating the real opportunities of the IoT by combining the technological and managerial perspectives, in a context characterized by a lack of clarity on the state of the art of applications, on the enabled benefits and on the expected evolution of the market.

Innovative Payments Observatory

Born from the evolution of the historic Mobile Payment & Commerce Observatory, it studies innovative payment systems for consumers and the additional services connected to them. It therefore intends to analyze all the payment options that go beyond mobile: from biometric payments, to wearable payments, up to those made through connected objects and voice assistants.

CeTIF - DIGITAL BANKING HUB 2019

The program aims to create a community oriented to the development of networking, comparing national and international best practices, and the creation of market benchmarks. CeTIF intends to offer continuous support to the players in the banking market by setting up working groups, seminars and benchmarks. The topics covered will be API Banking Economy, AISP services, AI for Banking Services Automation and Business Analytics & Instant Banking.

MEDIA RELATIONS AND ACTIVITIES

SIA pays great attention to national and international **media relations** and activities, with which it maintains constant and transparent relationships, in a spirit of active collaboration.

In 2019, the activities and channels of communication with the Italian and foreign press were further increased, in particular by consolidating the information flow in Germany and Greece.

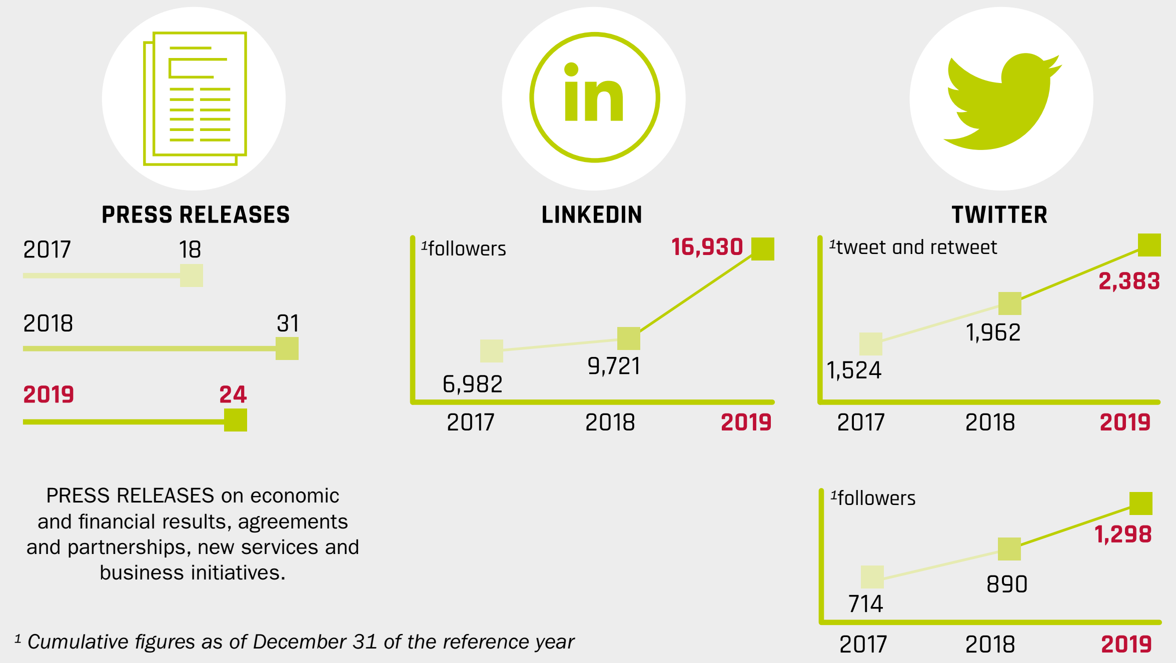
New opportunities for media visibility have been constantly developed through in-depth analyzes and interviews on TV, the web and specialized newspapers based mainly in the UK. Also worthy of note is the creation of specific content and posts for **corporate media channels**, in particular with "live-tweeting" on the occasion of the main sector events in Italy and abroad, such as the EBAday and the Salone dei Pagamenti.

SIA also carries out communication activities on social media through three official accounts:

- **Linkedin** and **XING** (highly developed professional social media in Germany) are the channels through which corporate news is published, mainly aimed at the corporate, institutional and academic sphere, as well as job and internship opportunities within the Group;

- **Twitter** is dedicated in particular to Italian and foreign journalists and media operators, who can obtain information on the company, activities, services and business initiatives, as well as direct updates on the events in which SIA and other Group companies participate.

During 2019, as part of the project to harmonize policies for the new companies, the External Relations Policy was updated and extended to the whole SIA group.



[1] *Cumulative figures as of December 31 of the reference year*

RELATIONS WITH CATEGORY ASSOCIATIONS

As part of an articulated system of relationships, also of an institutional nature, SIA maintains relations with numerous trade associations, of which an indicative list is provided below.

ABE/EBA - ASSOCIATION BANCAIRE POUR L'EURO/EURO BANKING ASSOCIATION

Neutral and supranational European banking association, which addresses the players in the payment system with a pan-European vision and mentality. It supports banks in the migration process to the SEPA system and in other initiatives that require cooperative leverage at European level.

ABI - ASSOCIAZIONE BANCARIA ITALIANA (Italian Banking Association)

It operates by promoting initiatives for the growth of the banking and financial system in a competitive perspective consistent with national and European Union legislation.

ABI LAB

The ABI laboratory proposes itself as an operational tool to support interpretation of the advantages that can derive from using technologies, for the optimization of internal processes and the preparation of new products and services for customers, which banks can use independently, in full protection of their competitive environment.

ACMI - ASSOCIAZIONE CREDIT MANAGERS ITALIA (CREDIT MANAGERS ITALIA ASSOCIATION)

It proposes the promotion and professional development of Credit Management activities and, in particular, dissemination of the figure, protection and growth of the professional skills of the Credit Manager.

