E-MARKET SDIR CERTIFIED

Management Report and Financial Statements as at December 31, 2020

SIA

The Network of Excellence

Letter to the Shareholders

Ladies and Gentlemen,

The year that has just ended was inevitably characterized by the health emergency triggered by the COVID-19 pandemic and its impact on society and the economy; the estimates provided in January 2021 by the International Monetary Fund forecast a decrease in global GDP of 3.5% in 2020 and a recovery of 5.5% in 2021. The impact of the pandemic on the global economy has led to less severe repercussions than those expected at the start of the pandemic, thanks to a strengthening of trends since the summer. However, its protracted nature has led to a divergence between countries in the future outlook: in June 2020, the International Monetary Fund's own estimates predicted a -5.2% decline in GDP for 2020 and a +5.4% recovery for 2021. 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 context difficulties on the European and international scene, 2020 was another record year for the SIA Group in terms of its financial and business results, and the SIA Group confirmed the solidity of the financial performance.

The economic results for the 2020 financial year show an improvement in profitability and in fact consolidated revenues reached approximately 762 million euro, an increase of approximately 25 million euro (+3.4%) compared to 2019, thanks to the positive performance mainly of the Parent Company SIA and the subsidiary P4cards, while the adjusted operating margin amounted to approximately 274 million euro, an increase of approximately 16 million euro (+6.1%) on 2019: the increase in core revenues contributed to this result, despite the fact that there were higher variable costs incurred during the year as a result of the increase in volumes and business initiatives and non-recurring costs attributable to the extraordinary transactions that affected the Group. Net income before taxes amounted to approximately 39 million euro, a significant decrease compared to 2019 (123 million euro), due to the adjustments to consolidated goodwill related to SIA Greece and the provisions for risks and charges of the subsidiary P4cards related to certain profiles concerning the services provided to the UniCredit Group in the period 2016 - 2020. As a result of the above, the profit for the year amounted to approximately 17 million euro (approximately 95 million euro at December 31, 2019). In the absence of the extraordinary items, also taking into account the related tax effect, it would have amounted to an estimated value of approximately 99 million euro, higher than the previous year.

At a geographical level, the turnover achieved in Italy is equal to 522 million euro, an increase of about 21 million euro (+4.1%) compared with 2019, while the foreign contribution came to about 237 million euro, an improvement compared to about 232 million euro in 2019 (+2.05%) thanks to the consolidation of the internationalization policy pursued by the Group in recent years; in particular, in 2020 SIA maintained its position as the leading 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 digital payments sector.

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

During 2020, operating net investments were made for about 93 million euro (of which about 27 million euro under lease), above all for the development of new strategic projects and technological infrastructures. The Group significantly reduced its net debt by 15%, from 812 million euro in 2019 to 689 million euro at December 31, 2020.

In terms of employment, at December 31, 2020, the Group had 3,660 employees, an increase of 3% compared to the previous year. The average age of employees is 44 years and females account for around 43% of the total.

For some years SIA has been involved in a process that has seen growing attention being given to issues of sustainability and corporate social responsibility. In this perspective, SIA has 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. 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.

On February 11, 2021, following approval by the Boards of Directors of Cassa Depositi e Prestiti, CDP Equity, Mercury UK, SIA and Nexi, the final agreement relating to the merger by incorporation of SIA into Nexi was signed; the closing of the merger is subject to the fulfillment of certain standard conditions precedent for transactions of this type, including the obtaining of the relevant authorizations, also of the competent Antitrust Authority. With this transaction, which is expected to be completed according to plan during the third quarter of this year, the Group will become part of the PayTech leader in Italy and, thanks to the announced combination with Nets, also in Europe.

The Chairman of the Board of Directors

Federico Lovadina

Contents

Key figures and indicators of the SIA Group[1]

Thousands of euro	31/12/2020	31/12/2019	31/12/2018
Main economic results			
Total reclassified revenues	748,166	731,935	615,191
of which:			
Card & Merchant Solutions	*499,020*	*487,293*	*378,840*
Digital Payment Solutions	*156,444*	*152,186*	*146,184*
Capital Market & Network Solutions	*92,701*	*92,454*	*90,167*
Adjusted operating margin	273,505	257,899	201,387
Adjusted EBITDA	284,522	275,720	222,131
Operating income	55,011	138,120	117,852
Net income before taxes	39,176	122,624	105,826
Net income attributable to the Group	16,829	95,281	76,416
Main financial results			
Net Working Capital	152,302	166,287	100,926
Fixed Assets	974,304	1,045,997	1,005,001
Net Invested Capital	1,020,882	1,129,514	1,009,665
Net Financial Debt	688,609	812,381	723,929
Group Shareholders' Equity	332,273	317,133	285,731
Main performance indicators			
ROE	5.1%	30.0%	26.7%
ROI	5.4%	12.2%	11.7%
Adjusted operating margin/Reclassified revenues	36.8%	35.4%	32.8%
EBITDA margin/Reclassified revenues	22.5%	34.1%	31.7%
Adjusted EBITDA margin/Reclassified revenues	38.2%	37.9%	36.2%
Operating income/Reclassified revenues	7.4%	19.0%	19.2%
Total assets/Shareholders' equity	4.52	4.75	4.85
Current assets/Current liabilities	1.14	1.10	1.33
Cash and cash equivalents/Current liabilities	0.37	0.24	0.34
Purchases of owned tangible assets	13,091	19,084	20,496
Purchases of intangible assets	53,467	57,491	33,277
Purchases of leased tangible assets	26,363	14,402	1,277
Cash flow of the period	63,955	2,783	33,303
Structure indicators			
Workforce (year-end)	3,660	3,551	3,465
Workforce (average)	3,619	3,504	2,427

[1] The statement of profit or loss and balance sheet indicators were constructed using the reclassified figures shown in the management report; in the calculation of net investments in tangible assets under finance lease at December 31, 2019, the impact arising from the first-time application of IFRS 16 was excluded, which had led to the recognition of tangible assets of 61 million euro; in addition, the figures at December 31, 2018 were restated to take into account the net assets identified following the 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.

Corporate positions

Board of Directors (*)

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

(*) The term of office of the entire Board of Directors, which expired with the approval of the financial statements for the year ended December 31, 2019, was confirmed on an extended basis by the Shareholders' Meeting of May 11, 2020.

Board of Statutory Auditors

Chairman	Mariangela Brunero
Standing Auditors	Fabrizio Bianchi
	Luigi Soprano
Alternate Auditors	Franca Brusco
	Antonia Coppola

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.

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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.

Group Management Report at December 31, 2020

Evolution of the macroeconomic context[2]

The gradual slowdown in the global economy already seen in 2019 continued in 2020. The COVID-19 pandemic, which began in the first quarter of the year, has contributed to worsening the negative trend already underway: estimates provided by the International Monetary Fund predict a 3.5% decrease in global GDP in 2020.

The impact of the pandemic on the global economy was less severe than the International Monetary Fund had forecast in June (-5.2%) thanks to the strengthening of economic fundamentals during the summer 2020.

More than 10 years after the sub-prime mortgage financial crisis, the world is facing a new deep crisis with significant health and economic effects. By the end of September 2020, there were more than 33 million infected people worldwide and more than 1 million deaths from the beginning of the year. In some countries, such as France, Spain, Australia and Japan, after a slight general slowdown during the summer period, the virus has returned to spreading rapidly; in other countries, however, such as the United States, Latin America, India and South Africa, the number of infections has never slowed down. In general, there was strong support of the economy by institutions: interventions in advanced economies amounted to more than 20% of GDP, while in emerging and developing countries, measures to support the economy by institutions amounted to 6%.

At aggregate level, advanced economies experienced a 4.9% decline in GDP in 2020. All the countries recorded a substantial improvement compared to the forecasts made in June (+3.1%) as a result of the recovery that occurred over the summer and of the economic aid measures adopted by governments. The U.S. reports a 3.4% year-over-year decline in GDP, bucking the growth trend seen in 2019 (+2.2%). The Euro Area did not maintain in the last quarter the positive trend recorded in the summer months, closing the year with a reduction of 7.2% of GDP reversing the growth trend of 2019 (+1.3%). The deceleration of economic growth did not spare the emerging countries either, where GDP contracted by 2.4% at aggregate level. Globally, China experienced the strongest growth during 2020 thanks to a strong recovery after a contraction in the first quarter. The growth of the Chinese economy drove the entire Asian area, where the lowest decrease in the year was recorded (-1.1%). Among the emerging countries, the decline in the Indian (-8% in 2020) and Mexican (-8.5% in 2020) economies, already down 0.1% in 2019, weighs most heavily.

Among the factors that have most affected economic trends in the Euro Area are the restrictive measures taken in response to the COVID-19 pandemic, which had repercussions not only on internal demand and

[2] Sources:
"Economic Bulletin no. 1", January 2021, Bank of Italy
"Economic Bulletin no. 8", January 2021, European Central Bank
"Eurosystem staff macroeconomic projections for the euro area", December 2020
"World Economic Outlook," June, October 2020, January 2021, International Monetary Fund
"European economic forecast, Autumn 2020", November 2020, European Commission

productivity, but also on the financial markets, resulting in a steady decline in inflation levels (-0.2% in 2020).

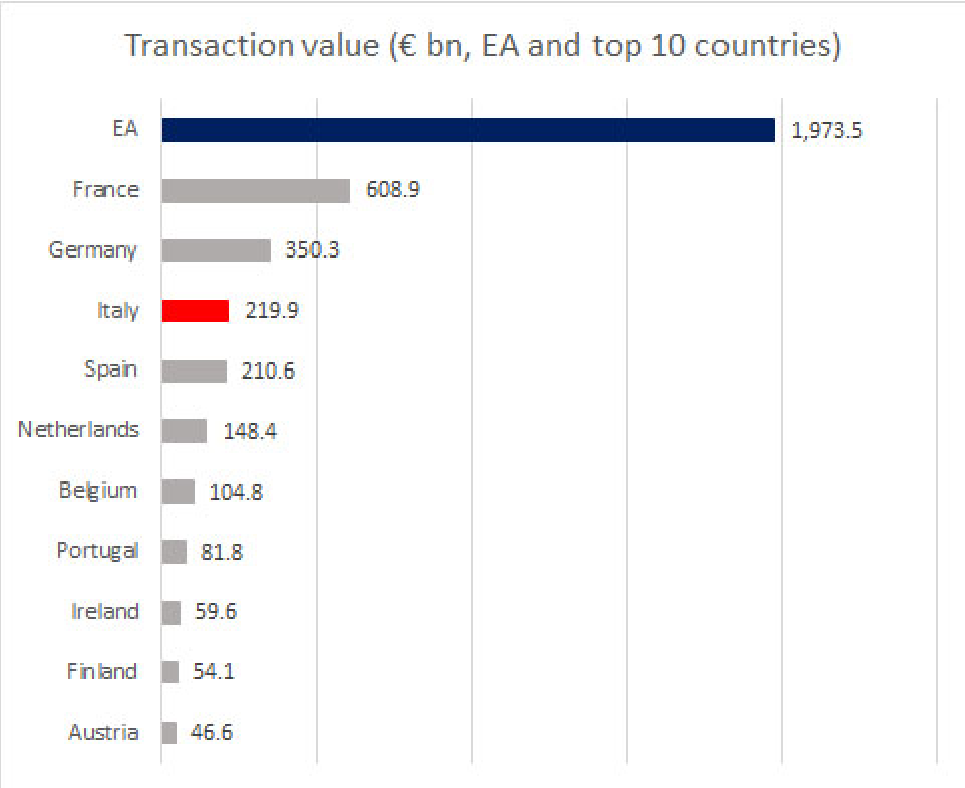
In Italy in the first months of the year, a recovery phase was underway compared to 2019, driven by a strong rebound in industrial production and foreign trade, which was however followed by a drastic collapse caused by the COVID-19 pandemic. Following a fall in GDP in the first and second quarters (-5.5% and -13% respectively compared to the previous period), in line with the Euro Area, a recovery was recorded in the third quarter (+15.9%), resulting in a 9.2% fall in GDP at the end of the year. The picture of our country shows a situation of strong contraction in demand, driven by the collapse of household consumption and investments, against an increase in public spending: the labor market has recorded significant criticalities, mitigated during the year by the use of the redundancy fund (CIG).

Situation and prospects of the electronic payments market[3]

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 13% from 2015 to 2019, coming in at 61 transactions per head.

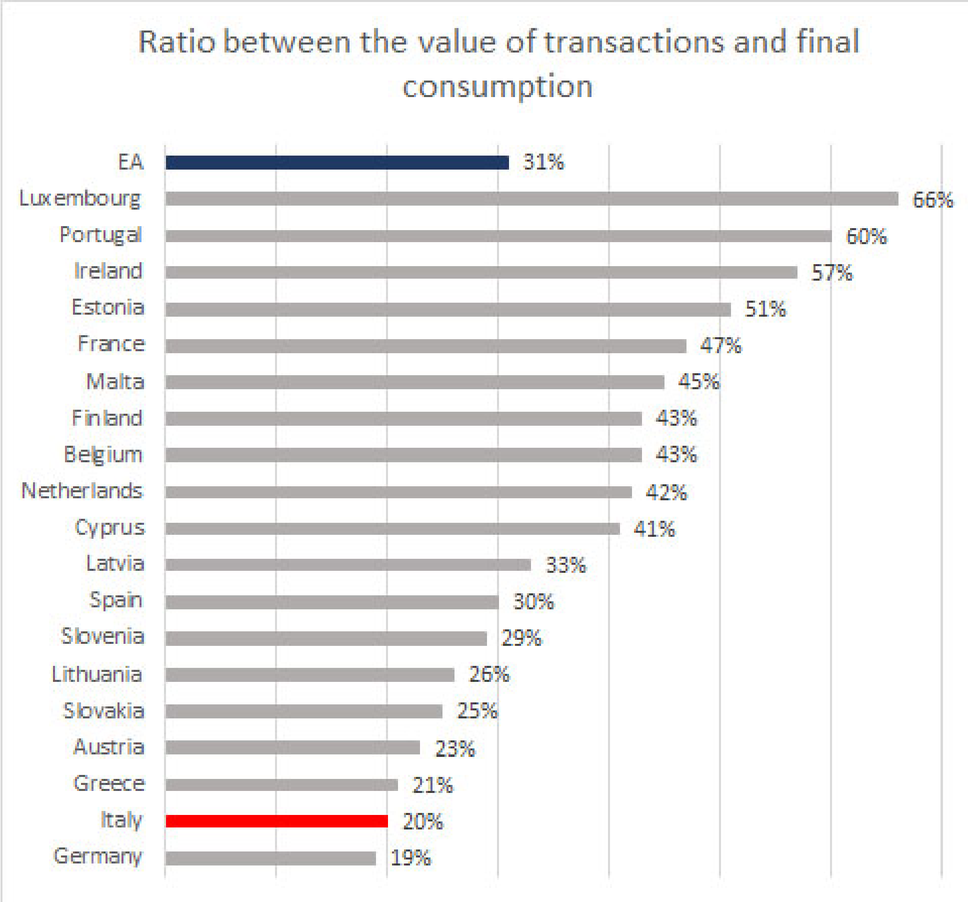
Although higher than the average growth in the Euro Area (11.6%), the Italian benchmark lags far behind the European average, which reached 136 card transactions per capita in 2019. The forecast increase in card payment volumes in Italy in the period 2020-2023 is lower than that of the Euro Area (+4% compared to +6.2%). The main cause is the persistent propensity of Italians to use cash for purchases (in 2019, cash was used in around 80% of payments), despite the acceptance network being among the most extensive in Europe (around 3.6 million POS in Italy, or 31% of all payment terminals in the Euro Area).

Considering the estimate on Italian households for 2019 provided by Eurostat, the incidence of spending through card payment instruments was around 20%. This figure is in line with Germany (19%), but a long way away from France and Belgium (respectively 47% and 43%) and drastically different from Northern European countries (Denmark 56%), Ireland (57%) and especially from Portugal (60%).



Source: Payments Statistics, 2019, ECB

[3]Sources: Database Global Data, ECB, Payment Statistics (Full report) 2019, Eurostat



Sources: Payments Statistics, ECB, 2019; Final consumption expenditure of households and NPISH at current prices, 2019, Eurostat.

Group profile

The SIA Group is a European leader in the design, manufacture and management of infrastructures and technological services aimed at Financial Institutions, Central Banks, Companies and the Public Administration in the areas of payments, cards, network services and capital markets.

The SIA Group provides services in 51 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.