ADACI - ASSOCIAZIONE ITALIANA DI MANAGEMENT DEGLI APPROVVIGIONAMENTI (ITALIAN ASSOCIATION OF PROCUREMENT MANAGEMENT)

It promotes the development and knowledge of the purchasing and supply chain management processes to encourage the harmonious integration of the various players in the economic system, it contributes to the development of internal and international trade and favors the professional growth of market demand operators.

AICOM - ASSOCIAZIONE ITALIANA COMPLIANCE (ITALIAN COMPLIANCE ASSOCIATION)

It promotes the culture of compliance and respect for the rules within the financial system, the various industrial sectors and the Public Administration.

AIGI - ASSOCIAZIONE ITALIANA GIURISTI D'IMPRESA (ITALIAN ASSOCIATION OF CORPORATE JURISTS)

Its purpose is the recognition and affirmation of the figure and professional role of corporate lawyers within the corporate context and the business world, as well as the regulation of the related activity, according to the principles of the Articles of Association, of the Code of Conduct of the Association and rules that should be established by national and European Union laws and regulations.

AIIA - ASSOCIAZIONE ITALIANA INTERNAL AUDITORS (ITALIAN INTERNAL AUDITORS ASSOCIATION)

It is the reference association in Italy for Corporate Governance and Control issues; it directs internal control as an instrument of managerial action for the governance of corporate operations, also in order to achieve a fair balance between corporate and individual economic objectives.

AIIC - ASSOCIAZIONE ITALIANA ESPERTI IN INFRASTRUTTURE CRITICHE (ITALIAN ASSOCIATION OF EXPERTS IN CRITICAL INFRASTRUCTURE)

It was created to build and support an interdisciplinary culture for the development of strategies, methodologies and technologies capable of correctly managing these infrastructures especially in crisis situations, in conjunction with exceptional events or following terrorist acts.

AITI - ASSOCIAZIONE ITALIANA TESORIERI D'IMPRESA (ITALIAN ASSOCIATION OF BUSINESS TREASURERS)

Its object is the grouping of corporate finance professionals who are interested in the procedures and techniques of management of the company treasury, with the aim of expanding and updating their knowledge.

AMBROSETTI THE EUROPEAN HOUSE

Association that aims to create value by ensuring professional solutions for Management Consulting, Continuous Update, Research, Summit, Workshops and Forums.

ANALISYS

Association in the field of integrated and accessible web-based software solutions dedicated to the financial world and wealth management.

ANORC - ASSOCIAZIONE NAZIONALE PER OPERATORI E RESPONSABILI DELLA CONSERVAZIONE DIGITALE (NATIONAL ASSOCIATION FOR OPERATORS AND RESPONSIBLE FOR DIGITAL PRESERVATION)

Non-profit association that since 2007 connects and channels the knowledge and needs of companies, public bodies, professionals and experts who operate with different roles in Digitization and Digital Preservation.

AODV - ASSOCIAZIONE DEI COMPONENTI ORGANISMI DI VIGILANZA (ASSOCIATION OF SUPERVISORY BODY COMPONENTS)

It proposes to study the practical application of the Decree, evaluating the implications of the organizational model and how a Supervisory Body can and must act to fulfill its duties without hindering the conduct of business; this Association also intends to develop solutions to common problems, which can evolve into guidelines and best practices in the sector.

APSP - ASSOCIAZIONE ITALIANA PRESTATORI DI SERVIZI DI PAGAMENTI (ITALIAN ASSOCIATION OF PAYMENT SERVICE PROVIDERS)

It aims to spread and encourage the development, information and knowledge of payment institutions and therefore of payment services, as well as to promote cultural activities in this area.

ASSINTEL - ASSOCIAZIONE NAZIONALE IMPRESE ICT (NATIONAL ASSOCIATION OF ICT COMPANIES)
It offers a plurality of services, developed in two specific macro-areas: the ICT area for a complete and articulated vision of the sector, to guide companies in their business through market surveys, conferences and seminars, working groups, special projects, professional training, information. And then the services designed as a concrete support to business management: legal, fiscal and tax assistance, complete coverage of all trade union issues, social security and supplementary healthcare instruments, branches dedicated to the world of lending.

ASSOCHANGE - ASSOCIAZIONE ITALIANA CHANGE MANAGEMENT (ITALIAN ASSOCIATION CHANGE MANAGEMENT)
The mission of Assochange is to raise awareness among top management of the need for change to encourage the country's growth and innovation.

ASSOSIM - ASSOCIAZIONE ITALIANA DEGLI INTERMEDIARI MERCATI FINANZIARI (ITALIAN ASSOCIATION OF STOCK BROKERS)
It represents Italian stock brokers vis-à-vis state bodies and public administrations. Born in 1991, since 2007 it has also represented law firms, consultancy and IT solution development companies, and those that provide services to stock brokers.

BCI – THE BUSINESS CONTINUITY INSTITUTE
Its main purpose is to promote the highest standards of professional skills and commercial ethics in the supply and maintenance of services for business continuity.

CLUB ITALIA - CONTACTLESS TECHNOLOGIES USERS BOARD ITALIA
The non-profit association aims to promote throughout Italy the use of payment and access systems based on smart cards (with microchips), with proximity validation (contactless) integrated with the info-mobility systems.

CLUSIT - ASSOCIAZIONE ITALIANA PER LA SICUREZZA INFORMATICA (ITALIAN ASSOCIATION FOR IT SECURITY)
It promotes awareness, training, continuous professional updating and exchange of information in the area of IT security.

CMG ITALIA - COMPUTER MEASUREMENT GROUP
Its objective is to evaluate the performance of IT systems and the profound implications that these issues have on the management of company information systems and on cost containment.

COMMUNITY CASHLESS SOCIETY
SIA is part of the high-level dialogue platform, promoted by The European House - Ambrosetti, for the dissemination of electronic payments in Italy.

CONSORZIO CBI
It defines the rules and technical and regulatory standards of the CBI service, the CBILL service and the node services in a cooperative context; in addition, it manages the technical connection infrastructure between the consortium members, to allow them to carry out, electronically, the connection and dialogue with customers, with a view to interoperability at national and international level, for the provision of the same services.

CREDIMPEX
Association of people, founded in 1985, it brings together specialists from banks in Italy involved in international trade and also welcomes operators from logistics, law firms and employees of companies who, operating abroad, must necessarily deal with the regulation techniques of international exchanges.

EACHA - EUROPEAN AUTOMATED CLEARING HOUSE ASSOCIATION
It is the technical forum that gathers the 22 main European Clearing Houses; it aims at encouraging the harmonious development of European policies for interoperability based on "open" standards.

EMVCo
It is an association born from the collaboration of the main payment circuits worldwide (Europay, MasterCard, Visa), which have defined a work platform for the development of the specifications that regulate electronic payment applications based on microprocessor cards.

E-MARKET SDIR CERTIFIED

EPSM - EUROPEAN ASSOCIATION OF PAYMENT SERVICE PROVIDERS FOR MERCHANTS
It is an association that brings together network operators, buyers, Internet and mobile payment service providers, manufacturers, processing service providers and payment schemes, whose purpose is to provide a platform for the exchange of news, information and opinions on the European payments market.

EUROPEAN ATM SECURITY TEAM
It focuses on ATM security issues at European level.

EUROPEAN CARDS STAKEHOLDERS GROUP
Multi-stakeholder association that promotes the harmonization of cards in the Single Euro Payments Area (SEPA).

HRC - HUMAN RESOURCES COMMUNITY
It has the mission to offer an exclusive, international and excellent professional environment that allows HR Managers and Managing Directors to create inter-company synergies, develop valuable solutions, increase visibility and network size.

IFSF - INTERNATIONAL FORECOURT STANDARDS FORUM
It is a forum that brings together international retailers and suppliers operating in the oil field.

ISACA - INFORMATION SYSTEMS AUDIT AND CONTROL ASSOCIATION
It represents a centralized source of information and orientation of IT auditing controls (of governance, security, risks and audits) in the field of IT systems.

ISC^2 - INTERNATIONAL INFORMATION SYSTEMS SECURITY CERTIFICATION CONSORTIUM
It is a global leader in the training and certification of cybersecurity professionals throughout their career.

ITALIA4BLOCKCHAIN
It is the first Italian trade association for the study, dissemination and knowledge of blockchain in Italy.

ITASFORUM - SECURITY STUDY CENTER
The non-profit association acts autonomously and independently with the aim of spreading an ever-increasing and updated culture of physical security in the corporate field.

NEXO
The Association promotes the interoperability of card payments, ensures the development, evolution and use of common rules, protects the interests of its member organizations.

OPENPEPPOL
The Association was established in September 2012, after the completion of the pan-European online public procurement project (PEPPOL), with the aim of solving the interoperability problems of e-procurement among different European countries.

OSSIF - CENTRO DI RICERCA SULLA SICUREZZA ANTICRIMINE (ANTI-CRIME SECURITY RESEARCH CENTER)
Its mission is to support banks in choosing effective anti-crime strategies, the definition of which takes into account current legislation, the degree of exposure to predatory risks, technological innovations and experiences gained in Europe and internationally.

THE RULING COMPANIES
It is a non-profit association which aims to promote corporate culture and which today has around 120 member companies from different sectors and sizes, both Italian and multinational. The issues that the Association deals with are: management, strategy and socio-economic scenario.

THE SMART CITY ASSOCIATION ITALY
It is a cultural association for the creation of intelligent cities and the social and economic development of local communities.

E-MARKET SDIR CERTIFIED

SIA AND THE ENVIRONMENT

SIA'S RELEVANT ISSUES FOR THE ENVIRONMENT			
MATERIAL ISSUES	MAIN RISKS (2019)	MANAGEMENT POLICIES AND METHODS (2019)	ACTIONS CARRIED OUT IN 2019
Respect for the environment	✔ Environmental risk	✔ SIA respects the environment in line with the principles of eco-sustainability and is committed to containing / reducing the environmental impacts of its business	✔ Purchase of renewable energy ✔ Separate garbage collection on a voluntary basis ✔ Adoption of a plastic free approach in the workplace ✔ Incentive for sustainable mobility
Efficient management of energy resources	✔ Environmental risk	✔ SIA makes responsible use of energy resources by pursuing eco-efficiency objectives	✔ Continuous monitoring and consumption optimization ✔ Clean energy production with photovoltaic panels

SIA'S APPROACH TO THE ENVIRONMENT

SIA acts in the belief that the environment is a heritage to be protected **in everyone's interest** and, although operating in a sector with limited environmental impacts, it is inspired by the principles of eco-sustainability by applying the best technologies available in order to minimize the effects of its activities on the environment.

In this area too, the Group operates in compliance with the national and regional regulations of the countries where it has a presence, in order to preserve the natural environment for the benefit of future generations.

The corporate strategy on environmental management is dictated by the following principles:

- **safety**
- **saving**
- **recovery and recycling**.

The main areas on which SIA's commitment is focused on reducing the environmental impact of its activities include:

- **energy and water**
- **consumption of materials**
- **sustainable mobility**.

ENERGY CONSUMPTION

The **rational use of energy** and the use of **renewables** are the main levers for the sustainable use of energy sources.

To this end, SIA is very attentive to the technological updating of its IT delivery platforms also with a view to **energy saving**; it has state-of-the-art servers that guarantee not only more reliable and better performing solutions, but also **energy efficiency** that is far superior to that of previous generations.