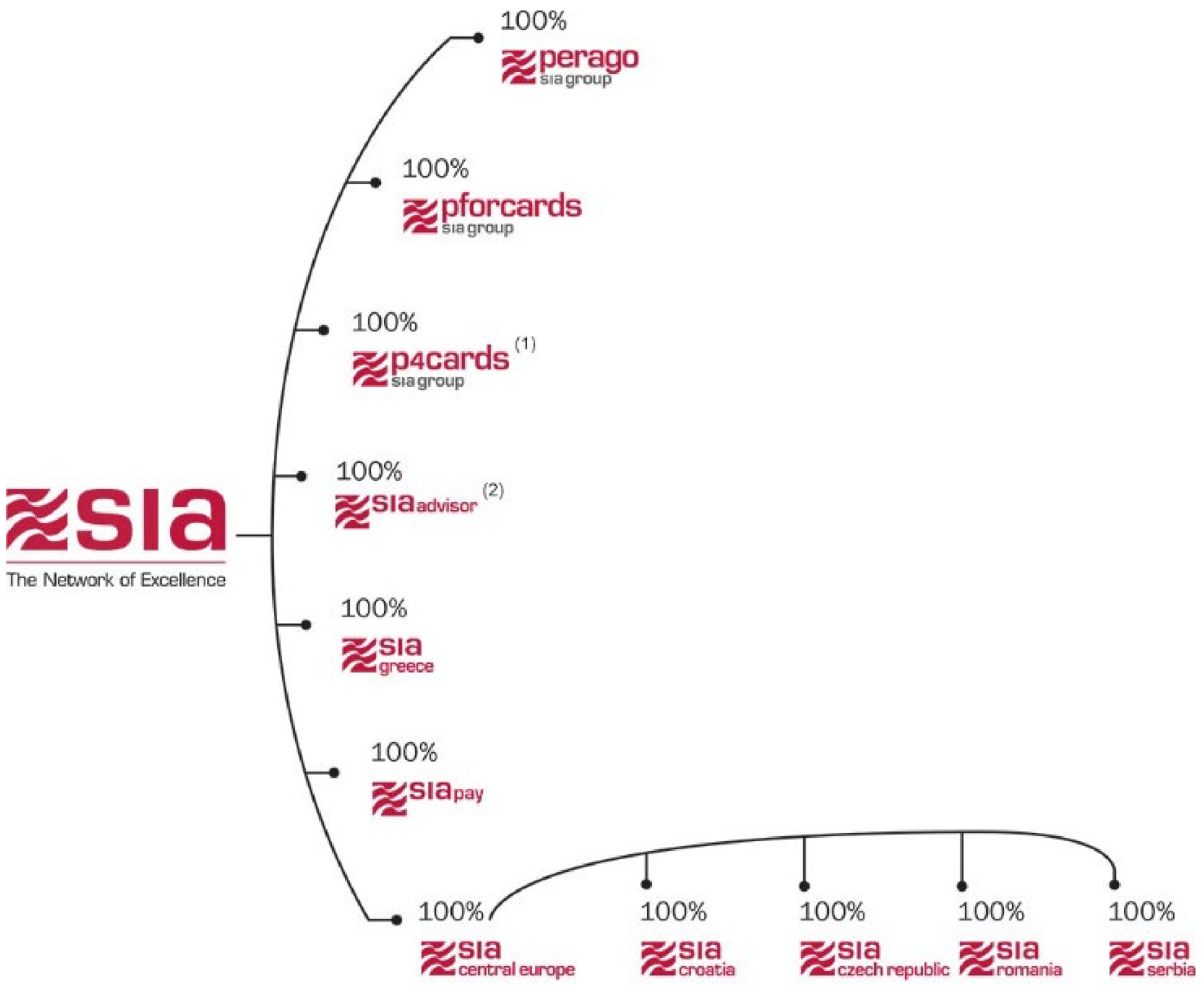
Our mission

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, 2020



(1) Effective 1 January 2021, P4cards S.r.l. was merged by incorporation into SIA S.p.A.
(2) In November 2020, SIA S.p.A. completed the acquisition of the shares in the share capital of SIAadvisor S.r.l. with the remaining 49%.

The companies in liquidation Consorzio QuenIT and DMAN are not represented in the above graph.

SIA: a history of innovation

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 auto-mation of the Borsa Italiana markets and in launching Italian wholesale markets: MID and MTS.
The first projects involving payment cards are launched: Bancomat and PagoBan-comat, 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
→ SoftPOS/SmartPOS for payment acceptance
→ Digital Onboarding
→ RTGS system in Canada and Instant Payment system in Iceland
→ Digital platform based on Blockchain technology for:
- end-to-end management of bank sureties
- interbank tick process
- custody of digital assets

→ PagoPA Cashback project

SIA Group Customers

Group customer segments

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

Main operating volumes 2020 (on 2019)

CARD & MERCHANT SOLUTIONS

17.3 billion transactions
(+5%)

DIGITAL PAYMENT SOLUTIONS

18.3 billion transactions
(+12%)

Over 4,800 EBA STEP2 participants

CAPITAL MARKET & NETWORK SOLUTIONS

3.6 terabytes carried on the network **(-19%)**

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

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

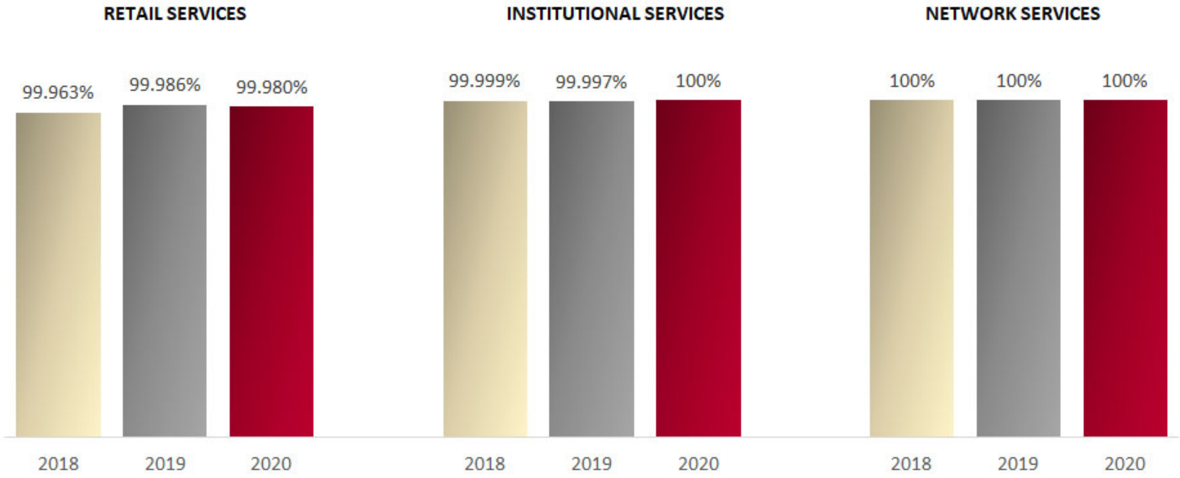
100% service availability

Over 209,000 km of fiber on the SIAnet

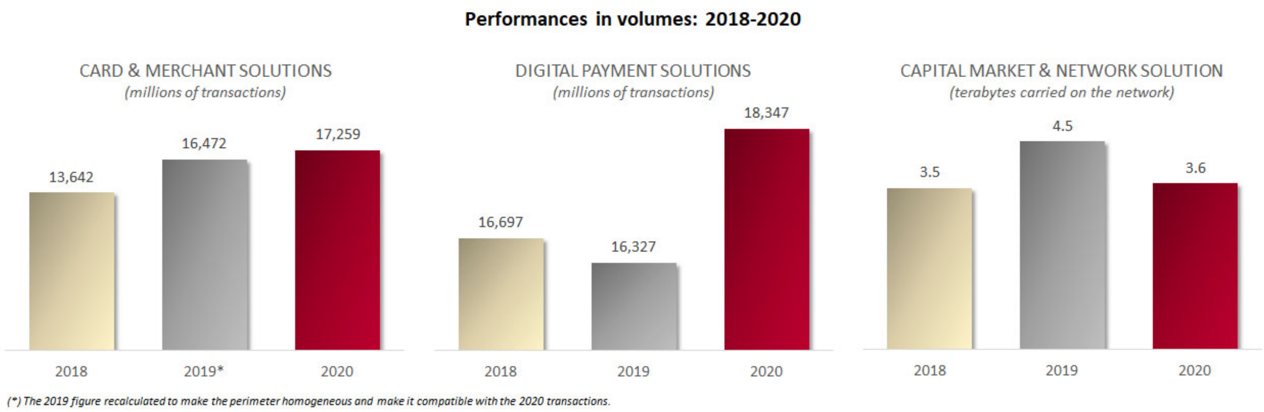
119 network nodes on SIAchain

38 trading venue and over **594** clients connected to the Financial Ring

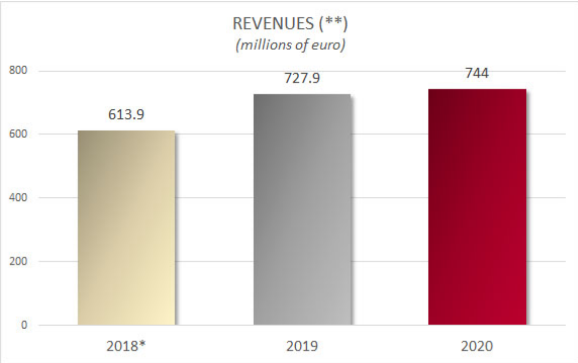
Service levels

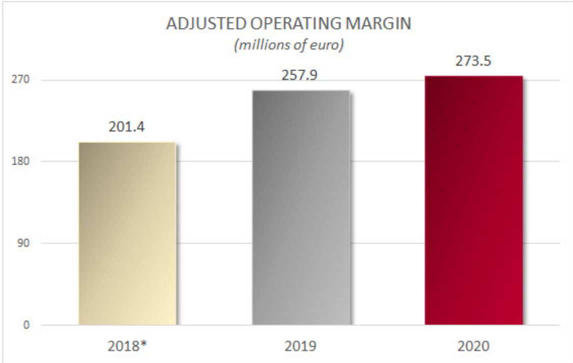


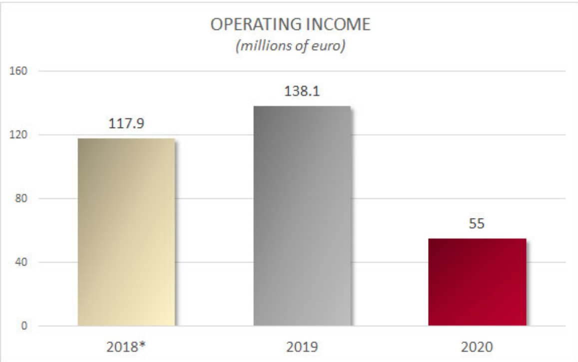
Volumes of invoiced transactions and Terabytes carried on the network

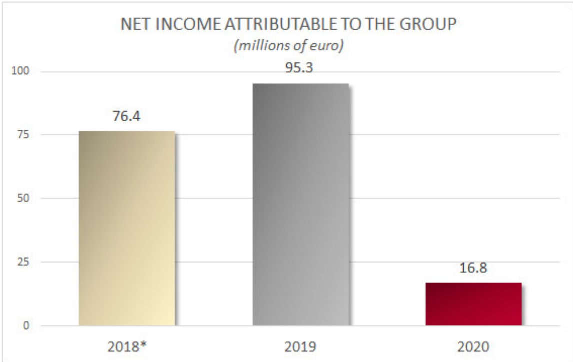


Summary of the consolidated results of the SIA Group



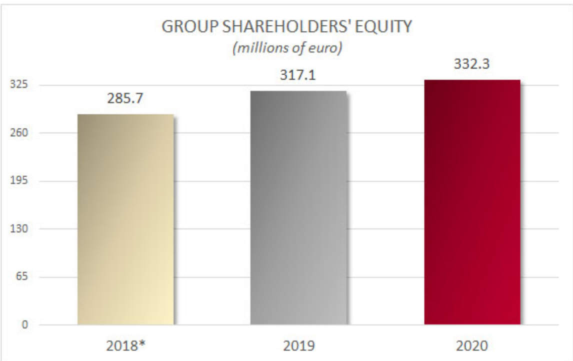


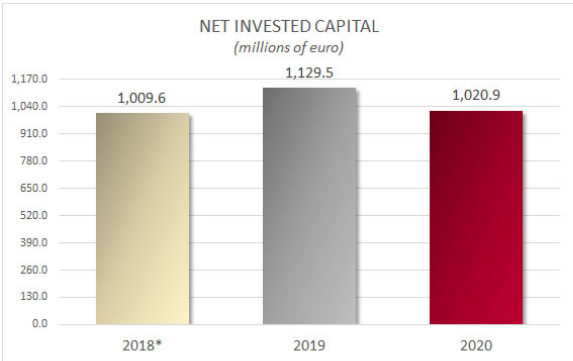


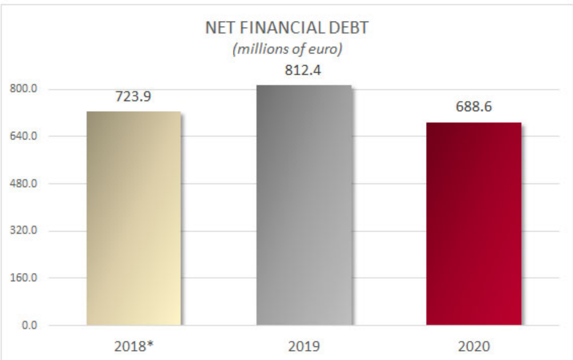


(*) The values at December 31, 2018 have been restated to take into account the net assets identified following the completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018. Therefore, said values had not been included in the financial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

(**) The values of revenues at December 31, 2020, December 31, 2019 and December 31, 2018 consider the net value of the commissions received by the subsidiary SIApay (payment institution), while in the consolidated financial statements, commission income is included under Revenues for services and commission expense under Costs for services.







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

Activities and positioning of the SIA Group

In continuity with 2019, in 2020, the Group confirmed its positioning as a leading operator in electronic transaction processing and European service infrastructure management, in the Card & Merchant Solutions, Digital Payment Solutions, Capital Market & Network Solutions markets. The Group provides its services to customers in more than 50 countries across Europe, the Middle East, Africa and Oceania. SIA was able to enhance the value of its distinctive characteristics, more specifically:

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

Quality, reliability, safety, solidity and innovation are the guidelines for all of the Group's activities. The SIA Group continues to consider the pursuit of excellence to be a key factor in its success in increasingly competitive markets, and at the base of the core values of the company, embraced by all staff, i.e.:

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

Significant events during the year

The main events that took place in 2020 are as follows:

- On January 1, 2020, the intercompany mergers by incorporation became effective of the company Emmecom into SIApay and of the companies SIA Central Europe Zrt. and SIA Hungary Kft. into SIA Slovakia a.s., which changed its name to SIA Central Europe, a.s.; the latter set up a branch in Hungary called SIA Central Europe a.s. - Hungarian branch.
- On February 6, 2020, the SIA Board of Directors approved the new 2020-2022 Business Plan for the SIA Group and resolved to start the process aimed at listing the company's ordinary shares on the Mercato Telematico Azionario (electronic stock market), organized and managed by Borsa Italiana. This process faded due to the successful outcome of negotiations for a merger with Nexi, as indicated below.
- In February 2020, SIA and Swedbank signed a partnership to enable the bank, a leader in Sweden, Estonia, Latvia and Lithuania, to make instant payments by connecting to RT1, the EBA Clearing pan-European system, thanks also to the connection to the real-time payment platform of TietroEVRY, a leading digital services and software company. SIANet, a fiber-optic network infrastructure that meets security, reliability and performance requirements, has already enabled Swedbank customers to make more than 30 million instant payments. The partnership will enable all players in the European financial system to access TARGET2 and TIPS payment settlement platforms, as well as TARGET2-Securities (T2S), ECMS and other services and applications such as P27, the new platform for real-time payments in the Nordic markets, from November 2021.
- 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).
- On March 24, 2020, CDP signed the contract for the SIA Payment Hub service.
- In March 2020, SIA launched the blockchain infrastructure to enable the "Spunta Banca DLT" application, the initiative promoted by ABI and coordinated by ABI Lab, which enables the management of mutual account reporting between Italian banks through the use of distributed ledger technology.
- On April 6, 2020 was the go live of a new MTS Group market: MTS Depo Market, which allows banking institutions to trade interbank deposits in full transparency and efficiency on various maturities, on the same SIA platform on which wholesale government bond transactions are carried out, and is integrated with Target2 for automatic debiting and crediting of accounts.
- On April 28, 2020, SIA announced the launch of the "Spunta Banca DLT" application, already previously indicated. To date, the application based on SIAchain, the SIA private technology infrastructure, has passed the technical tests and is in production for an initial group of 32 banks;

for an additional 23, start-up is scheduled for May and a third migration is planned for October 2020. In addition to SIA, the technical partners NTT DATA and R3 took part in the project.