The use of cloud based solutions (especially for corporate applications) also reduces resource consumption significantly: in fact, these service models are already intrinsically aimed at sharing resources and reusing common infrastructures. Similarly, at a software level, the use of virtualized, containerized (docker) and software defined solutions helps make the most of all the installed hardware infrastructure, reaching ever higher levels of use.

As for the offices, the building of the main office of SIA S.p.A., in Milan, falls into energy class B and is equipped with a 60 kW system consisting of 323 silicon photovoltaic solar panels, for a total of 408 m^2, thanks to which in 2019 **over 72,500 kWh of clean electricity were produced**.

The lighting system is able to decrease electricity consumption by adjusting itself according to the contribution of natural light, detected by special sensors. The DALI (Digital Adjustable Lighting Interface) control system also allows us to automatically switch off the areas that have not been used for more than 20 minutes, minimizing the energy consumption of the bulbs.

An **installation of 8 solar panels** produces thermal energy for heating floors and sanitary water. The system is capable of producing up to approximately 11,150 kWh/year with a significant saving in non-renewable energy resources.

The SIA Group carried out the Energy Diagnosis of some of its offices in 2019, including the head office of the parent company, in order to comply with the indications of Legislative Decree no. 102/2014. Through the Energy Diagnosis it was possible to evaluate the current situation relating to the energy consumption of buildings and identify the points where improvements could be made or energy efficiency raised.

ENERGY CONSUMED WITHIN THE ORGANIZATION[1]

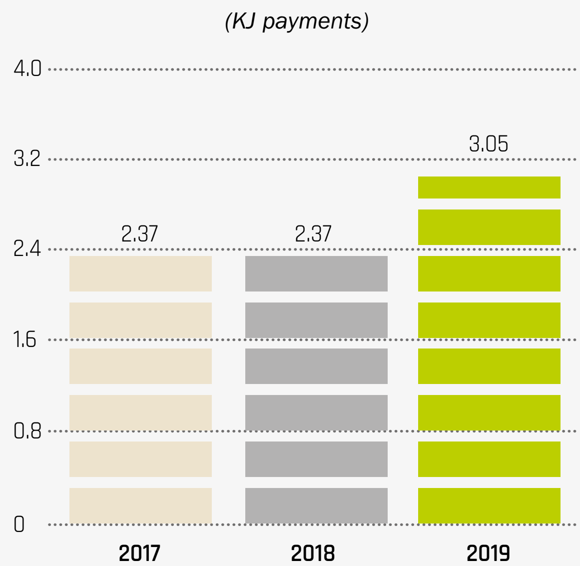
FUELS CONSUMED (GJ)				
	2019	2019 (PERIMETER NFR 18)	2018	2017
Natural gas	7,809	3,187	3,954	4,635
Heating oil	342	-	-	-
Automotive diesel[2]	6,758	6,176	6,128	63
Gasoline	297	297	292	-
Total	**15,206**	**9,660**	**10,375**	**4,698**
ELECTRICITY (GJ)				
	2019	2019 (PERIMETER NFR 18)	2018	2017
Purchased	83,415	61,937	59,729	58,988
(of which) from renewable sources	*39,553*	*39,553*	*39,553*	-
Self-produced	261	261	254	-
Total	**83,677**	**62,199**	**59,984**	**58,988**
TOTAL ENERGY CONSUMPTION (GJ)	**98,883**	**71,858**	**70,358**	**63,687**

[1] *The 2019 figures refer to the whole SIA Group, with the exception of SIAadvisor; for more details please refer to the Methodological Note in this document. The 2018 figures refer to the SIA Group excluding PforCards, SIA Greece, SIA CEE, SIA SEE; the 2017 figures refer to the SIA Group, excluding LM-e (now SIAadvisor) and PforCards.*
Following a refinement of the reporting methodology, the 2018 figures were restated to ensure comparability.
(Sources of conversion factors: Ministry of the Environment and Land and Sea Protection, National Standard Parameters Table, 2018; Department for Environment, Food & Rural Affairs, Conversion factors 2019).
[2] *The figure refers to generators and fuel consumption for automotive use.*

ENERGY ECO-EFFICIENCY INDEX

(KJ payments)

SIA constantly monitors energy consumption. In order to summarize the trend and measure the efficiency of the systems, in accordance with the GRI principles, an index was defined as a ratio between an expression of energy consumption (KJ) of the reference year and the number of payment transactions managed in the same period. The performance of the index over the past three years is summarized in the graph on the side. The change in the 2019 figure is mainly attributable to the expansion of the reporting perimeter following the acquisition in 2018 of companies located in 7 different countries.



SIA'S ENERGY IS GREEN

Starting from 2016, to reduce the environmental impact of its business, SIA has chosen to use green energy; in 2018, 10,987 MWh from biomass were purchased with Guarantees of Origin* to cover the electricity consumption of the main Italian offices.

This made it possible to reduce carbon dioxide emissions by around 4,000 tons. (source: AIB 2019).

** The renewable origin of the sources used is certified by the Guarantee of Origin (GO) certificates of the electricity introduced into the network, issued by the Energy Services Manager in accordance with Directive 2009/28/EC.*

EMISSIONS

SIA S.p.A.'s main office in Milan has a direct expansion air conditioning system and is equipped with an intelligent system that allows requests from different areas of the building to be managed in a targeted way, avoiding waste and with a yield that is four times better than a traditional plant.

Attention to the environment has led SIA to undertake an awareness-raising process on the various issues of pollution, also experimenting with new ways of organizing work and home-office travel, with positive impacts on polluting phenomena due to mobility, such as reducing exhaust gases and noise emissions, as well as fuel consumption.

Advantageous agreements with ATM and Trenord making it possible for employees to pay for bus/train passes in installments through their paycheck, encouraging them to use public transport.

The following table summarizes the greenhouse gas emissions attributable to the internal and external activities of the SIA Group, broken down by reference scope:

- **Scope 1**, includes direct greenhouse gases (GHG) emissions from installations owned or controlled by the SIA Group (e.g. natural gas, diesel, car pool on long-term lease);
- **Scope 2**, includes indirect emissions from energy consumption, or the GHG emissions deriving from electricity, heat and steam imported and consumed by the Group (e.g. electricity);
- **Scope 3**, includes emissions from products and services not controlled by the SIA Group (e.g. business travel).

DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

TYPE OF GHG EMISSION	2019	2018
Direct emissions: Scope 1 (t CO_2e)[1]	996	684
Indirect emissions: Scope 2 (t CO_2) - Location Based[2]	8,678	5,984
Indirect emissions: Scope 2 (t CO_2e) - Market Based[3]	6,481	2,802
Indirect emissions: Scope 3 (t CO_2e)[4]	1,978	1,692

Note:
The 2018 figures refer to SIA S.p.A., Perago FSE, SIA CEE, Ubiq and P4cards.
[1] The figures are calculated on the basis of the DEFRA 2019 coefficients.
[2] Method based on average emission factors relating to the generation of energy for well-defined geographical borders, including local, sub-national or national borders. The 2018 figures have been recalculated on the basis of the conversion factors updated according to the Terna 2019 source, also considered for 2019. Figures expressed in tons of CO_2: the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO_2 equivalent), as can be deduced from the technical literature of reference.
[3] Method based on the use of an emission factor defined on a contractual basis with the electricity supplier. Given the absence of specific contractual agreements between the company and the electricity supplier, the emission factor relating to the national residual mix was used for this approach. The 2018 figures have been recalculated on the basis of the conversion factors updated according to the AIB 2019 Source, also considered for 2019.
[4] The figures refer to SIA S.p.A.'s business trips and the related CO2e estimates are calculated on the basis of the DEFRA 2019 coefficients for air travel and Italian State Railways for train travel.

EMISSIONS OF OTHER GREENHOUSE GASES[1]			
TYPE OF CONSUMPTION	2019	2018	2017
CH_4 (kg)	550	498.38	480.87
N_2O (kg)	9,339	7,910.74	7,724.38

[1] *The figures include the companies SIA S.p.A., SIApay, Emmecom, P4cards Italia and Romania, SIA CEE, SIA SEE and SIA Greece. For 2018, the figures include the companies SIA Greece, SIA SEE and SIA CEE as of September 28.*

SIA FOR MORE SUSTAINABLE MOBILITY

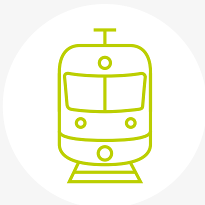
SIA encourages employees in adopting sustainable behaviors and habits for the environment, especially in terms of mobility.

In addition to entering into agreements with ATM and Trenord for discounted season tickets and payment deducted from their paycheck in various installments, from January 1, 2017 SIA recognizes an annual contribution to employees who buy a public transport pass that lasts at least 5 months.

For service mobility, since June 2017, SIA has made available to employees an electric car, which traveled almost 4,000 km in 2019. Charging stations are also available for employee-owned electric cars and they recharged for around 950 kWh during the year.

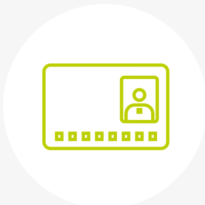
Special agreement

ATM:
250 passes



Trenord /
Io Viaggio in Lombardia:
85 passes

Annual contribution to public transport



410 passes

around **74,000€**

WATER CONSUMPTION

The SIA Group promotes responsible and conscious use of water. This resource is mainly intended for employees' sanitary use.

The Group's water consumption in 2019 was around 40 megaliters. The increase in this figure compared with the previous year (approximately 24 megaliters) is mainly attributable to the extension of the reporting perimeter to the companies acquired in 2018.

The Group mainly uses local municipal aqueducts and local municipal water discharge systems. SIA withdrew more than 60% of its water from the aqueduct, while the rest came from groundwater and/or surface sources.

As regards the withdrawal of water in areas suffering from water stress, the Group uses the Aqueduct tool[1] developed by the *World Resources Institute* to identify areas potentially at risk.

SOURCE OF WITHEDRAWALS U.D.M		WATER WITHDRAWALS BY SOURCE 2019		
		ALL AREAS %	% TOTAL WITHDRAWALS	AREAS WITH WATER STRESS[1]
Surface water (total)	**megaliters**	**2.13**	**5.3%**	**0.00**
Fresh water (≤ 1000 mg /L total dissolved solids)	megaliters	0.00	0.00%	0.00
Other types (> 1000 mg/L total dissolved solids)	megaliters	2.13	5.3%	0.00
Groundwater (total)	**megaliters**	**13.22**	**33.1%**	**1.26**
Fresh water (≤ 1000 mg /L total dissolved solids)	megaliters	13.22	33.1%	1.26
Other types (> 1000 mg/L total dissolved solids)	megaliters	0.00	0.00%	0.00
Sea water (total)	**megaliters**	**0.00**	**0.00%**	**0.00**
Fresh water (≤ 1000 mg /L total dissolved solids)	megaliters	0.00	0.00%	0.00
Other types (> 1000 mg/L total dissolved solids) megali-ters	megaliters	0.00%	0.00	
Process water (total)	**megaliters**	**0.00**	**0.00%**	**0.00**
Fresh water (≤ 1000 mg/L total dissolved solids)	megaliters	0.00	0.00%	0.00
Other types (> 1000 mg/L total dissolved solids)	megaliters	0.00	0.00%	0.00
Third party water (total)[2]	**megaliters**	**24.62**	**61.6%**	**7.33**
Fresh water (≤ 1000 mg/L total dissolved solids)	megaliters	18.12	45.3%	0.83
Other types (> 1000 mg/L total dissolved solids)	megaliters	6.50	16.3%	6.50
Total water withdrawal	**megaliters**	**39.97**	**100%**	**8.59**

[1] *The WRI tool is available online on the web page: https://www.wri.org/our-work/project/aqueduct. The results emerged in the "baseline water stress" column were taken into consideration for the analysis; the categories considered as areas of water stress refer to the "Extremely High" (> 80%) and "High" (40-80%) categorization of the instrument.*

[2] *Third party water: municipal water suppliers and waste water treatment plants and other organizations involved in the supply, transportation, treatment, disposal, or use of water.*

RESPONSIBLE MANAGEMENT OF RESOURCES

In the Milan office, where most of the employees of SIA S.p.A. and SIApay work, the separate collection of some waste materials takes place voluntarily with the positioning of special containers located on each floor, in clearly visible points of the building.