- At the end of April 2020, there were more than thirty participants in the "Fideiussioni digitali" (digital sureties) project for the digitalization of the surety management process through blockchain technology, promoted by CeTIF, SIA and Reply, in collaboration with the Bank of Italy and IVASS. Between July and October 2020, at the end of the development phase, testing of the blockchain platform in a sandbox environment is planned, under the supervision of a Scientific Committee composed of the Bank of Italy, IVASS, Guardia di Finanza, CeTIF, SIA, Reply and other participants of the initiative. The solution will allow guarantors and beneficiaries greater efficiency, transparency and security, with the ultimate aim of reducing fraud.
- For the exclusive purpose of supporting its own or the SIA Group's general cash requirements, during 2020, SIA signed three new credit lines, namely: on July 17, 2020, a term credit line with UBI Banca S.p.A. for 50 million euro; on May 20, 2020, a revolving credit line with Banco BPM S.p.A. for 50 million euro; and on September 11, 2020, a revolving credit line with UniCredit S.p.A. for 50 million euro.
- On May 28, 2020, the agreement between the State Police and SIA was renewed for the prevention and combating of cybercrimes targeting information systems and services of particular national importance. The agreement is part of the directives issued by the Ministry of the Interior to strengthen the prevention of cybercrime, and represents a fundamental step towards collaboration between the public and private sectors in the creation of an effective cybersecurity system.
- In June 2020, SIA was chosen by the largest co-branded credit card issuer in Germany to create a management platform for cards issued in collaboration with leading national commercial partners. The SIA technology platform includes, in addition to the management of transaction processing for the over 2.8 million cards issued, innovative services for the prevention and management of fraud, disputes and litigation. The issuer will also benefit from other applications made available by SIA.
- On June 24, 2020, SIA announced the successful outcome of the Blockchain interoperability test, achieved through the integration between SIAchain and the Quant Network Overledger technology, the only DLT operating system in the world that enables interoperability. The integration between the two partners' technologies allows blockchain permissioned instances to be connected between SIAchain and other external networks, so that multi-platform and interoperable applications and services are available. This will be followed, in collaboration between SIA and Quant Network, by a go-to-market phase for the development and implementation of additional applications and use cases.
- On June 30, 2020, the SIA Board of Directors approved the project to transform the South African subsidiary Perago FSE into a branch, which will be completed during the first quarter of 2021. This project, aimed at creating a competence center for the Settlement service line in the RGTS area, will also lead to the liquidation of the company.
- On July 10, 2020, SIA and AEP, an important Italian company in the field of electronic ticketing systems and equipment for Public Transport, created the digital platform that allows tickets to be

paid directly at the GTT (Gruppo Torinese Trasporti) terminals present in the underground and on board some of Turin's bus lines using EMV (Mastercard and VISA) contactless credit and debit cards, also virtualized on smartphones and wearable devices, in an easy, fast and secure way. The innovative system is based on the technological infrastructure of AEP and SIA, which allows payment of the transport service by simply holding a credit card near the appropriate terminals, also benefiting from the best fare available on the basis of the number of journeys.

- On July 14, 2020, SIA signed a strategic partnership agreement with CRIF to offer advanced Open Banking services and applications in Italy and Europe, the objective of which is to accelerate the innovation process of banks, corporates and fintechs in the new digital scenario favored by the new features introduced to the market by PSD2. The agreement will cover end-to-end management of the user experience, taking full advantage of the opportunities offered by Open Banking, and the ability to manage customers' personal finances through advanced Personal and Business Finance Management solutions.
- On July 23, 2020, Flowe, a benefit company of the Mediolanum Banking Group, chose SIA as partner to support the offer of innovative digital services in the areas of e-money, payments, current accounts, loans and asset management. The partnership between the two companies makes it possible to offer through the Flowe card, innovative payment services via smartphone using the SIA technological infrastructure. The card is also available in cherry wood from sustainably managed forests and ensures full functionality of traditional and contactless payment services.
- On August 3, 2020, the European Digital Payments Industry Alliance (EDPIA) announced that SIA has joined the association, the founding members of which are Ingenico Group, Nets, Nexi and Wordline, with the aim of supporting the growth of digital payments in Europe. EDPIA contributes to the EU policy debates defining the business context for e-payments and works to enhance the visibility and knowledge of the European payments industry among policy makers and society as a whole.
- On September 2, 2020, SIA signed an agreement with a company specializing in the design, creation and management of systems for the charging, payment and control of interoperable mobility services on the network, and an Italian railway transport company to enable contactless payment on a relevant section of a major city in southern Italy. This innovative service allows paying for tickets completely digitally and getting on trains by simply holding a payment card (Mastercard or VISA) near one of the dedicated turnstiles or totems.
- On September 8, 2020, SIA Greece signed a strategic agreement with the global leader in financial solutions in the maritime sector for a new real-time contact center to support the activities of its cardholders worldwide. The Contact Center will manage all communications sent from any geographical point; the service has also been enhanced with a call-back function that eliminates any network coverage problems.
- In mid-September 2020, SIA was chosen by an Italian multi-utility, active in the electricity, gas and services sectors, to launch advanced payment services. Through the SIA digital Open Banking platform, the company offers the new Payment Initiation Service (PIS), which allows its customers

to make online payments for their electricity and gas bills easily, quickly and securely, directly from the company's own web platform or app by connecting to their Internet Banking. SIA also accompanied the utility company throughout the digital transformation process that enabled it to obtain authorization from the Bank of Italy to operate as a Payment Institution.

- On September 30, 2020, SIA launched a new platform that allows banks and companies operating in foreign markets to fully digitize trade finance processes, making the operational management of documentary credit files of corporates and SMEs operating in markets around the world simpler and faster. An Italian bank that has always been at the forefront of innovation in international payments, actively participated in the development of the SIA solution, thus becoming the first bank to digitize the entire trade finance process.
- On October 4, 2020, Nexi and SIA announced that they had signed a memorandum of understanding for the integration of the two groups, to be achieved through the merger by incorporation of SIA into Nexi. The document was also signed by the respective reference shareholders, CDP Equity and FSIA Investimenti for SIA and by Mercury UK HoldCo Limited for Nexi. This will result in the creation of an Italian player with a European dimension, ready to seize the opportunities for consolidation at international level, as well as the creation of a large new technology and digital innovation hub in Italy with a portfolio of best-in-class solutions, technologies and expertise in all areas of digital payments at international level. For further information on the development of this extraordinary transaction, reference is made to the information provided in the section on significant events after the end of the year.
- On October 5, 2020, SIA and UniCredit confirmed that they had entered into exclusive negotiations on the current agreement for the outsourcing of certain processing services in Italy, Austria and Germany relating to payment card transactions and the management of POS and ATM terminals, for its renewal until 2036. As outlined in the section on significant events after the end of the year, the binding agreements between the parties were finalized in February 2021.
- On October 8, 2020, a partnership was signed between SIA and Enel X Financial Services, an Enel Group company active in the design and promotion of innovative financial services, for the design and implementation of new mobile banking solutions. Thanks to SIA technological platforms, characterized by the highest levels of reliability and performance, Enel X customers will be able to make mobile payments, also via smartphone, in an easy, fast and secure way.
- On October 22, 2020, SIA signed a partnership with Hex Trust, a leading fintech company in digital asset custody infrastructures for the banking sector, to provide European financial institutions with innovative management and custody services for all types of digital assets, as well as enable them to offer their private, retail and institutional customers custody services with the highest levels of security, control and scalability.
- In November 2020, SIA enabled banks, corporates, PAs and fintechs to the new pan-European "Request to Pay" service from EBA clearing. The innovative payment method allows a payee to send a request for money in real time to a payer through multiple digital channels. The new EBA Clearing service is integrated in the "SIA EasyWay" digital platform, created for the management of

payments in the cloud and to significantly facilitate the consolidation of instant payments and the development of innovative Open Banking services introduced by PSD2.

- On November 12, 2020, SIA, in partnership with INFORM, launched a new digital service for banks, payment service providers and other financial institutions in Europe that makes it possible to speed up the process of authenticating online payments in compliance with the security requirements of the PSD2 directive. The new service is based on the sophisticated risk assessment system developed by the partner company.
- On November 19, 2020, the European Central Bank selected SIA, in partnership with Colt Technology Services, for its connection to the Eurosystem market infrastructures via a single access interface (Eurosystem Single Market Infrastructure Gateway - ESMIG). The SIA and Colt network is already in use by the bank for testing activities with other major central banks. SIA also provides a specific solution for the management of all messages in order to facilitate the integration of the central bank's application software with the ESMIG single access interface.
- On November 26, 2020, the Central Bank of Iceland and SIA launched the new real-time wholesale payment settlement system and the new instant payment platform, which enable the Central Bank of Iceland to take advantage of an innovative, more advanced and strategic technology infrastructure that will also enable closer cooperation with other Central Banks.
- By deed dated December 28, 2020, the deed of merger by incorporation of P4cards S.r.l. into SIA S.p.A. was signed, following the merger resolution of the Shareholders' Meeting held on December 2, 2020. The aforementioned merger, which took effect for accounting, statutory and fiscal purposes as of January 1, 2021, is part of a broader project to rationalize the activities of the Group companies, enabling the achievement of greater operational and corporate efficiency. In addition to simplifying the structure of the SIA Group's shareholding chain, it will make it possible to generate new business opportunities, increase efficiency and encourage the achievement of economies of scale and synergies in the performance of operational and commercial activities.

Strategic Plan 2020-2022

During the year 2020, the activities began as envisaged in the first year of the 2020-2022 Strategic Plan, approved on February 6, 2020 by the Board of Directors of SIA S.p.A., with the aim for the Group to leverage its history of growth at international level and consolidate its position as a leading global market player in the Card & Merchant Solutions, Digital Payment Solutions and Capital Market & Network Solutions segments through the main lines of offerings:

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

The beginning of the year started with growth in line with the Strategic Plan forecasts. However, the advent of the COVID-19 pandemic caused a reduction in business volumes in some specific areas from March 2020. The Group responded to the emergency situation in a swift and concerted manner, creating a task force of senior managers in order to secure the delivery of Plan objectives. A pondered and timely activity of remodulation, reprioritization and in some cases downsizing of projects, has made it possible to ensure the financial sustainability of the year just ended, while at the same time managing to confirm the guidelines and long-term objectives set out in the Plan.

This year, more than ever, it was necessary to launch a careful revenue protection mechanism, assisted by a relentless cost containment action. The coordinated pursuit of these objectives made it possible to overcome the sharp reduction in consumption that characterized the reference markets, managing to achieve economic results in line with the previous year. The resilience demonstrated allows the Group to confirm its ambition to become a payments leader in Europe, by leveraging its reliability and excellence in service delivery, further demonstrating that it is a "mission-critical" provider of payment services and infrastructures, always in compliance with stringent reference regulations and their evolution over time.

The care with which the Group has monitored its financial solidity has also and above all been reflected in the protection of its know-how, making sure to safeguard the health of its employees by choosing to start remote working even before the Government decreed the national lock-down; it has also extended its insurance policy to include possible damage from COVID-19.

Therefore, despite the sharp slowdown in economic activity, which has also affected the payments sector, and the necessary reshaping of short-term objectives, the Group confirms its commitment to pursuing the highest standards of quality and efficiency through the differentiated offer of its services to different types of customers (Financial Institutions, Corporate Businesses, Public Administration and Central Banks) and to continuing to upgrade its technology platforms in continuity with the provisions of the three-year Plan.

Finally, during the year, negotiations were finalized between the SIA group and the Nexi group, which will result in an integration to be achieved through the merger by incorporation of SIA into Nexi. The Nexi group, which is also planning an integration with the Danish group Nets, recognized the value of SIA and its Strategic Plan not only in the consolidation of the domestic market, but also in the development and strengthening of the international horizon of the new company that will be formed over the next few years. The merger will further strengthen the distinctive elements of the Strategic Plan, in particular the continuous development of best-in-class solutions, technologies and expertise in all areas of digital payments, while reshaping their implementation according to the new context and the overall positioning of the NewCo.

Main accounting issues in the context of the COVID-19 pandemic

The year 2020 was dominated by the spread of the COVID-19 pandemic. After the gradual containment of the virus that began at the end of May, an uneven picture emerged, with situations of increasing alarm. The vision that is being consolidated in the forecasts of possible future macroeconomic scenarios is that, in a context of an economic and financial crisis that is exclusively of public health origin and not, like the others already experienced, of an economic-financial nature, the important virus containment measures implemented in most countries may allow a gradual return to recovery of economic activities or, in any case, make it possible to contain the negative effects of a resumption of the circulation of the virus within a period that is not too long and that, therefore, the repercussions on the productive areas will be negative in the short term, but that a reversal of the trend can be observed with a significant recovery in GDP in 2021. This vision would therefore lead to contain the negative effects of the crisis in the medium to long term.

It therefore seems reasonable at the moment to believe that, although in the short term there may be a significant impact on the real economy, as soon as the health emergency is overcome, the measures to support the economy may allow a significant recovery in production. This is the perspective picture that is also outlined by the various European Regulators that have expressed themselves on the matter in a series of measures.

In the emergency scenario that emerged following the COVID-19 pandemic, a series of documents from the various European and national Supervisory Authorities have followed one another since the first days of March 2020, aimed at providing "methodological" support elements for the preparation of financial statement disclosures and interim situations. Subsequently, the IASB - International Accounting Standards Board, the independent entity responsible for establishing the IAS/IFRS international accounting standards, also expressed its opinion on the most relevant accounting issues relating to the impact of COVID-19.

In particular, with regard to the issue of financial reporting, ESMA published a recommendation on March 11, 2020, indicating some conduct guidelines with respect to the impact of COVID-19 on the following issues:

- Continuous disclosure to the market: ESMA recommends issuers the timely publication of information regarding the impact of COVID-19 on their fundamentals, prospects or financial situation, where such information is relevant and significant, in accordance with the transparency requirements set out in the Market Abuse Regulation.
- Financial Reporting: ESMA recommends that companies be as transparent as possible about the current and potential impacts of COVID-19 on their business activities, financial position and

economic performance, based on a qualitative and quantitative assessment to the extent possible.

Subsequently, on May 20, 2020, ESMA issued a further recommendation indicating certain conduct guidelines with respect to the implications of COVID-19 on the disclosure of the half-year financial statements at June 30, 2020, with particular reference to significant uncertainties, any doubts about the use of the going concern assumption and financial risks related to the pandemic. This recommendation was subsequently recalled by Consob on July 16, 2020.

Finally, on October 28, 2020, ESMA published a communication on priorities for the preparation of annual financial statements, non-financial reporting and the use of alternative performance indicators, reiterating the recommendations provided for the preparation of half-year financial statements and highlighting the importance of making readers of the financial statements understand the impacts of the pandemic on results, financial position, cash flows and valuations. This recommendation was subsequently recalled by Consob on February 16, 2021.

Based on the general picture described above, SIA Group Management conducted an analysis in order to identify the areas of greatest impact in terms of financial reporting and, consequently, has developed scenarios based on the information currently available and the forecasts reasonably formulated at present in the contingent context of extreme uncertainty and without considering the effects connected with any extraordinary corporate operations. The analyses conducted concerned in particular the following:

- analysis of the impact of the pandemic on the statement of profit or loss for the 2020 financial year, for which reference is made to the section on operating performance;
- analysis of future impacts and the elaboration of forecast scenarios of economic performance, the results of which have been presented in the section on the outlook;
- analysis of the significant uncertainties and risks associated with the pandemic, with particular reference to the update of the Group's liquidity situation, as described in detail in the section on financial risks;
- assessment of the appropriateness of the use of the going concern assumption, which led the Directors to conclude that there were no implications such as to raise doubts in this regard;
- analysis of the results of impairment tests on goodwill recorded in the consolidated financial statements and on investments in the annual financial statements; the procedure followed and the related results are described in the appropriate section of the notes.

Group's consolidated results and alternative performance indicators

In the consolidated management report, the SIA Group presents reclassified accounting statements and some indicators not envisaged by the IFRS that provide management with an additional parameter for assessing the Group's performance.

It should be noted that for the purposes indicated above, the scope of consolidation did not undergo any substantial changes compared to December 31, 2019, although as of January 1, 2020 the merger by incorporation became effective of the company Emmecom into SIApay and of the companies SIA Central Europe Zrt. and SIA Hungary Kft. into SIA Slovakia a.s. (which changed its name to SIA Central Europe, a.s. and incorporated the company in Hungary as its branch under the name SIA Central Europe a.s. - Hungarian branch).

Reclassified statement of profit or loss

The reclassified statement of profit or loss shows the following changes from the statement of profit/(loss) for the year shown in the financial statements section:

- the revenues reported in the reclassified statement of profit or loss are shown net of the commission expense of the subsidiary SIApay (payment institute) in connection with the payment services it provides, while in the statement of profit/(loss) for the year in the consolidated financial statements prepared in accordance with IAS/IFRS, commission income is included in revenues from services and commission expense in costs for services;
- operating costs include the costs for raw materials, supplies, consumables and goods and the cost for services, the latter net of the commission expense of the subsidiary SIApay which, as previously indicated, has been reclassified as a reduction in related revenues.

The economic indicators used to assess the Group's performance are as follows:

- adjusted operating margin, determined by subtracting from the production value (revenues from sales and services and other revenues and income) the operating costs (costs for raw materials, costs for services, payroll costs and other operating expenses);
- operating income - EBIT, obtained by subtracting from EBITDA the depreciation, amortization and adjustments and net allocations to provisions for risks and charges.

Consolidated adjusted EBITDA

Consolidated adjusted EBITDA is obtained by adjusting the result for the year of the following items: (i) income taxes, (ii) financial income and expenses, (iii) income/(charges) from investments, (iv) result of management/trading of financial assets and liabilities, (v) depreciation and amortization, and (vi) non-recurring income and expenses. In particular, non-recurring income and expenses include income components deriving from events or transactions the occurrence of which is non-recurring, from transactions or facts that are not repeated frequently in the normal course of business, from events or transactions that are not representative of the normal course of business.

Reclassified statement of financial position

The reclassified statement of financial position shows the following performance indicators:

- *net working capital*, calculated as the difference between current assets, excluding cash and cash equivalents, and current liabilities (excluding financial assets and liabilities);
- *fixed assets*, calculated as the sum of tangible and intangible assets and investments;
- *other medium/long-term assets*, corresponding to non current assets, with the exclusion of components forming part of fixed assets;
- *other medium/long-term liabilities*, corresponding to non current liabilities represented by provisions for employee benefits, provisions for risks and charges, deferred tax liabilities and other non current liabilities;
- *net invested capital*, calculated as the sum of the above components;
- *net financial debt*, calculated as financial debt less cash and cash equivalents, financial assets and short-term financial receivables.