The collection of paper, for which SIA relies on the social cooperative Spazio Aperto Onlus, led in 2019 to recover and recycle **12,090 kg of paper and cardboard**, to which correspond approximately **61 trees saved from felling**. The reduction in the use of paper is the result of initiatives such as the paperless project at the reception of the main office in Milan.

The use of printers concentrated in dedicated and shared spaces, the greater use of the two-sided printing functions and the scanner, as well as the adoption of a dedicated software procedure have led to a change in people's behavior, which has translated into a reduction in paper and toner consumption.

The voluntary separate collection of waste materials that can be recycled produced the following results (SIA Group, excluding P4cards):

Recycling

- **12,090 kg** of paper
- **9,550 kg** of plastics
- **3,980 kg** of glass
- **740 kg** of plastic caps
- **250 kg** of used clothes

PLASTIC FREE OBJECTIVE

In 2019, a Plastic Free approach was adopted at the Milan offices to help protect the environment, by eliminating the consumption of plastic. In particular, in the hot drink dispensers in the break areas, they completely replaced the disposable plastic elements.

The bottles of water inside vending machines and in meeting rooms have been replaced with aluminum cans or glass bottles. At the same time, 16 Green Water distributors were installed, supplying natural, sparkling, ambient-temperature and chilled water.

A water flask was given to each employee at the end of the year.

WASTE MANAGEMENT

SIA complies with all the legal provisions on waste disposal, operating the separate collection of the following materials:

- computer and various goods packaging;
- discarded electrical and electronic equipment (LCD monitors, electrical capacitors, etc.);
- construction or demolition waste related to renovations;
- waste oils;
- lead batteries used in uninterruptible power supplies;
- fluorescent tubes;
- batteries;
- gases from the cooling circuits of air conditioners;
- gases used for automatic fire extinguishing.

E-MARKET SDIR CERTIFIED

PERIMETER OF MATERIAL ASPECTS AND RECONCILIATION WITH THE RELATED TOPIC GRI

AREA	MATERIAL ISSUES	RECONCILIATION WITH TOPIC GRI	PERIMETER OF MATERIAL ISSUES	
			WHERE THE IMPACT HAPPENS	TYPE OF IMPACT
Company and shareholders	Positive economic results	GRI 201: Economic performance	Group	Caused by the Group
	Governance and transparent management	GRI 205: Anti-corruption GRI-206: Anti-competitive practices	Group	Caused by the Group
Customers and users	Easy access to services	N/A	Group	Caused by the Group
	Continuity of service	N/A	Group	Caused by the Group
	Privacy and customer data security	GRI 418: Consumer privacy	Group	Caused by the Group
	Efficient complaint management	N/A	Group	Caused by the Group
	Innovation ability	N/A	Group	Caused by the Group
	Ethics, integrity and compliance	GRI 419: Socio-economic regulatory compliance	Group	Caused by the Group
	Effective and responsible communication	GRI 417: Marketing and labeling	Group	Caused by the Group
	Business growth on international markets	N/A	Group	Caused by the Group
	Customer intimacy	N/A	Group	Caused by the Group
	Relations with the institutions	GRI 415: Public policies	Group	Caused by the Group
Society and community	Indirect economic impacts (induced)	GRI 203: Indirect Economic Impacts	Group	Caused by the Group and to which the Group contributes
	Support to social activities	GRI 413: Local communities	Group	Caused by the Group
Environment	Respect for the environment	GRI 303: Water 2016 GRI 305: Emissions GRI 307: Environmental regulatory compliance GRI 308: Environmental assessment of suppliers	Group, suppliers and commercial partners	Caused by the Group and connected to its activities through business relationships
	Efficient management of energy resources	GRI 302: Energy GRI 305: Emissions	Group	Caused by the Group
Suppliers and partners	Responsible sourcing and supplier evaluation	GRI 414: Social assessment of suppliers GRI 308: Environmental assessment of suppliers	Group, suppliers and commercial partners	Caused by the Group and connected to its activities through business relationships
Employees and collaborators	Protection of work, human rights, diversity and equal opportunities	GRI 403: Occupational Health and Safety GRI 405: Diversity and equal opportunities GRI 406: Non-discrimination	Group, Workforce *	Caused by the Group
	Recruiting new professional skills and developing skills	GRI 404: Training and education	Group	Caused by the Group
	Development of corporate welfare programs	GRI 401: Employment	Group	Caused by the Group
	Creation of jobs	GRI 401: Employment	Group	Caused by the Group

** The Group will do more analysis of the significance of the other non-employee workers, in order to assess the need to collect data from the employers of external collaborators and suppliers who operate at the Group's offices or under the control of the Group, evaluating the quality and accuracy of such data over which it does not exercise direct control.*

GLOBAL REPORTING INITIATIVE CONTENT INDEX

GRI STANDARD	DISCLOSURE	PAGE NUMBERS AND/OR OMISSIONS
GRI 101:Reporting standards (2016)		
GRI 102: General Disclosures (2016)		
Profile of the organization		
102-1	Name of the organization	7
102-2	Activities, brands, products and services	15-16; 35; 46-56
102-3	Location of the main offices	7; 14
102-4	Countries of operation	14
102-5	Ownership structure and legal form	7
102-6	Markets served	18-19; 46-56; 244
102-7	Size of the organization	14; 18-25; 41-61; 82-174; 180-217; 239-240
102-8	Information on employees and workers	71-72; 256-258
102-9	Supply chain	18-19; 244; 273-276
102-10	Significant changes in the organization and its supply chain	16-17; 26; 235
102-11	Methods of applying the principle or prudential approach	63-70; 238; 241-242; 255; 273; 277; 286
102-12	External initiatives	278-285
102-13	Membership in Associations	282-285
Strategy		
102-14	Top management statement	4-5
102-15	Main impacts, risks and opportunities	63-70; 238; 241-242;255; 273; 277; 286
Ethics and integrity		
102-16	Values, principles, standards and rules of conduct	15
102-17	Reporting mechanisms on ethics issues	27-29
Governance		
102-18	Governance structure	13; 26-29
102-20	Responsibility for economic, environmental and social issues	234
102-21	Consultation of stakeholders on economic, environmental and social issues	235-237
102-22	Composition of the highest governing body and its committees	13; 26-29
102-23	Chairman of the highest governing body	13; 27-28
102-24	Appointment and selection processes for members of the highest governing body and committees	26-29
102-25	Conflicts of interest	27; 29; 63-65; 164-165
102-26	Role of the highest governing body in the development of goals, values and strategies	26-29
102-30	Effectiveness of the risk management process	63-69
Involvement of stakeholders		
102-40	List of stakeholder groups	237
102-41	Collective bargaining agreements	260
102-42	Stakeholder identification and selection process	235-237
102-43	Approach to stakeholder involvement	235-237
102-44	Key topics and critical issues that emerged	237-292
Reporting process		
102-45	List of companies included in the consolidated financial statements	235-236
102-46	Definition of the report contents and perimeter of each aspect	292
102-47	List of material aspects	237-292

GRI STANDARD	DISCLOSURE	PAGE NUMBERS AND/OR OMISSIONS
102-48	Changes compared with the previous financial statements	235-236
102-49	Significant changes in reporting	235-236
102-50	Reporting period	235-236
102-51	Date of publication of the most recent report	235-236
102-52	Reporting periodicity	235-236
102-54	Statement on the reporting option according to the GRI Standards	235-236
102-55	GRI table of contents	235-236
102-56	External attestation	293-298
102-56	Attestazione esterna	300-301
Topic-specific standard		
	ECONOMIC	
Economic performance		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	238-240
103-3	Evaluation of the management approach	238-240
GRI 201: Economic performance (2016)		
201-1	Direct economic value generated and distributed	239-240
Indirect economic impacts		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	277-285
103-3	Evaluation of the management approach	277-285
GRI 203: Indirect Economic Impacts (2016)		
203-1	Development and impact of investments in infrastructure and utilities	277-285
Anti-corruption		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	26-29; 238
103-3	Evaluation of the management approach	26-29; 238
GRI 205: Anti-corruption (2016)		
205-3	Corruption episodes encountered and corrective actions implemented	There weren't detected any corruption incidents in 2019
Anti-competitive behavior		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	26-29; 238
103-3	Evaluation of the management approach	26-29; 238
GRI 206: Anti-competitive behavior (2016)		
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	There weren't any legal disputes in 2019
	ENVIRONMENTAL	
Energy		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	286-288
103-3	Evaluation of the management approach	286-288

GRI STANDARD		DISCLOSURE	PAGE NUMBERS AND/OR OMISSIONS
GRI 302: Energy (2016)			
	302-1	Energy consumption within the organization	287
	302-3	Energy intensity ratio	287
Water			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	286; 289
	103-3	Evaluation of the management approach	286; 289
GRI 303: Water (2018)			
	303-1	Interaction with water as a shared resource	286; 290
	303-2	Management of impacts related to the discharge of water	Not applicable
	303-3	Water withdrawal	290
Emissions			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	286; 288
	103-3	Evaluation of the management approach	286; 288
GRI 305: Emissions (2016)			
	305-1	Direct greenhouse gas emissions (Scope 1)	288-289
	305-2	Greenhouse gas emissions for energy production (Scope 2)	286; 288-289
	305-3	Other indirect greenhouse gas emissions (Scope 3)	286; 288-289
Compliance with environmental regulation			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	286
	103-3	Evaluation of the management approach	286
GRI 307: Compliance with environmental regulation (2019)			
	307-1	Non-compliance with environmental laws and regulations	There weren't identified any cases of non-compliance with environmental laws and regulations in 2019
Environmental assessment of suppliers			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	64; 273-276
	103-3	Evaluation of the management approach	64; 273-276
GRI 308: Environmental assessment of suppliers (2016)			
	308-1	New suppliers that have been evaluated according to environmental criteria	276
		COMMUNITY	
Employment			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	71-72; 255-259; 268-272
	103-3	Evaluation of the management approach	71-72; 255-259; 268-272