Consolidated reclassified statement of profit or loss

Thousands of euro	31/12/2020	31/12/2019	Change	%
Reclassified revenues	743,991	727,858	16,133	2.2%
Other revenues and income	4,175	4,077	98	2.4%
Production Value	**748,166**	**731,935**	**16,231**	**2.2%**
Purchases and services	(235,576)	(226,016)	(9,560)	4.2%
Payroll costs	(207,882)	(215,020)	7,138	-3.3%
Other operating expenses	(31,203)	(33,000)	1,797	-5.4%
Operating costs	**(474,661)**	**(474,036)**	**(625)**	**0.1%**
Adjusted operating margin	**273,505**	**257,899**	**15,606**	**6.1%**
Depreciation, amortization and adjustments of tangible, intangible assets and trade receivables	(165,631)	(118,101)	(47,530)	40.2%
Provision for risks	(52,863)	(1,678)	(51,185)	n.s.
Operating income	**55,011**	**138,120**	**(83,109)**	**-60.2%**
Income/(charges) from investments	(73)	-	(73)	
Management/trading of financial assets and liabilities	(1,933)	-	(1,933)	
Financial income	452	2,617	(2,165)	-82.7%
Financial expenses	(14,281)	(18,113)	3,832	-21.2%
Net income before taxes	**39,176**	**122,624**	**(83,448)**	**-68.1%**
Income taxes	(22,347)	(27,343)	4,996	-18.3%
Net income from continuing operations	**16,829**	**95,281**	**(78,452)**	**-82.3%**
Net Income from assets held for sale or discontinued operations	-	-	-	
Profit/(loss) for the year	**16,829**	**95,281**	**(78,452)**	**-82.3%**
Net Income to minority interests	-	-	-	
Net income attributable to the Group	**16,829**	**95,281**	**(78,452)**	**-82.3%**

Thousands of euro	31/12/2020	31/12/2019	Change 2020 vs 2019	%
Reclassified revenues	**743,991**	**727,858**	**16,133**	**2.2%**
Adjusted operating margin	**273,505**	**257,899**	**15,606**	**6.1%**
% to reclassified revenues	*36.8%*	*35.4%*		
Operating income - EBIT	**55,011**	**138,120**	**(83,109)**	**-60.2%**
% to reclassified revenues	*7.4%*	*19.0%*		
Net income before taxes	**39,176**	**122,624**	**(83,448)**	**-68.1%**
% to reclassified revenues	*5.3%*	*16.8%*		
Net income attributable to the Group	**16,829**	**95,281**	**(78,452)**	**-82.3%**
% to reclassified revenues	*2.3%*	*13.1%*		

Reclassified revenues for the year ended December 31, 2020, of approximately 744 million euro, were up by 2.2% compared to 2019 (approximately 727.9 million euro), thanks to the positive results achieved in particular by the Parent Company SIA (+24 million euro compared to 2019) and the maintenance of turnover by P4cards, while other Group companies recorded a limited contraction in revenues, also affected by the slowdown of some strategic initiatives related to the COVID-19 pandemic.
The component deriving from managed volumes suffered a significant reduction triggered by lockdown measures between March and June, offset by the strong growth seen in the pre-Covid months and the recovery starting from the third quarter of 2020, closing the year with an increase of 1%; revenues deriving from fees showed a significant increase (+7%), while project activities suffered a slowdown caused by the delay of some strategic initiatives, which led to a 1% reduction compared to the previous year. All of the Group's operating sectors showed an increase in the level of turnover, as shown below in the report.

Group adjusted operating margin amounted to approximately 273.5 million euro at December 31, 2020, up from the balance of approximately 257.9 million euro at December 31, 2019 (+6.1%). Following the contraction in economic activities triggered by the COVID-19 pandemic, management undertook timely appropriate initiatives aimed at reducing variable costs, which positively impacted the Group's margins in particular in the third and fourth quarters of 2020 (the reduction in adjusted operating margin in June 2020 was in fact 5.7% compared to June 2019 due to a physiological lower elasticity of the cost structure compared to that of revenues). Non-recurring costs were also recognized in the reporting period, such as costs incurred to protect the health and safety of employees against the COVID-19 pandemic, strategic consulting for M&A and corporate projects and costs related to reorganization and integration transactions (for further information, refer to the comment in the following paragraph on consolidated adjusted EBITDA).

The operating income - EBIT (approximately 55 million euro at December 31, 2020 compared to 138.1 million euro at December 31, 2019) - was affected by the impact arising from adjustments to consolidated goodwill referring to SIA Greece (48.1 million euro), which, following the economic downturn resulting from the COVID-19 pandemic and the future prospects of the reference market, had to revise downwards its estimates of expected results **and the allocations to provisions for risks and charges** linked mainly to the provisions, amounting to 48.2 million euro, relating to the settlement of claims received from the UniCredit Group in relation to certain profiles concerning the services provided by the company P4cards for the period 2016-2020 as part of the outsourcing contract in place. Adjustments to receivables were contained, although up on 2019, and confirmed the Group's high credit quality; in fact, there were no significant past due or outstanding receivables despite the current economic slowdown.

Net income before taxes amounted to approximately 39.2 million euro at December 31, 2020 (122.6 million euro at December 31, 2019). During the year, on the basis of contractual agreements, the value of the financial liability recognized for the purchase of minority interests in the company SIAadvisor was adjusted, offsetting a financial expense of approximately 1.9 million euro. Financial expenses, which consisted of interest expense, differentials on hedging derivatives and bank charges and commissions, decreased significantly, benefiting mainly from the Group's lower financial debt.

Consolidated net income attributable to the Group amounted to approximately 16.8 million euro and was mainly affected by the above-mentioned non-recurring items (adjustments to goodwill relating to SIA Greece of 48.1 million euro, allocations to provisions for risks and charges relating to the settlement of prior-year disputes with the UniCredit Group of 48.2 million euro and financial expenses for the purchase of minority interests in SIAadvisor of 1.9 million euro). Excluding these impacts and the related tax effect, consolidated net income attributable to the Group would have been approximately **98.7 million euro**, higher than the net income for the year ended December 31, 2019 (approximately 95.3 million euro).

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 consolidated adjusted EBITDA.

Consolidated adjusted EBITDA

The following table shows non-recurring income and expenses subject to adjustment by individual item. The EBITDA items and the individual components subject to adjustment shown below can be reconciled with the general accounts of the Group companies.

Thousands of euro	For the year ended at	
	31/12/2020	**31/12/2019**
Profit/(loss) for the year	**16,829**	**95,281**
Income taxes	22,347	27,343
Financial expenses	14,281	18,113
Financial income	(452)	(2,617)
Bank charges [i]	(551)	(629)
Depreciation and amortization	115,217	110,824
EBITDA	**167,671**	**248,315**
(Income)/charges from investments	73	-
Management/trading of financial assets and liabilities	1,933	-
Adjustments to tangible and intangible assets	49,325	3,607
Adjustments to trade receivables	1,089	3,670
Provision for risks	52,863	1,678
Consultancy costs for M&A and *Corporate* projects [ii]	12,452	7,314
Non-deductible VAT on Consultancy costs for M&A and Corporate projects	-	600
Long Term Incentives [iii]	(1,471)	5,740
Restructuring charges [iv]	2,451	4,796
Benefits to support staff income [v]	(2,369)	-
Other income and costs [vi]	505	-
Adjusted EBITDA	**284,522**	**275,720**

Note:

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

ii. *In 2020, the Group recorded costs for technological integration for Group companies of approximately 1.8 million euro, consultancy costs incurred for M&A projects of approximately 1.5 million euro, costs related to the Parent Company's listing project of approximately 1.9 million euro, costs related to the extraordinary merger with Nexi for approximately 5.8 million euro and costs for corporate reorganization operations within the Group for approximately 1.5 million euro, recorded under the item "Professional services" of "Costs for services" and in "Other charges" of "Other operating expenses".*

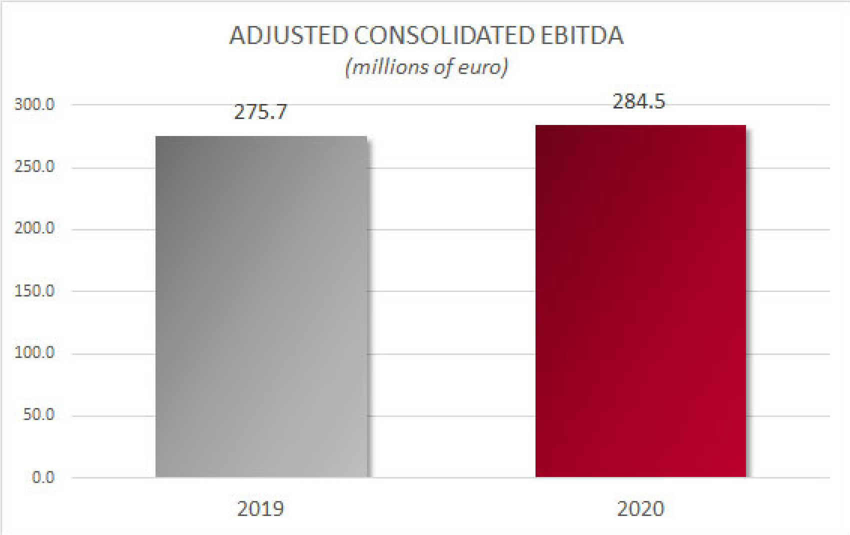
iii. *The "Long Term Incentives", entered in the "Wages and salaries" item of the "Payroll costs", include monetary incentives for management linked to the achievement of long-term results (Three-year Strategic Plan).*

iv. *The restructuring charges, entered in the "Charges for restructuring" item of the "Payroll costs", include the costs for the early termination of employment relationships carried out through redundancy incentives, solidarity plans and agreed plans.*

v. *Benefits to support staff income, recorded in the items "Wages and salaries" and "Social charges" in "Payroll costs" include the lower expenses resulting from the use, during the first half of the year 2020, of extraordinary income support benefits paid by the employer.*

vi. *The item refers to costs incurred for personal protective equipment and medical aids put in place by Group companies to deal with the COVID-19 pandemic, amounting to 639 thousand euro, losses on the sale of assets, amounting to 103 thousand euro, and contingent income, amounting to 237 thousand euro.*

It should be noted that the difference between EBITDA and the adjusted operating margin consists of the adjustments to tangible and intangible assets and trade receivables, bank charges, allocations to provisions for risks and charges, the result of management/trading of financial assets and liabilities, and income/(charges) from investments.



A reconciliation table summarizing the adjusted operating margin and EBITDA is provided below.

Summary Adjusted operating margin - EBITDA		
Thousands of euro	**31/12/2020**	**31/12/2019**
Adjusted operating margin	**273,505**	**257,899**
Adjustments to tangible and intangible assets	(49,325)	(3,607)
Adjustments to trade receivables	(1,089)	(3,670)
Provision for risks	(52,863)	(1,678)
Bank charges	(551)	(629)
Management/trading of financial assets and liabilities	(1,933)	-
Income/(charges) from investments	(73)	-
EBITDA	**167,671**	**248,315**

Consolidated reclassified statement of financial position

Thousands of euro	31/12/2020	31/12/2019	Change	%
Inventories	5,623	3,926	1,697	43.2%
Trade receivables	221,223	219,892	1,331	0.6%
Trade payables	(85,595)	(95,996)	10,401	-10.8%
Trade Working Capital	**141,251**	**127,822**	**13,429**	**10.5%**
Current tax assets	67,753	87,200	(19,447)	-22.3%
Other current assets	33,888	33,056	832	2.5%
Current tax liabilities	(13,535)	(4,314)	(9,221)	n.s.
Other current liabilities	(77,055)	(77,477)	422	-0.5%
Net Working Capital	**152,302**	**166,287**	**(13,985)**	**-8.4%**
Goodwill	521,020	569,139	(48,119)	-8.5%
Intangible assets	299,394	325,372	(25,978)	-8.0%
Tangible assets	153,237	150,761	2,476	1.6%
Investments	653	725	(72)	-9.9%
Fixed Assets	**974,304**	**1,045,997**	**(71,693)**	**-6.9%**
Non current financial assets	12	12	-	0.0%
Non current contract work-in-progress	-	566	(566)	-100.0%
Non current trade receivables	-	-	-	
Other non current assets	80	837	(757)	-90.4%
Deferred tax assets	27,492	13,162	14,330	n.s.
Other medium/long-term assets	**27,584**	**14,577**	**13,007**	**89.2%**
Provisions for employee benefits	(26,869)	(25,866)	(1,003)	3.9%
Provisions for risks	(54,611)	(3,041)	(51,570)	n.s.
Deferred tax liabilities	(50,983)	(62,395)	11,412	-18.3%
Other non current liabilities	(845)	(6,045)	5,200	-86.0%
Other medium/long-term liabilities	**(133,308)**	**(97,347)**	**(35,961)**	**36.9%**
Other medium/long-term assets and liabilities	**(105,724)**	**(82,770)**	**(22,954)**	**27.7%**
Net Invested Capital	**1,020,882**	**1,129,514**	**(108,632)**	**-9.6%**
Non current financial liabilities	599,274	685,005	(85,731)	-12.5%
Current financial liabilities	261,852	230,394	31,458	13.7%
Cash and cash equivalents	(161,390)	(97,435)	(63,955)	65.6%
Current financial assets	(11,127)	(5,583)	(5,544)	99.3%
Net Financial Position	**688,609**	**812,381**	**(123,772)**	**-15.2%**
Shareholders' Equity	**332,273**	**317,133**	**15,140**	**4.8%**
Net Financial Position and Shareholders' Equity	**1,020,882**	**1,129,514**	**(108,632)**	**-9.6%**

Net working capital decreased compared to the previous year (also refer to the cash flow statement in the section of the financial statements); this improvement is due to the cash flows generated by the Group during the year, which remain very positive, to the increased level of collections of trade receivables from customers and the decrease in trade payables related to a better balance between collections and payments. **Fixed assets** showed a significant decrease explained by the adjustments to consolidated goodwill recorded during the year (48.1 million euro) and by the regular amortization of investments. The net balance between **other assets and liabilities** shows a significant decrease compared with the comparative year connected with the allocations o provisions for risks and charges made in relation to the legal and tax dispute and the settlement of claims received from the UniCredit Group referring to certain profiles relating to the services provided by the company P4cards for the period 2016-2020. As a result of the above, **net invested capital** decreased compared to December 31, 2019.

The 2020 financial year also shows **a significant reduction in net financial debt,** which fell from approximately 812.4 million euro at December 31, 2019 to approximately 688.6 million euro at December 31, 2020 as a result of the decrease in bank debt following the repayment of 80 million euro of the principal amount of the medium/long-term loan and the increase in cash and cash equivalents, which include bank deposits, amounting to 76.5 million euro, restricted in favor of creditors of the companies SIA and P4cards, in relation to the merger by incorporation resolved on December 3, 2020, pursuant to and for the purposes of article 2503 of the Civil Code.

The Group's shareholders' equity increased, benefiting from the economic results of the year.

Below is a summary of the SIA Group net financial debt at December 31, 2020 and the relevant comparison with the previous year:

Thousands of euro	For the year ended at		Change	
	31/12/2020	31/12/2019	2020 vs 2019	%
Cash on hand	*(12)*	*(14)*	*2*	*-14.3%*
Cash and cash equivalents	*(161,378)*	*(97,421)*	*(63,957)*	*65.7%*
Liquid assets	**(161,390)**	**(97,435)**	**(63,955)**	***65.6%***
Current financial receivables and financial assets	**(11,127)**	**(5,583)**	**(5,544)**	***99.3%***
Bank loans - current	*216,511*	*199,424*	*17,087*	*8.6%*
Other financial payables - current	*19,567*	*5,462*	*14,105*	*n.s.*
Financial payables IFRS 16 - current	*22,582*	*22,921*	*(339)*	*-1.5%*
Other financial liabilities - current	*300*	*-*	*300*	
Hedging derivatives - current	*2,892*	*2,587*	*305*	*11.8%*
Current financial debt	**261,852**	**230,394**	**31,458**	***13.7%***
Net current financial debt	***89,335***	***127,376***	***(38,041)***	***-29.9%***
Non current financial receivables	-	-	-	
Bank loans - non current	*535,752*	*617,750*	*(81,998)*	*-13.3%*
Other financial payables - non current	*-*	*-*	*-*	
Financial payables IFRS 16 - non current	*59,908*	*61,400*	*(1,492)*	*-2.4%*
Other financial liabilities - non current	*-*	*2,117*	*(2,117)*	*-100.0%*
Hedging derivatives - non current	*3,614*	*3,738*	*(124)*	*-3.3%*
Non current financial debt	**599,274**	**685,005**	**(85,731)**	***-12.5%***
Net Financial Debt	**688,609**	**812,381**	**(123,772)**	***-15.2%***

Main indicators of the reclassified consolidated financial statements

The following are the main indicators of the reclassified consolidated financial statements, determined using the values reported in the reclassified balance sheet and reclassified statement of profit or loss shown above.

	31/12/2020	31/12/2019
ROE - Net profit/Shareholders' Equity	5.1%	30.0%
ROI - Operating Income/Net Invested Capital	5.4%	12.2%
Adjusted operating margin/Reclassified revenues	36.8%	35.4%
EBITDA margin/Reclassified revenues	22.5%	34.1%
Adjusted EBITDA margin/Reclassified revenues	38.2%	37.9%
Operating income/Reclassified revenues	7.4%	19.0%
Total assets/Shareholders' equity	4.52	4.75
Current assets/Current liabilities	1.14	1.10
Cash and cash equivalents/Current liabilities	0.37	0.24
Non current assets/Total assets	0.67	0.70
Current assets/Total assets	0.33	0.30

The table above shows how the performance of the main economic indicators, in 2020, was significantly influenced by the adjustments to consolidated goodwill and the allocations to provisions for risks and charges, which led to a significant decrease in the net result for the year. The Group's profitability, on the other hand, increased compared to the previous year, proving that the growth path in terms of revenues and margins is continuing successfully.

Segment information

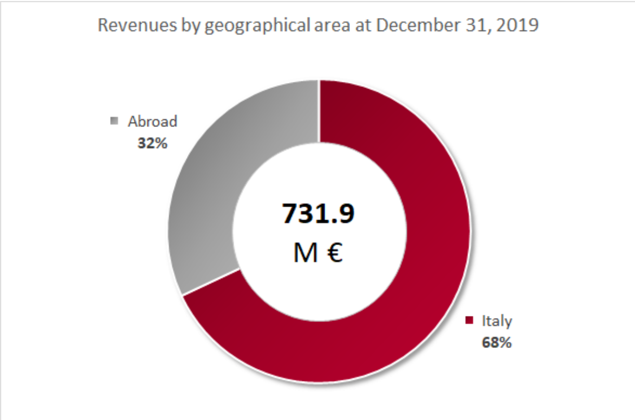
In continuity with 2019, SIA Group management has identified the following three business sectors:

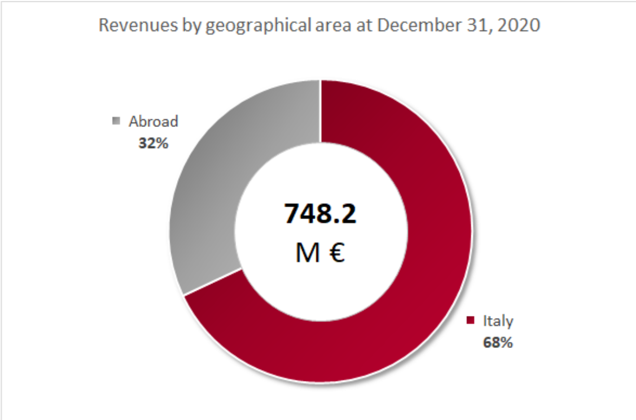
- **Card & Merchant Solutions**: groups payment acceptance and issuing services, which are based on national schemes (e.g. PagoBANCOMAT) and international ones (e.g. Visa, Mastercard, Alipay, Wechatpay, etc.). This includes both traditional (e.g. card based) and digital solutions (e.g. ApplePay, SamsungPay, etc.) and a wide range of services dedicated to physical commerce and e-commerce, including all processing and value-added services. In addition to the parent company SIA, the Group companies in this business sector are P4cards, PforCards, SIA Central Europe, SIA Greece and SIApay.
- **Digital Payment Solutions**: groups 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 business sector include the parent company SIA, SIAadvisor and Perago FSE.
- **Capital Market & Network Solutions**: groups network and Eurosystem access services (ESMIG), innovative blockchain-based solutions and services and solutions dedicated to capital markets. The sector includes the capital market activities and network solutions offered by the parent company SIA.

The description according to the business sectors, which refer to revenues reclassified on the basis of the definition above and also include the other components of the production value (hereinafter "total revenues"), simplifies the reading and interpretation of the results, and makes it possible to compare these results with the performance of the main business indicators of the reference markets.

The breakdown of total 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.

Total revenues by geographical area			
Thousands of euro	**Italy**	**Abroad**	**Total 31/12/2020**
Card & Merchant Solutions	323,864	175,156	499,020
Digital Payment Solutions	103,522	52,921	156,443
Capital Market & Network Solutions	82,812	9,890	92,702
Total	**510,198**	**237,967**	**748,166**
Percentage	***68.2%***	***31.8%***	***100.0%***

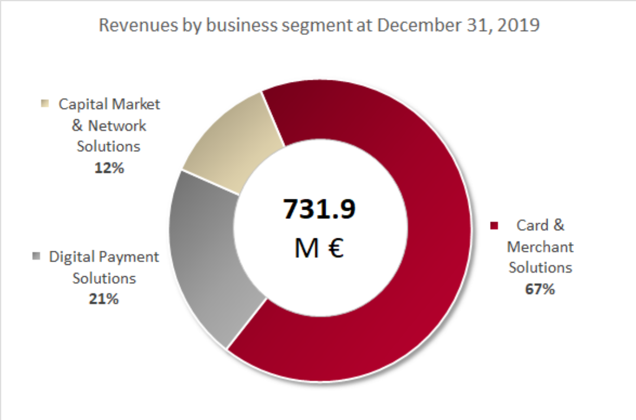


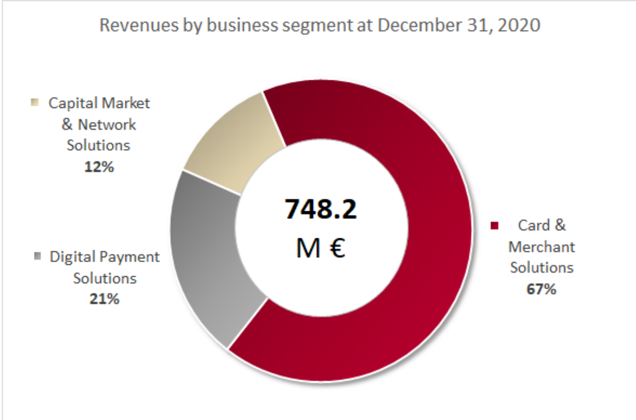


The total revenues attributed to each of the three business sectors at December 31, 2020, compared to the prior year figures, are shown below:

Total revenues by business operating segment				
Thousands of euro	**31/12/2020**	**31/12/2019**	**Change 2020 Vs 2019**	**Change %**
Card & Merchant Solutions	499,020	487,293	11,727	2.4%
Digital Payment Solutions	156,443	152,186	4,257	2.8%
Capital Market & Network Solutions	92,702	92,454	248	0.3%
Total	**748,166**	**731,934**	**16,231**	**2.2%**

It should be noted that there are no revenues between the various business sectors.





The following tables illustrate, for each of the three business sectors described above, the adjusted EBITDA and its ratio to total revenues; in fact, with reclassified revenues, adjusted EBITDA is the main measure by which Group management monitors and evaluates the economic performance of the sectors identified and the related allocation of resources (for the sake of completeness, the adjusted operating margin attributed to the three sectors is reported):

Card & Merchant Solutions

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019	Change %
Production Value	499,020	487,293	11,727	2.4%
Adjusted operating margin	**184,140**	**172,370**	**11,770**	**6.8%**
Adjusted EBITDA	**191,586**	**186,854**	**4,732**	**2.5%**
Adjusted EBITDA/Production Value	*38.4%*	*38.3%*	*0.0%*	

Digital Payment Solutions

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019	Change %
Production Value	156,444	152,186	4,258	2.8%
Adjusted operating margin	**57,241**	**52,336**	**4,905**	**9.4%**
Adjusted EBITDA	**59,079**	**53,107**	**5,972**	**11.2%**
Adjusted EBITDA/Production Value	*37.8%*	*34.9%*	*2.9%*	

Capital Market & Network Solutions

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019	Change %
Production Value	92,701	92,454	247	0.3%
Adjusted operating margin	**32,123**	**33,193**	**(1,070)**	**-3.2%**
Adjusted EBITDA	**33,858**	**35,759**	**(1,901)**	**-5.3%**
Adjusted EBITDA/Production Value	*36.5%*	*38.7%*	*-2.2%*	

The three business sectors identified represent total consolidated reclassified revenues and total consolidated adjusted EBITDA for the two years under comparison.

Card & Merchant Solutions

During 2020, the domestic market was also negatively impacted by the COVID-19 pandemic, recording a major decrease in volumes associated with in-person payment transactions and a subsequent increase in e-commerce operations, although not compensatory. At the same time, there was also a decrease in the availability of budgets by banks, which revised their 2020 investment plans downwards, with a direct repercussion at times even on the project areas already confirmed.

Despite the conditions described above, in 2020, the SIA Group, thanks to its subsidiary P4cards, was able to launch new projects in the Card Production & Personal area for important banks and won new contracts, expanding the customer base served and enriching the value proposition with value-added services.

After a stop during the first part of the year linked to the pandemic, during the second half of 2020, an important financial company operating in the consumer credit sector made official its intention to continue with the project linked to the outsourcing of its entire card portfolio to SIA systems. In November, in fact, SIA formalized the relevant economic offer, which envisages a 5-year contract for the supply of Card Management and Issuing Processing.

In the Public Administration sector, the process continues of proposing multi-service private cards and digital welfare solutions to public bodies. In the first quarter of 2020, SIA and its subsidiary P4cards, in collaboration with an important association of municipalities, activated a solution based on personalized private cards that allow beneficiaries (citizens) to obtain public contributions aimed at assistance, accessing in an easy and secure way products and services made available by affiliated merchants. To date, 24 municipalities have been activated for the disbursement of Grocery Vouchers to citizens in need as a result of the pandemic. In addition, in 2020, the service for the dematerialization of vouchers for celiacs, offered by SIA through Payment Gateway, already active in four Central and Northern Regions, was extended to another four Italian Regions, with a consequent significant increase in volumes (over 1 million transactions in the year). A study has been planned for 2021 to propose evolutions on the platform in order to create a single functional solution for all services that provide contributions, such as for celiacs, in the National Health Social Welfare.

Collaboration also continued with one of the main national farmers' associations with which SIA and its subsidiary SIAadvisor created an e-commerce portal made available to members to support them in the online sale of agricultural products as recovery for the drop in revenues following the pandemic crisis.

In addition, in collaboration with a technological stakeholder of the Public Administration and with a view to consolidating the strategic vision and models of ICT evolution, the development of a solution aimed at "rewarding" certain types of virtuous conduct by citizens through a loyalty platform was recently launched with a leading Italian municipality.

In the other European markets in which the Group operates, after an excellent start to the year that lasted until March, the COVID-19 pandemic also had a strong impact on business volumes.

The subsidiary SIA Central Europe recorded a drop in the number of transactions in the reference area of 40% - 60% in the second half of March, April and May, compared to the same period last year.
Despite the unfavorable contingent situation, SIA Central Europe, with the help and close collaboration of the Italian team, managed to migrate several banking customers from the existing supplier to SIA S.p.A. for E-comm 3DS - WL issuing services, to upgrade the service from version 1.0 to 2.0 and to sell the RBA solution for 3DS to numerous customers. Commercial Acquiring, moreover, showed a strong product position in the SIA Group portfolio thanks to strong demand from merchants for cashless transactions: the results achieved were better than originally expected, establishing itself as one of the fastest growing activities in Central Europe.
In the first six months of the year, numerous contracts were renewed in the issuing area and new customers were acquired in new geographies, particularly in Romania. Finally, new mobile payment services, such as Apple Pay, were introduced and sold throughout the region.
In contrast, the second half of the year 2020 was heavily impacted by the pandemic across the Region. Depending on the level of impact of the pandemic on specific countries within the Central Europe area, various restrictions were introduced, which generated a strong negative impact on local retail activities, especially SMEs. In contrast, the effect of the restrictive measures was less for large merchants, particularly those in the grocery sector: the average purchase value of transactions in this segment actually increased compared to 2019. Within the above context, there has also been increased growth in e-commerce.

Despite the difficult conditions caused by the pandemic, the subsidiary SIA Central Europe signed several important agreements with existing customers, both in the ATM acquiring and issuing areas. In particular, in the area of acquiring, a partnership was established with a leading bank in Macedonia for the ATM DCC & surcharge partnership service, which will make it possible to establish and grow the ATM network in northern Macedonia with the same model already adopted in Croatia, leveraging on the number of foreign tourists who visit it and on people from northern Macedonia who work and live abroad when they occasionally return to their homeland. In the issuing area, on the other hand, a partnership has been defined with a leading bank in Poland for the tokenization of credit cards.

During the first half of 2020, the subsidiary SIA Greece worked closely with a leading Hellenic Banking Group in order to successfully launch innovative payment services on the market, namely Apple Pay in Greece and Apple Pay, Garmin Pay and FitBit Pay in Romania. In addition, the company was awarded the tender for a leading food network in the large-scale retail sector Greece SIA-Smart-Routing (SSR), further expanding its presence in the SSR sector. During 2020, SIA Greece was awarded for its Print & Mail operations for a major Banking Group, further expanding its BPO activity in the market. In addition, the company managed to bring six Hellenic banks to the new 3DS2.0 platform, including the country's largest banking group, plus two more banks that will come on board in Q1 2021. A global maritime financial services company has also chosen SIA Greece to provide an innovative real-time contact center service for its cardholders.

Remaining within Europe, at the end of February, 2.8 million cards of the largest German issuer of co-branded cards were migrated to the SIA platform, in collaboration with important commercial partners, such as the German automotive club ADAC (Allgemeiner Deutscher Automobil-Club). Important projects in the field of digital payments, such as mobile payment, were carried out for the same customer.

Still on the project side, the first part of the development for a leading French bank for the issue of co-branded cards was completed and started in the testing phase. Completion of activities and start-up of production are expected in the first half of 2021.

Also of note is the launch of two important new initiatives linked to a leading fintech with a banking license: the first consists of the launch in Germany and, subsequently, also in other leading European countries, of the new mobile Banking APP promoted by Vivid Money, while the second relates to the launch of Samsung Pay in Germany and involves the issuance of a virtual VISA debit card for each user, which can be used through the Samsung wallet, for proximity or online purchases.

In addition, during the first half of 2020, two credit card issuance contracts were renewed for a duration of 3 and 4 years, respectively, with a leading German fintech and a major Dutch credit institution.

Digital Payment Solutions

Also for this segment, the events linked to the COVID-19 pandemic led to a review of priorities and budgets by banks, which revised downwards their 2020 and 2021 investments and consequently their projects in the payments and digital areas. The year was nevertheless characterized by developments in collection and payment solutions and IMEL initiatives that exploit the Group's digital factory.

In 2020, SIA accompanied one of the main Italian issuers in several major projects, such as the replatforming of its loyalty platform.

Also in 2020, one of the leading domestic utilities, present in several international markets and a key player in the digital transformation of payments, decided to manage multi-channel, multi-country payments using the SIA Collection Hub, to create a global platform that centralizes and orchestrates collections and payments.

Compared to the 2019 financial year, a significant growth in managed volumes was noted in 2020, corresponding to the progressive onboarding of new customers, in particular for Instant Payments and Sepa services managed in the cloud on the SIA Easyway (Payment Hub) platform, a solution designed and created by SIA to support customers' time to market and manage the implementation of innovative and highly scalable solutions in a short time according to the "new digital architecture". In addition to Instant Payments and Sepa services, the SIA Easyway platform already includes the Request to Pay solution integrated with the new EBA Clearing System infrastructure (go-live postponed to 2021 as envisaged by EPC standards).

In 2020, despite the environment being heavily impacted by the effects of the pandemic situation, the relative trend in transaction processing volumes for services remained largely the same as in 2019, with some exceptions mostly positive. In particular, there was a "general" increase in Payment Gateway services, especially for services that involve interaction with the digital channels of PSPs and system infrastructures such as Pago PA and Cbill, while those relating to other domestic payment instruments, such as utilities, postal payments, top-ups, vouchers and various payments, remained substantially stable. Significant growth was also recorded in relation to Instant Payment services (+200% compared to 2019) and, confirming the interest encountered, projects aimed at new users are underway for 2021 and the joining of some customers currently attested only to RT1 to the TIPS circuit is already planned.

Finally, thanks to its technological innovation, the SIA Digital Storage offering, mainly focused on the needs of Italian corporate and public administration customers, was also able to achieve a significant increase in volumes as well as opening up to the international market.

With regard to Open Banking, during the second half of 2020, some customers activated operations on active PIS services to supplement the account aggregation services already previously launched. The volumes generated on these services, despite a relative growth of 60% compared to the first half of the year, were lower than expected and the reasons are to be identified in an ecosystem that is not yet fully operational and affects some aspects of the User Experience.

In order to strengthen the positioning and extend the value chain of these services, a number of important partnerships have been signed and application integrations are being finalized. The stages of assessing the platform against the indications of the Opinion Paper issued by EBA in June 2020 have been completed and work is underway to develop the necessary adjustments. It is expected to finish the adaptation and test support activities of each user by Q2 2021.

In the area of smart mobility, despite the sharp drop in volumes recorded during the year due to the pandemic (-60% compared to 2019), the path of payment digitalization and the service extension roadmap continued successfully in 2020.

Confirming the validity of the positioning strategy adopted by the SIA Group as an enabling platform for the various sectors impacted by innovation, during the year, new customers were activated (transport companies in Turin, Brescia, Bergamo, Varese, Bologna and Matera), also through partners, and important commercial actions were launched in other foreign countries, both directly and through local Legal Entities, with constant attention to calls for tender published by foreign public administrations. Finally, interest in the innovative SIA service is confirmed not only by the new customers acquired but also by the numerous negotiations underway, both with transport companies and with leading banks and new payment circuits interested in actively participating in the initiative.