E-MARKET SDIR CERTIFIED

GRI STANDARD		DISCLOSURE	PAGE NUMBERS AND/OR OMISSIONS
GRI 401 Employment (2016)			
	401-1	Staff recruitment rate and turnover	259
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	268-270
	401-3	Parental leave	262
Occupational Health and Safety			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	68; 255; 266-268
	103-3	Evaluation of the management approach	68; 255; 266-268
GRI 403: Occupational Health and Safety (2018)			
	403-1	Occupational health and safety management system	266-268
	403-2	Hazard identification, risk assessment and accident investigation	68; 255; 266-268
	403-3	Occupational health services	266-268
	403-4	Participation and consultation of workers and communication on health and safety at work	266-268
	403-5	Worker training on health and safety at work	266-268
	403-6	Promotion of workers' health	266-268
	403-7	Prevention and mitigation of workplace health and safety impacts within commercial relationships	266-268
	403-9	Accidents at work	266-268
Training and education			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	255; 262-266
	103-3	Evaluation of the management approach	255; 262-266
GRI 404: Training and education (2016)			
	404-1	Average hours of annual training per employee	263
	404-3	Percentage of employees receiving regular performance and career development assessments	266
Diversity and equal opportunities			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	255-258; 261-262
	103-3	Evaluation of the management approach	255-258; 261-262
GRI 405: Diversity and equal opportunities (2016)			
	405-1	Diversity of employees and governing bodies	27; 255-258
	405-2	Ratio of basic salary and remuneration of women to men	262
Non-discrimination			
GRI 103: Management approach (2016)			
	103-1	Indication of the scope of consolidation for each material aspect	292
	103-2	Management approach and its components	255-262
	103-3	Evaluation of the management approach	255-262
GRI 406: Non-discrimination (2016)			
	406-1	Discrimination episodes and corrective actions implemented	There have been no episodes of discrimination

GRI STANDARD	DISCLOSURE	PAGE NUMBERS AND/OR OMISSIONS
Local communities		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	277-285
103-3	Evaluation of the management approach	277-285
GRI 413: Local communities (2016)		
413-1	Operations with local community engagement, impact assessments, and development programs	277-285
Social assessment of suppliers		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	64; 273-276
103-3	Evaluation of the management approach	64; 273-276
GRI 414: Social assessment of suppliers (2016)		
414-1	New suppliers evaluated on the basis of social criteria	276
Public policies		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	241-254
103-3	Evaluation of the management approach	241-254
GRI 415: Public policies (2016)		
415-1	Total value of political contributions	SIA's activities do not provide funding for political parties
Marketing and labeling		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	241-254
103-3	Evaluation of the management approach	241-254
GRI 417 Marketing and labeling (2016)		
417-3	Incidents of non-compliance concerning marketing communication	During 2019 there were no cases of non-compliance with regulations and voluntary codes relating to marketing communication
Consumer privacy		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	65; 70; 249-250
103-3	Evaluation of the management approach	65; 70; 249-250
GRI 418: Consumer privacy (2016)		
418-1	Documented complaints relating to privacy violations and loss of customer data	During 2019 there were no complaints relating to the privacy and management of customer data

GRI STANDARD	DISCLOSURE	PAGE NUMBERS AND/OR OMISSIONS
Socio-economic regulatory compliance		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	238; 241-254
103-3	Evaluation of the management approach	238; 241-254
GRI 419: Socioeconomic compliance (2016)		
419-1	Non-compliance with laws and regulations in the social and economic area	During 2019, no significant sanctions were received for non-compliance with laws or regulations
Easy access to services		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	241-254
103-3	Assessment of the management approach	241-254
Continuity of service		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	241-254
103-3	Assessment of the management approach	241-254
Efficient complaint management		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	241-254
103-3	Assessment of the management approach	241-254
Ability to innovate		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	241-254
103-3	Assessment of the management approach	241-254
Business growth on international markets		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	241-254
103-3	Assessment of the management approach	241-254
Customer intimacy		
GRI 103: Management approach (2016)		
103-1	Indication of the scope of consolidation for each material aspect	292
103-2	Management approach and its components	241-254
103-3	Assessment of the management approach	241-254

REPORT OF THE INDEPENDENT AUDITORS

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INDEPENDENT AUDITOR'S REPORT ON THE NON-FINANCIAL REPORT

To the Board of Directors of
SIA S.p.A.

We have carried out a limited assurance engagement on the Non-Financial Report of SIA Group (hereinafter also the "Group") as of December 31, 2019.

Responsibility of the Directors for the Non-Financial Report

The Directors of SIA S.p.A. are responsible for the preparation of the Non-Financial Report in accordance with the "*Global Reporting Initiative Sustainability Reporting Standards*" established by GRI – *Global Reporting Initiative* ("GRI Standards"), as stated in the paragraph "Methodological Note" of the Non-Financial Report.

The Directors are also responsible, for such internal control as they determine is necessary to enable the preparation of the Non-Financial Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the definition of the Group's objectives in relation to the sustainability performance, for the identification of the stakeholders and the significant aspects to report.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the Non-Financial Report with the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "ISAE 3000 *Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the Non-Financial Report is free from material misstatement.

Deloitte.

Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 *Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on the Non-Financial Report are based on our professional judgement and included inquiries, primarily with Company personnel responsible for the preparation of information included in the Non-Financial Report, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1) analysis of the process relating to the definition of material aspects disclosed in the Non-Financial Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;
2) comparison between the economic and financial data and information included in the chapter "Economic value created and distributed" of the Non-Financial Report with those included in the Group's consolidated financial statements;
3) understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the Non-Financial Report.
   In particular, we carried out interviews and discussions with the management of SIA S.p.A. and with the employees of New SIA Greece S.A. and we carried out limited documentary verifications, in order to gather information about the processes and procedures, which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the Non-Financial Report.

   In addition, for material information, taking into consideration the Group's activities and characteristics:

   - at the Group's level:

     a) with regards to qualitative information included in the Non-Financial Report, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
     b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

   - for SIA S.p.A. and New SIA Greece S.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level, we carried out site visits, during which we have met the management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

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Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Non-Financial Report of SIA Group as of December 31, 2019 is not prepared, in all material aspects, in accordance with the GRI Standards as stated in the paragraph "Methodological Note" of the Non-Financial Report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Milan, Italy
April 20, 2020

This report has been translated into the English language solely for the convenience of international readers.

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Art work: Briefing Milano s.a.s.
Typeset: ABgrafica and Briefing Milano s.a.s.

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SIA S.p.A.
Registered and main offices
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