In 2020, technological collaboration continued between SIA and PagoPA, the company that took control of the national pagoPA platform. However, as a result of the lockdown, there was a slowdown in the process of acquiring Local Public Administrations participating in the EasyPA solution. In particular, the volume of payment transactions contracted, especially in March and April, before recovering slowly but gradually from May onwards. At project level, a series of integrations have been developed in order to allow various Central Public Administration Entities to integrate with PagoPA for the different payment methods typical of this type of Central Entities.
During the second half of 2020, the PagoPA payment solution via Android POS was designed. During the last quarter of 2021, it is planned that two Treasury Institutions of primary national importance will activate a trial with their customer Public Entities in order to certify the innovative functionalities of the solution.

During 2020, SIA continued its support to institutions in the combat against cash and the promotion of digital payments, contributing as a key player in the creation of the technological platform on which programs such as the 'State Cash Back' are based.

The digital payments of the Public Administration processed by SIA exceeded 100 million transactions during the year, recording significant growth compared to previous years.

Consolidation of the Payment Hub solution for an important institution in the public sector market also continued, in line with the regulatory deadlines planned by the competent European bodies.

Within Central Institutions, project activities continued during 2020 for the following customers:

- RTGS system for the Central Bank of Canada;
- Request To Pay system on behalf of EBA Clearing;
- realization of the new RAC system for Bancomat;

- evolution of the BANCOMATPay mobile payments platform for Bancomat;
- creation of a national Mobile Payments for a European country.

SIA also brought into production the RTGS and CSD Equities system for the Central Bank of New Zealand and the RTGS and Instant Payments system for the Central Bank of Iceland. In the area of EBA Clearing services, the projects for the evolution and compliance of the STEP2 and Instant Payments RT1 platforms continued and went into production.

Finally, SIA has participated in various international tenders still in progress, including those relating to the following:

- creation of a national Mobile Payments for a country in the Middle East area;
- implementation of an Instant Payment system for a country in the Middle East area;
- implementation of an Instant Payment system for an important country in North America.

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

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

In 2020, the architectural and functional re-engineering of some products (Instant Payments, RTGS and CSD) was also launched in order to align the SIA offering with the need to enrich centralized platforms with new functions aimed at extending their interoperability and openness towards Fintechs.

With a view to increasing its levels of operational efficiency, IT security and service industrialization, during the year, SIA also focused on the application portfolio of customers in Africa, encouraging upgrades to the latest releases.

Capital Market & Network Solutions

The performance of the sector under review confirms the excellence of the services provided by SIA also in 2020. 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.

In the area of trading, during the first half of 2020, MTS required a substantial plan to adapt and evolve its platforms. With regard to the PCT (Money Market Facility) market, at the end of the first half of the year, there was a major market release, MMF 5.0 and 5.1. In addition to containing important functional innovations, it also includes the possibility of trading bank deposits (Depo) in the face of the closure of the e-Mid market in December 2019. All other markets (CMF and BV) continued to consolidate functionalities.

In the post-trading area, activities continued to evolve Monte Titoli services, also in terms of compliance, with the Target2-Securities central platform, bringing into production important releases for adaptation to the central platform, such as release 3.3 released in February and the more significant 4.0 successfully released in June, to close the year with release 4.2 released in November.

During the second half of the year, agreements were reached with third parties that will allow the Capital Markets offering to be expanded to embrace the increasingly regulated world of digital assets. Specifically, in the post-trading area, SIA will be the exclusive provider for the whole of Europe of a custody solution for digital assets in compliance with the new regulations that some European states have already passed and made operative.

In the financial intermediaries segment, the TODEAL service continued to consolidate its presence on the primary market for European government securities, acquiring important new customers on the Italian market, including one of the leading banking groups, which migrated to the TODEAL platform in April.

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

- SIA-EAGLE product, which has been enhanced with a new module that exploits machine learning and Artificial Intelligence techniques to further strengthen its ability to correctly identify abusive conduct in the Trading area;
- some blockchain-based initiatives to approach the primary and secondary credit markets that are being created, such as an innovative experimental blockchain-based platform based on Sia-chain infrastructure for the issuance of bonds and mini-bonds to support the development of SMEs, and a new NPL (Non-Performing Loans) tokenization service to facilitate the sale by Banks to Funds or Servicers of packages of non-performing loans aimed at creating a secondary market that is also strongly sponsored by the ECB.

Connectivity services during 2020, compared to the previous year, saw an increase of just under 30% in SIAnet traffic volumes, approaching the threshold of 2,000 TB of data carried during the year. The total km of the network infrastructure rises to over 209 thousand km of connections through a 3% growth of the total nodes attested on the network (594) with a more marked increase of 3% of the nodes abroad (176). The service levels are confirmed also for 2020 at excellent standards with 100% availability on the network infrastructure.

From the point of view of project activities, during 2020, the new application in R3-Corda technology Spunta Banche ("Tick Banks") by ABI Lab was progressively released in production on the SIAchain infrastructure, thus becoming the standard for reconciling open payment items on reciprocal accounts. The total number of banks operating on the system is 98 and they have collectively managed over 221 million tick movements on the system.

The "Fideiussioni digitali" (digital sureties) project based on Blockchain technology continues and, after the experimental phase, sees an ongoing development plan on Public Administrations, Banks, Businesses and Insurance Companies.
Also of note is the launch of a new Proof-of-Concept initiative in the sector of bank and insurance sureties, a project coordinated by Cetif Advisory that has gathered a varied community of banks, insurance companies, corporate customers and public administrations, interested in experimenting the implementation of a common application in blockchain technology that allows digitalization of the process of issuing and managing sureties. The initiative, which was successfully completed in the second half of the year, led to the activation of a working table between SIA, Cetif Advisory and the parties participating in the PoC to organize the production release of the service during 2021.

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.

During the year, new business activities took shape in the area for the issue and management of coupons managed in the form of digital tokens, with the start of the second phase of development of a private circuit sponsored by Hera in collaboration with its commercial partners.

Through a tender call, in 2020, SIA-Colt was selected for the supply of ESMIG connectivity services by several central banks, including the ECB and the Bank of Italy. In May ECB, together with the other six central banks that had already chosen the ESMIG connectivity services offered by SIA-Colt in 2019, started the EAT (Eurosystem Acceptance Test) phase in preparation for production start-up. The Greek ACH and the main Slovenian bank have also chosen the SIA-Colt solution, which also represents the first significant reference in the Secure Messaging field in this region.

In September, the new ACH in the Nordic countries selected SIAnet as a certified service provider, bringing to five the total number of European ACH platforms that can be reached via SIAnet.

With regard to the new digital cash management systems (FEEDO Project), the first FeedoChain safe was put into operation at a car park in Naples in December. The solution immediately demonstrated its effectiveness by achieving the objectives of automation and streamlining of cash management procedures for merchants.

Performance of Group companies

The scope of consolidation at December 31, 2020 includes, in addition to the Parent Company SIA S.p.A. (hereinafter also the "Parent Company" or "SIA"):

- **foreign subsidiaries**: Perago FSE, PforCards, SIA Central Europe[4], and SIA Greece. SIA Central Europe directly controls 100% SIA Croatia, SIA Czech Republic, SIA Romania and SIA Serbia;
- **Italian subsidiaries**: P4cards, SIAadvisor, and SIApay[5].

The companies 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). Moreover, the company Consorzio QuenIT prepared the final liquidation financial statements at December 15, 2020 and the cancellation from the Verona Companies Register was on January 4, 2021; as a result of the above, the investment was written off in the financial statements at December 31, 2020.

The performance of the Group companies in 2020 is shown below:

SIA S.p.A.

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

During 2020, despite the global downturn generated by the COVID-19 pandemic, SIA recorded an increase in revenues due to a positive performance mainly in the Card & Merchant Solutions and Digital & Payment Solutions segments. Operating costs were essentially stable compared to the comparative year, as the increase in costs for the maintenance of technological infrastructures and consultancy linked to extraordinary operations was offset by the decrease in payroll costs due to lower restructuring charges, provisions for unused accrued holidays and travel expenses. During the year, the company benefited from dividends paid by various Group companies amounting to approximately 44 million euro (of which 32 million euro from P4cards) and recorded adjustments to investments of more than 66 million euro (most of which attributable to the investment in SIA Greece), which led to a profit for the year significantly lower than the previous year. Excluding the aforementioned impairments, the profit for the year would be higher than in 2019.

[4] 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..

[5] Effective January 1, 2020, SIApay S.r.l. incorporated Emmecom S.r.l. (100% owned by SIA S.p.A.).

In 2020, the Company had total core revenues of 468.7 million euro (443.8 million euro in 2019), an operating income of 128.3 million euro (110.9 million euro in 2019) and a profit for the year of 60.3 million euro (105.6 million euro in 2019). Shareholders' equity at the end of the year amounted to 375.9 million euro, including the profit for the year, while net financial debt decreased significantly thanks to the performance of operations and the repayment of a portion of medium/long-term loans.

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.

The 2020 financial year ended with revenues of 3.8 million euro (4.7 million euro in 2019), a negative operating income and a loss for the year of 2.3 million euro (both negative by 1.9 million euro in 2019); the worsening of the result is essentially due to the adjustments to some intangible assets developed by the company for which the carrying amount was adjusted to the fair value determined by an independent expert and to the exchange rate differences on some transactions involving the sale of assets and liabilities to the Parent Company SIA, in light of the project to transform the company into a branch. Shareholders' equity at December 31, 2020 was negative by 3.3 million euro, including the loss for the year (it is noted that under South African law, there are no legal constraints relating to minimum capital requirements).

It is noted that during the year, the Parent Company supported the subsidiary with a loan of 3.5 million euro, at the maximum interest rate allowed by South African legislation and with a duration of 2 years, to cover cash requirements until December 31, 2020. Moreover, on June 30, 2020, the SIA Board of Directors approved the project to transform the South African subsidiary Perago FSE into a branch, expected to be finalized during the first quarter of 2021. This project, aimed at creating a competence center for the Settlement service line in the RGTS area, will also lead to the liquidation of the company.

P4cards S.r.l.

The company, based in Verona, was acquired on December 31, 2016 from the UniCredit Group. The transaction was finalized with the acquisition of 100% of the shares of the company, to which, at the same time, UniCredit transferred the processing of payment cards and the management of POS and ATM Terminals in Italy and Germany. P4cards has also agreed to provide to the UniCredit Group, by outsourcing for a period of ten years and thus until 2026, processing services for the transactions carried out with debit, credit and prepaid cards and for the management of the POSs and ATMs of the UniCredit Group.

The year 2020 shows revenues of 164.0 million euro (164.4 million euro in 2019), an operating income of 7.0 million euro (46.5 million euro in 2019) and a profit for the year of 3.8 million euro (34.1 million euro in 2019). Despite the difficult context that affected the first months of the year, the Company was able to confirm the satisfactory results of operating activities in 2019; however, the profit for the year was significantly affected by the provision related to the settlement of claims received from the UniCredit Group for some profiles relating to the services provided for the period 2016-2020, recognized under provisions for risks and charges in 2020. Shareholders' equity is equal to 62.2 million euro, including the profit for the year (90.5 million euro at December 31, 2019).

On December 28, 2020, in execution of the meeting resolutions of SIA and P4cards on December 2, 2020, the deed of merger by incorporation of P4cards into SIA was signed, effective as of January 1, 2021, as reported in the section of the notes relating to significant events after the end of the year.

PforCards GmbH

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

The year 2020 shows revenues of 4.7 million euro (4.7 million euro in 2019), a positive operating income of 463 thousand euro (negative for 1.1 million euro in 2019) and a profit for the year of 417 thousand euro (loss of 1.1 million euro in 2019). Shareholders' equity is equal to 2.1 million euro, including the profit for the year. The increase in the operating income compared with the comparative year is essentially linked to the almost total completion, in financial year 2019, of the amortization of the technological infrastructure inherited from the UniCredit Group. During the 2020 financial year, the company migrated to the SIA Group technology infrastructure and, as a result of the investments made, which were considerably less costly than those relating to the old infrastructure, the consequent lower impact of amortization led to a positive result for the year.

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. On January 1, 2020, the merger by incorporation became effective of Emmecom into SIApay, which was approved by the respective Meetings on October 10, 2019, (the results reported below for 2019 are shown considering the two merged entities as a whole).

The Company closed 2020 with revenues of 44.9 million euro (33.3 million euro in 2019), an operating income of 3.6 million euro (3.4 million euro in 2019) and a profit for the year of 2.3 million euro (2.4 million euro in 2019). The significant increase in revenues is essentially due to the full operation, in the 2020 financial year, of the acquiring services that the company had started up in the second half of the previous financial year; the increase in commission costs and the investments made in the financial year related to the aforementioned services, determined a substantial alignment of the company's operating income with the previous year. Shareholders' equity amounted to 14.1 million euro at December 31, 2020, including the profit for the year.

SIA Central Europe a.s.

The company, acquired in September 2018 and based in Bratislava (Slovak Republic), together with its direct subsidiaries, provides issuing and acquiring services throughout Central and Eastern Europe. The main services offered concern the management of about 175 thousand POS devices and over 5 thousand ATMs and the processing of card transactions, directly serving about 120 customers and over 13 thousand merchants.
As of 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 (the results reported below for fiscal year 2019 are shown considering the merged entities as a whole).

In 2020, the Company achieved revenues of 51.1 million euro (56.3 million euro in 2019), an operating income of 9.6 million euro (14.2 million euro in 2019) and a profit for the year of 7.5 million euro (11.2 million euro in 2019). The company was particularly affected by the crisis caused by the COVID-19 pandemic, which caused some delays in the sale of new projects; in addition, the rigidity of the cost structure and the investments made by the company to modernize its technological infrastructure led to a difference in the result compared to the previous year that was greater than the change in revenues. At the end of the year, shareholders' equity was 35.4 million euro, including the profit for the year.

The companies controlled directly by SIA Central Europe are:

- **SIA Croatia d.o.o.** based in Zagreb, which in the reporting year totaled revenues of 2.0 million euro (2.3 million euro in 2019) and a profit for the year of 114 thousand euro (130 thousand euro in 2019) and has shareholders' equity of 469 thousand euro (360 thousand euro in 2019);
- **SIA Romania Payment Technologies S.r.l.** based in Bucharest, which in the reporting year

totaled revenues of 85 thousand euro (94 thousand euro in 2019) and a profit for the year of 7 thousand euro (11 thousand euro in 2019) and has shareholders' equity of 149 thousand euro (139 thousand euro in 2019);

- **SIA RS d.o.o. Beograd** based in Belgrade, which in the reporting year totaled revenues of 2.0 million euro (2.3 million euro in 2019) and a profit for the year of 109 thousand euro (140 thousand euro in 2019) and has shareholders' equity of 546 thousand euro (444 thousand euro in 2019);
- **SIA Czech Republic, s.r.o.**, based in Prague, which in the reporting year totaled revenues of 80 thousand euro (73 thousand euro in 2019) and a profit for the year of 27 thousand euro (16 thousand euro in 2019) and has shareholders' equity of 208 thousand euro (184 thousand euro in 2019).

SIA Greece S.A.

The company, based in Athens (Greece), provides a comprehensive set of payment and high value-added services along the entire payments value chain. The company acquired in September 2018, in addition to managing over 500 thousand POSs and approximately 1,900 ATMs, offers card production and personalization services and manages back-office and call center services. The services reach 7 different countries in Eastern and Southern Europe. The company directly controls the company DMAN in liquidation, for the completion of which it is awaiting the closure of two cases of litigation still open, with reference to which the management has opted for a settlement offer in which it estimates costs of a maximum of 30 thousand euro.

In 2020, the company achieved revenues of 53.8 million euro (56.0 million euro in 2019), a negative operating income of 6.3 million euro (positive for 6.0 million euro in 2019) and a loss for the year of 4.6 million euro (profit of 3.9 million euro in 2019). The economic deterioration of the company compared to the previous year is related to a reduction in revenues due to lower volumes on existing services and delays in the start-up of new initiatives due to the COVID-19 pandemic, connected to a rather rigid cost structure; in addition to this, depreciation and amortization almost doubled in 2020 (from 9.8 million euro in 2019 to 17.6 million euro in 2020) as an effect of the significant investments for the use of the technological infrastructure.

At the end of the year, shareholders' equity was 44.1 million euro, including the loss for the year. The subsidiary DMAN in liquidation closed 2020 with shareholders' equity of 405 thousand euro.

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 and in the fourth quarter of 2020, the Parent Company SIA completed the purchase of the shares from the minority shareholder, and Chief Executive Officer of the company, acquiring all the shares. The company specializes in providing consulting services in the areas of Marketing & Sales, IT/Operations and Organization, provides specialist expertise on innovative topics and creates potential market synergies. The close collaboration with the company allows meeting the needs of SIA customers with regard to the support, implementation and development of their business strategy.

The year 2020 closed with revenues of 5.9 million euro (5.5 million euro in 2019), an operating income of 1.5 million euro (1.3 million euro in 2019) and a profit for the year of 1.1 million euro (0.9 million euro in 2019), confirming the growth trend of the previous year. At the end of the year, shareholders' equity was 1.7 million euro, including the profit for the year.

Associates

ATS S.p.A.

In December 2000, SIA acquired 30% of ATS, a software development company that operates mainly in the banking and finance sectors and has been an authorized SIA partner for many years. The company's headquarters are in Milan. The figures for the 2019 financial year, which were approved in the second half of May 2020, show a 2019 profit for the year of approximately 73 thousand euro (106 thousand euro at December 31, 2018) and shareholders' equity of 2.2 million euro (2.6 million euro at December 31, 2018). The reduction in shareholders' equity is due to the merger by incorporation of the subsidiary Kammatech S.r.l., which led to the recording of a negative merger reserve. The valuation using the equity method therefore led to an adjustment of the carrying amount of 67 thousand euro.

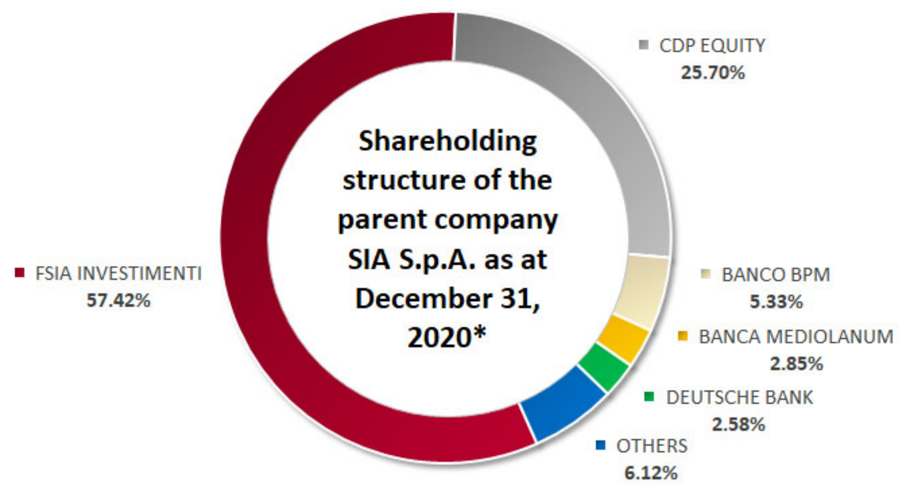
Governance of SIA S.p.A.

Shareholders' Meeting

The Shareholders' Meeting of SIA S.p.A. (hereinafter also the "Parent Company") is the collegial body that expresses the will of the shareholders.

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

At December 31, 2020, the SIA share capital was held as follows:



** Number of shares: 171,343,227 including those without voting rights*

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

Board of Directors

The Board of Directors of SIA S.p.A. consists of 11 members. On the date of approval of the financial statements for the year ended December 31, 2019, the three-year term of office of the current Board of Directors came to an end; however, during the meeting held on May 11, 2020 to approve the financial statements, the ordinary Shareholders' Meeting of SIA, having acknowledged the failure to file the lists of candidates for the appointment of Directors to be presented by the Shareholders pursuant to article 19 of the Articles of Association, did not reconstitute the Board of Directors, which is therefore currently under an extension pursuant to and for the purposes of article 2385, second paragraph, of the Civil Code.
On the current Board of Directors, 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 article 2383 of the 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, 2020, please refer to the relevant table in the introduction pages.

Board of Statutory Auditors

The Board of Statutory Auditors of SIA S.p.A. comprises three Standing Auditors and two Alternate Auditors who remain in office for three financial years and can be re-elected.
The Board of Statutory Auditors supervises compliance with the Law and the Articles of Association, compliance with the principles of sound management in the performance of company activities, as well as the adequacy of the organizational structure, the internal control system and the company's administration and accounting system.

For the composition of the Board of Statutory Auditors of SIA S.p.A. at December 31, 2020, please refer to the relevant table in the introduction pages.

Supervisory Body

Established to supervise the operation of and compliance with the Organization, Management and Control Model pursuant to Legislative Decree no. 231/2001 and prevent the crimes relevant for the purposes of the same decree. The Supervisory Body informs the Board of Directors of the work performed at least once a year. The Supervisory Body of SIA S.p.A. is in office for the three-year period 2019-2021.

Remuneration Committee

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

- submitting proposals to define the general policy for the remuneration of Executive Directors and other Directors holding particular offices in the Board of Directors;
- expressing opinions in relation to proposals to increase the remuneration of managers falling under the scope of responsibility of the Board of Directors, in accordance with the tables of powers and mandates of the Company;
- conceiving and submitting to the Board of Directors the adoption of long-term incentive schemes for top managers;
- monitoring the performance and correct application of the aforesaid incentive schemes, regularly assessing the adequacy, overall coherence and actual application of the policy adopted for the remuneration of the aforesaid managers.

Development Committee

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

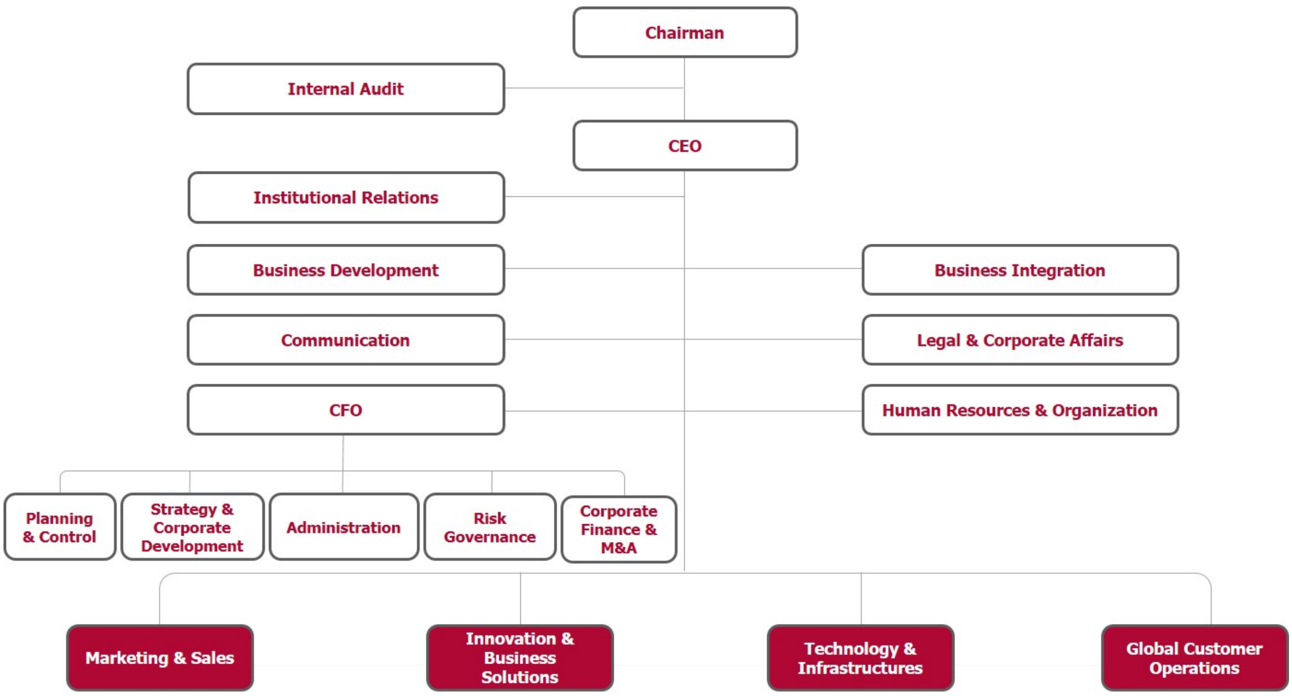
Operating Committee

At the meeting held on October 15, 2020, the Board of Directors established the Operating Committee, which consists of an intra-board committee - in addition to those already established - with the task of expressing its binding opinion on certain acts or categories of acts expressly indicated in the Company's "Table of powers and mandates". It has a mixed composition (members of the Board of Directors and SIA Managers) and includes the Chairman of SIA Board of Directors, as Chairman, four members of the Board of Directors and three SIA Managers.

The Operating Committee is consulted, inter alia, on the following issues:

- participation in calls for tenders, competitions and bids issued by public administrations and signing of the relevant documents for predetermined thresholds;
- participation in Temporary Groupings of Companies;
- signing, amending, terminating contracts for services or goods provided by third parties for predetermined thresholds;
- signing the cancellation of the contracts referred to in the preceding point that provide for tacit renewal, for predetermined thresholds;
- approval of the Company's service fee structure;
- signing and modifying offers and contracts for the Company's services for predetermined thresholds;
- sureties/guarantees;
- banking and financial transactions for predetermined thresholds.

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 the company's officers and all external collaborators. Also suppliers, business partners and anyone that, either directly or indirectly, entertains commercial, professional or employment relationships with SIA is required to act in accordance with the principles contained in the Code.
In the Code of Ethics, 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 carry out their activities in accordance with the principles of correctness and integrity, abstaining from situations of conflict of interest in their area of activity.
The members of the Corporate Bodies are also requested to behave in accordance with the principles of autonomy, independence and the corporate guidelines in all the relationships that they maintain, on behalf of SIA, with Public Entities and any other private subject.
The obligations of loyalty and confidentiality are binding on these subjects also after they terminate their relationship with the Group.
The latest version of the Code of Ethics was approved by the Board of Directors on May 25, 2017.

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.

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.

Whistleblowing reports are foreseen in the Code of Ethics.

Sustainability for the SIA Group

For years, the SIA Group has implemented 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.

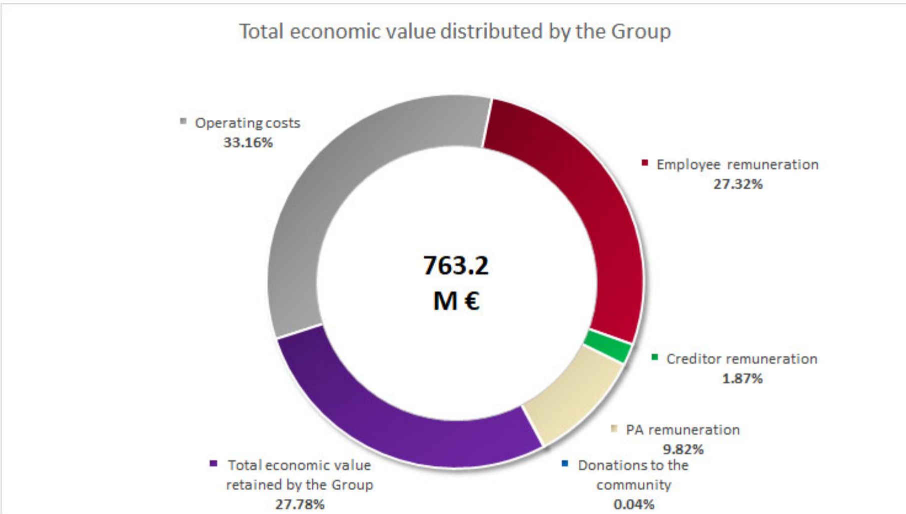
In this year marked by the COVID-19 pandemic, the SIA Group considered it even more fundamental to maintain constant dialog with its stakeholders (both internal and external), generating greater value for itself and its stakeholders.

Economic value created and distributed

The economic value created and distributed is a measure of not only economic but also social impact, as it expresses the ability of SIA to generate wealth, which is redistributed both to the categories of people who have contributed to its production and to the Group's main stakeholders.

In 2020, the SIA Group generated 763.3 million euro, a growth of more than 3% compared to 2019. The remuneration of employees amounts to over 208.5 million euro and represents 27.32% of the total. The portion distributed to the Public Administration was approximately 74.9 million euro (9.82% of the total). The amount allocated to borrowed capital comes to approximately 14.3 million euro (1.87% of the total) and corresponds to the interest expense incurred during the period. The item "operating costs" represents the economic value distributed to suppliers through the purchase of goods and services and amounts to over 253 million euro, equal to 33.16% of the value distributed.

A sum of 324 thousand euro (0.04%) was allocated to the community, in the form of donations and contributions to universities and research centers. The economic value retained by the Group, equal to 212 million euro and 27.78% of the total created in 2019, corresponds to what was invested within the Group through the retained earnings, depreciation and amortization.



Protection and development of people

At December 31, 2020, the SIA Group has 3,660 employees, of which 43% are women and 96% hired with permanent contracts. In September 2020, the renewal of the supplementary company contract for SIA and SIApay was signed, valid until 2023. Among the most significant additions are the increase in support for children with disabilities, contributions to supplementary pension schemes and the implementation of health insurance policies with free two-yearly check-ups for each employee. In 2020, an intensive training program was defined in response to technical, managerial, behavioral and linguistic requirements, with a total investment of 0.9 million euro, thanks to which over 73,000 training hours were provided during the year, equal to an average of 20 hours per capita. The pandemic forced a radical reorganization, with much of the activity converted to distance learning.

Diversity & Inclusion

The Group offers equal employment opportunities to all employees based on professional qualifications and skills, free from discrimination. In 2020, the SIA Group drafted a Diversity and Inclusion policy, which clarifies the approach on the issue. The document complements the Group's Code of Ethics in recognizing the value of a work environment free from all forms of discrimination.

As regards salary levels, the SIA Group policy in Italy has for some time been to give substantially equal pay for men and women, especially among non-executive personnel. The gender pay gap is influenced by data from some countries, where there is a significant prevalence of Customer Support structures, with significant employment 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%.

Ethics, integrity and compliance

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

As a multinational service provider for payment systems and financial markets - it is supervised and has in place a risk governance and internal control system with which it counters adverse events and vulnerabilities that may arise and compromise the delivery of its services.

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.

It also pays a lot of attention to the issue of risk culture and for this reason, it has carried out annual interventions with different levels of detail and teaching methods and heterogeneous recipients (dissemination of checklists, sharing of results with customer support structures, sharing of operational risk management tactics at group level). For further information, please refer to the specific section of this report on risk management and anti-corruption management.

Innovation and support for the digital transition

Sustainability is a parameter for evaluating the Group's innovation opportunities and is an integral part of the SIA culture and innovation initiatives. The 2020 projects focused on the use and development of the following technologies in particular:

- Blockchain;
- Open Infrastructures;
- Cloud Computing;
- Business Intelligence;
- Big Data;
- Microservices;
- REST webservices.

The broader initiatives with respect to the themes of sustainability, innovation and digital transition activated in 2020 include:

- pagoPA Cashback Project, which has allowed the Italian population to access greater liquidity and the State to reward the use of digital payment methods at the expense of cash. The initiative foresees the cooperation of multiple public and private actors: the Government, public companies, and more than twenty entities, in addition to SIA, that operate in the electronic payments sector;
- SmartChain, implemented for Trentino Holiday under the name of Wallet del Turismo (Tourism Wallet): this is an application that uses blockchain technology to generate coupons following virtuous conduct by citizens and tourists, to be spent at local merchants, with the aim of encouraging responsible conduct, promoting tourism and encouraging consumption at local businesses;
- Flowe, the payment app that focuses on sustainability. Flowe cards, strictly made of wood and produced in the specialized center in Verona in collaboration with Exceet, foresee the use of eco-sustainable materials guaranteeing customers the full functionality of payment services both in traditional and contactless mode, through the Mastercard circuit. Cherry wood from sustainably managed forests is used to create these innovative cards, making each substrate different from the next;
- Enel X Financial Services which, with the support of SIA, will manage multiple types of transactions, starting with those carried out to recharge the electric cars of the Hubject e-mobility circuit, promoting the reduction of CO_2 emissions linked to the consumption of fossil fuels.

E-MARKET SDIR CERTIFIED

Community relations and impact on society

Even in this difficult year, the SIA Group wanted to ensure its contribution to the development of the community in which it operates. In line with its own mission, it engages in constant dialog with public and private parties in the region and supports social development projects in partnership with non-profit organizations.

Job creation

On the subject of employment, it is recalled that the rate of increase in the corporate population has been growing steadily for years: in 2020, +3% compared to 2019, thanks to 308 new hires, net of intercompany transfers and against 199 terminations. Recruitment was aimed at the internalization of key skills and business innovation, focusing on the inclusion of young people: 30% involved personnel under 30, mainly with a degree in the technical-scientific field.

Donations

SIA donations are a tool of corporate responsibility, which is used in accordance with the principles and rules of conduct set out in the Code of Ethics to promote and support the implementation of concrete and measurable projects. In 2020, SIA chose to focus its intervention primarily in response to the health and social emergency:

- for a center of excellence in Milan, SIA financed the installation of 4 complete intensive care units, including all the equipment needed to assist COVID-19 patients;
- with the Fondo di Diritto allo Studio (Right to Education Fund) financed to the Laboratorio di Quartiere Giambellino Lorenteggio (Neighborhood Laboratory), disbursed at the end of 2019, SIA made it possible to purchase distance learning tools for students in difficulty and at high risk of dropping out of school. In fact, the Fund aims at leveraging schools as a tool for inclusion and integration in the territory. Among the neighborhood families supported through the SIA donation were many who found themselves in emergency situations after the lockdown following the pandemic began. Thanks to the Right to Education Fund, it was possible to purchase school supplies, in particular 16 laptops that are added to the other 230 laptops and tablets that the neighborhood network has donated to families in the neighborhood in recent months;
- finally, collaboration continued with the Mario Negri Institute for the Cloud4care project and the renewal of the annual study grant on "Pharmacogenics of ovarian tumors".

Universities and Research Centers

SIA promotes and sponsors activities, initiatives and study and research projects in the fields of IT, finance and economics in partnership with Universities and qualified Research Centers, and also supports the activity of many Observatories.

In the context of the partnership with the Politecnico di Milano, also in 2020, the Group contributed to important studies in key areas of Digital Innovation in companies and Public Administration conducted by the Digital Innovation Observatories of the School of Management of the Politecnico di Milano.

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 in the financial, banking and insurance sectors. The research activity involves the financial institutions belonging to CeTIF in periodic working tables aimed at examining strategic issues in greater detail.

Lastly, in 2020, SIA launched a collaboration with the MINTS Observatory of Bocconi University, with the aim of investigating the possible impacts of virtual currencies and digital currencies, including Central Bank Digital Currencies, taking into consideration both the technological aspect and the implications at regulatory level and at economic and social policy level.

SIA and the environment

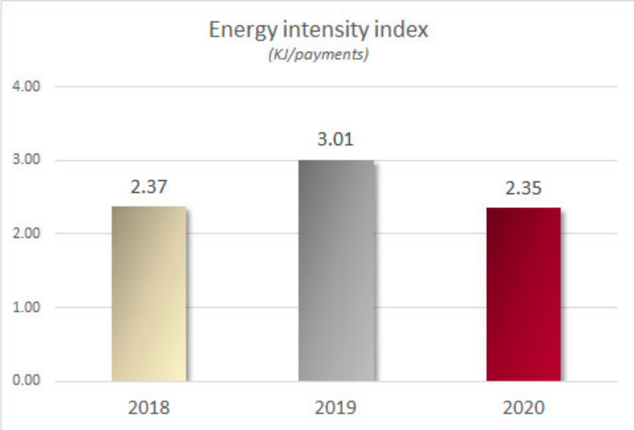
The main areas on which the SIA commitment to reducing the environmental impact of its activities is focused are:

- efficient management of energy resources;
- combat against climate change;
- environmental protection.

In addition to producing around 72,500 kWh per year of clean electricity in the main Milan office building thanks to 323 photovoltaic solar panels, since 2016, SIA has chosen to use green energy: 100% of the electricity supplied for the main Italian offices is attested by certificates of Guarantees of Origin (issued by the Gestore dei Servizi Energetici). In 2020, SIA purchased a total of 11,372 MWh of clean energy, which reduced carbon dioxide emissions by approximately 4,000 tons (source: AIB 2020).

Attention to the environment has led SIA to undertake a process of awareness raising on the various issues of pollution and climate change. The new ways of organizing work have a positive impact on polluting phenomena due to mobility with the reduction of exhaust gases and noise emissions, as well as fuel consumption.

In order to monitor and summarize consumption trends in relation to business and therefore measure the efficiency of the systems, an index was defined given by the ratio between energy consumption (expressed in KJ) in the reference year and the number of transactions managed in the same period. The performance of the index over the past three years is summarized in the graph below:



The change in the figure between 2018 and 2019 is mainly attributable to the expansion of the reporting perimeter following the acquisition in 2018 of companies located in 7 different countries.

On the other hand, the overall efficiency achieved in 2020 is clearly visible, in which the growth in consumption linked to the increase in transactions managed by the Group is offset by several factors, such as the widespread reduction in the number of employees in the various Group offices, the efficiency of the data centers with latest-generation hardware and, to a large extent, the continuation of integration projects with, for example, the moving to the Italian data centers of the IT platforms previously installed in the data centers in Slovakia.

While the absence of SIA personnel at the Group's various locations has had the effect of reducing energy consumption by 9% compared to 2019, overall the effect of the Covid-19 pandemic has led to a significant reduction in greenhouse gas (GHG) emissions, partly due to the suspension of business trips and travel. 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 emission of greenhouse gases (GHG) from installations owned or controlled by the SIA Group (e.g. natural gas, diesel fuel, continuous leasing fleet);
- scope 2 includes indirect emissions from energy consumption, that is, GHG emissions 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 trips).

DIRECT AND INDIRECT GAS EMISSIONS			
TYPE OF GHG EMISSION	**2020**	**2019**	**2018**
Direct emissions: Scope 1 (t CO2e)	625	996	684
Indirect emissions: Scope 2 (t CO2)	7,249	8,678	5,984
Indirect emissions: Scope 2 (t CO2e)	4,344	6,481	2,802
Indirect emissions: Scope 3 (t CO2e)	233	1,978	1,692

Technology and innovation

The Technology & Infrastructures Department has implemented all the necessary measures to guarantee the SIA Group's going concern and health safety in the workplace in the context of the COVID-19 pandemic. In particular:

- infrastructures were set up and tools were provided to enable, as early as the end of February, the mass use of smart working by the Group's 3,500 employees and all the consultants employed in the various project and management activities;
- adequate Personal Protective Equipment was purchased and distributed to internal and external personnel;
- workplaces were repeatedly sanitized and offices were equipped with all the required countermeasures, primarily by installing a significant number of thermal scanners;
- management, maintenance and security of the data centers was guaranteed, ensuring operational continuity even during the months in which the offices were completely closed.

Despite these difficulties and the related extraordinary activities, the integration projects of the companies acquired by First Data in 2018 in the countries of the Central Eastern Region and in Greece, in particular, continued as planned:

- complete internalization of the IT, network and security services provided by First Data under the Transition Service Agreement;
- migration to SIA Italian data centers of the IT platforms previously installed in Slovakian data centers.

Migration activities continued on SIA platforms of the services of P4Cards, acquired in 2017 by the Unicredit Group.

New customers on existing service platforms were brought into operation and new technology and service platforms were activated. In particular:

- the new IBM z15 mainframe computers were installed in the first quarter;
- the Powercard card processing platform from HPS was installed and put into production, and the e-Secure service was activated for customers of SIA Greece;
- as part of the Customer Operations Excellence Program initiative, the infrastructure for the Robot Process Automation solution was set up and the first operational processes were put into production;

- in line with the strategy of adopting cloud-ready architectures, the Loyalty PostePay platform was implemented and the project to digitize business processes using the ServiceNow solution was completed;
- services for the PA were further developed, first and foremost the PagoPA Centrostella project, which enabled the launch of the Cashback program requested by the Italian Government;
- the growth of blockchain services on SIA-chain infrastructure has enabled the activation of over 100 banks on ABI-Lab's "Spunta Banca" service and the production release of the Supply@Me Inventory Monetization service;
- on the SIAnet network, the infrastructure dedicated to the activation of the environment relating to the Eurosystem ESMIG service was created.

With regard to cybersecurity issues, the process of continually improving security measures and countering cybercrime has resulted in the following main activities:

- completion of the integration of the cybersecurity organization, processes, standards and tools for all Group companies;
- support for the main business initiatives, such as the PagoPA Centrostella project, through the identification and implementation of data protection measures;
- introduction of advanced technologies aimed at increasing the level of security of the services offered;
- adaptation of technical and organizational controls to mitigate the new threats associated with the pandemic emergency and the consequent massive recourse to smart working;
- renewal of organizational and technical certifications in compliance with IT Security regulations, including PCI-DSS, PCI Card Production, PCI PIN Security and ISO/IEC 27001.

The contribution and collaboration of SIA in the financial ecosystem also continued through its participation in international forums for public-private cooperation, such as the ECB Euro Cyber Resilience Board (ECRB), the related Cyber Intelligence Information Sharing Initiative (CIISI-EU) and the national initiative of the Italian CERT Finanziario.

Risk management

COVID-19 - Impacts and countermeasures

The SIA Group has been monitoring the pandemic situation since January with the aim of being ready to react to changes in the scenario. Business trips to East Asia were restricted in early February. Subsequently - at the end of February - the company procedures and plans for business continuity envisaged in the event of a pandemic were put in place.

SIA and the Group's Italian companies have applied the recommendations for companies and workers set out in the protocol to protect the health and safety of workers from possible contagion and to guarantee a healthy workplace.

A special emergency team was set up to provide guidance and guidelines which - coordinated by the SIA Chief Executive Officer - met daily until March, bi-weekly in April, weekly in May, June and July and every 15/20 days - depending on the evolution of risk, between September and December.

The Group's foreign companies handled the emergency situation with special committees and with direct initiatives by CEOs/General Managers in the smaller companies. In addition to the indications provided by SIA as the parent company, the foreign companies complied with the provisions to counter the virus issued by national bodies equivalent to the Italian Istituto Superiore di Sanità.

On Sunday, February 23, SIA decided to limit access to the Milan and Verona offices, as from the following day - Monday, February 24 - only to personnel essential for guaranteeing the supervision of the offices and the operation of the services (less than 200 people) and decided to apply the extended smart working solutions envisaged by the company's business continuity plans.

Intense days followed in order to reinforce the technological and connectivity infrastructures and allow employees to work from home, in compliance with the security conditions envisaged to protect data and applications and SIA processing centers. The rapid transition to working from home for almost all employees was made possible thanks to an already widespread use of remote working and smart working (in 2019, around 1,500 Group employees had tried these methods at least once) and thanks to SIA business continuity plans, which included regular drills, contact tests, extreme risk scenarios including for organizational and pandemic events. Thanks to exemptions issued by regulatory bodies, it has been possible to extend remote working to all teams previously not authorized to use it.

The partial improvement in the pandemic situation in European countries in the period July-October made it possible to authorize a greater number of accesses to the Group's offices while still maintaining prior authorization. The second wave of the pandemic that hit Europe led once again to the maximum use of smart working for all Group personnel.

The decision to have employees work from home has minimized the risk of spreading the virus among employees and people who are used to accessing SIA offices. Few cases of positive tests and quarantined personnel. The regular performance of work in all company facilities and the supervision of company services and activities was guaranteed.

Measures to contain and counter the spread of the virus in the workplace were applied from February 24 to the Group's offices in Lombardy and Veneto.

At the beginning of March, they were extended nationwide and from March 15, they also concerned the Group's foreign offices.

Operations at SIA Group offices were limited and reduced:

- in March and April, the Italian offices in Rome, Macerata, Parma, Brescia and Treviso and the foreign offices in Vienna, Budapest, Zaventem, Utrecht and Pretoria were closed, while operations at the Milan and Verona offices and the foreign offices in Athens, Bratislava, Budapest, Bucharest, Belgrade, Munich and Nuremberg were minimal, with limited presence at the offices, monitoring a few services, personalizing cards, POS warehouses and some customer operations services;
- in May and June, the situation remained substantially unchanged for offices in Italy and abroad; attempts of first gradual returns due to easing of virus containment measures were applied in Germany, Austria, Slovakia and Greece;
- in July, the SIA offices in Rome were reopened and a gradual return to the office was also made possible in Hungary, given the comforting local health situation; maximum attention and closure of the office in South Africa;
- in September and October, given the slight improvement in the national situation, a minimal influx of employees into the offices was allowed, always controlled and authorized;
- in November and December, following the resurgence of the pandemic, access was again limited to the minimum possible at all Group locations.

The choices were made through:

- activation of a specific SIA emergency team coordinated by the SIA CEO;
- systematic information flows and reports between SIA as the Parent Company and the Group companies in the areas of personnel management and business continuity relating to the emergency;

- actions of the Human Resources Director to organize remote work, supervise access to sites and define Group guidelines for gradual returns to sites;
- for Italian companies - discussion with trade union representatives and setting up of the committee provided for in article 13 of the National Protocol for the regulation of measures to counter and contain the virus in the workplace. There were 6 meetings from the beginning of the emergency to December 31, 2020;
- supervision by the RSPP - Head of the Prevention and Protection Service - on health risks, on the regulations issued, on the protocols to be followed to counter the virus as long as the health emergency remains;
- constant dialog and consultation with the company doctor on the various and multiple interpretative questions on health matters from time to time;
- facilities initiatives - in collaboration with the company doctor, the RSPP and Human Resources - to find adequate quantities of PPE - Personal Protective Equipment, to sanitize workplaces and to equip the premises with the required countermeasures (e.g. installation of thermal scanners).

Of particular note are the several employee-related initiatives launched by Human Resources & Organization to provide constant and extensive information to employees, support remote work and keep employees in touch with the Company through dedicated communication channels. Examples include:

- information on the decisions taken to deal with the emergency;
- organization of contact channels and support services for remote work;
- suggestions on best practices for working remotely;
- distance learning initiatives on the best and most effective ways of working remotely;
- smart working survey;
- opening of a "SIA-on-air" web radio with broadcasts of a corporate nature;
- services to support isolation and distress caused by prolonged remote working;
- fitness video lessons;
- activation of COVID-19 risk insurance coverage;
- conventions reserved for employees for COVID-19 screening and serological tests;
- adaptation and continuous updating of the contents present on the Intranet portal to support the emergency.

Information on emergency management in SIA and related impacts was also addressed to:

- customers - with particular regard to the performance of services and ongoing project initiatives;
- suppliers - with indications of measures and restrictions on access to the premises;
- Supervisory Authority with regard to the impacts on SIA services, to payment systems and national and European financial markets.

The members of the Board of Directors were informed of the measures taken and the impact on people, services, projects, locations and company plans by means of special notices sent systematically by the Chief Executive Officer.

Actions to ensure the safety of personnel in relation to the COVID-19 context

The actions were conducted on the basis of the prescriptions of the Shared Protocol for the regulation of measures to counter and contain the spread of COVID-19 in the workplace between the Government and the corporate partners of April 24, 2020, the Prime Ministerial Decrees and Ministerial Circulars published in recent months and shared in close collaboration with the RSPP and the company doctor.

The following guidelines/analyses have been produced at documentary level:

- information leaflet for all personnel;
- document on the correct use of Personal Protective Equipment;
- COVID-19 protocol containing a summary of the main measures adopted by the company to contain the risk;
- anti-contagion safety protocol;
- analysis of the remote work-smart working risk included in the Risk Assessment Document (DVR);
- self-declaration for visitors;
- information for suppliers to supplement the Interference Risk Assessment Document (DUVRI).

At operational level, a series of preventive actions were adopted, such as the massive use of smart working and the total closure of minor offices.

By way of example, the following have been installed:

- thermal scanner at the entrances to detect temperatures;
- dispensers of sanitizing gel in the vicinity of restrooms and refreshment areas;
- Plexiglass plates at the reception and the internal cafe;
- appropriate floor markings indicating safety distances.

Moreover:

- creation of one-way paths to avoid congestion;
- provision to all employees of a kit containing masks, gels and latex gloves;
- limitation of presence in common areas (elevators, break areas, meeting rooms, bathrooms).

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.

In 2020, the integration of the companies acquired in 2018 also continued for the risk management process. An integrated risk governance method has been put in place to ensure group-wide risk oversight with:

- a single Group risk policy;
- attention to consider the specific operating features of individual companies with regard to compliance, financial and customer and supplier risks;
- breakdown into centralized and decentralized functions with appropriate information and reporting flows.

The SIA Group also pays a lot of attention to the issue of risk culture and for this reason, it has carried out annual interventions with different levels of detail and teaching methods and heterogeneous recipients (dissemination of checklists, sharing of results with customer support structures, sharing of operational risk management tactics at group level). Specifically, during 2020, the SIA risk culture was enriched with a component of knowledge spread throughout the Group on the questions to be asked in risk analyses of services and initiatives and on the results thereof.

In this context, the Risk Governance Department focuses on identifying and managing risks that are relevant for the creation and protection of value by integrating a risk culture and risk management practices into corporate processes. The goal is to promote informed decisions consistent with the company's risk objective.

Risk management process

Aware of the type, nature and extent of the risks to which the company is exposed, the top management of SIA 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 2020;
- aims to pursue the objectives and protect the values of the company;
- is an integral part of the organizational systems and business processes, the initiatives being defined and the services provided;
- addresses the uncertainties inherent in and is a component of the corporate decision-making processes;

- is pursued systematically, in a structured manner, swiftly and is fully documented;
- considers the human factors, perceptions and cultural aspects that facilitate notifications regarding risks and the assessments regarding the impact thereof;
- is periodically reviewed to ensure that it corresponds with the corporate objectives.

From an organizational point of view, SIA has a three-line model that provides for:

- the company organizational structures - that identify, govern and control the risks within their respective areas of competence (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 staff and reports to the Chief Financial Officer;
- the Internal Audit Department - which provides third-level control over corporate risks, operates independently and reports to the Chairman.

Moreover:

- 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;
- the contact persons of the Group companies with whom systematic information and operational links are in place are defined.

Main activities carried out in 2020

The main activities at Group level were:

- updating the Group's risk policy and risk management process;
- monitoring the risks of Group services/products and business initiatives;
- extension to the Group of the monitoring of business certifications and approvals with special compliance dashboards;
- continuous monitoring of IT, technological and security risks;
- implementation of the actions of the GDPR improvement program extended to the Group;
- strengthening of the risk culture 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 main activities carried out in 2020 involved qualifying the risks of new initiatives from the design and early project phases (by design) with special risk assessment checklists and specific in-depth risk assessments for major initiatives.

Operational risk in the services provided

Monitoring of the risks of the main services in production continues in line with ISO 31000 and IT risk best practices. To this end, the use of a special checklist is envisaged to take into account the characteristics of the services/products offered and in the case of services with significant risks, it is also required to prepare special plans to deal with the risks that emerge. 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

Continuous monitoring of technological infrastructures and related availability risks continues, with organizational solutions for centralized control of the technological infrastructures, systems and networks used to provide services for the Group's legal entities. The ICT processes of incident, problem, change and release are also governed and monitored.

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 was completed.

Operational risk for suppliers and partners

SIA has a well-established supplier selection and qualification process overseen by a procurement team aimed at reducing the potential risks arising from relations with third parties. In particular, contractual risks are mitigated by standard clauses that are reviewed and adjusted when appropriate with the support of SIA internal lawyers.

In addition, 2020 also saw the start of the collection of public information - financial and compliance - on suppliers and their corporate structures through access to market database services.

Finally, it should be noted that the analysis of operational risks carried out on customer services and products also pays attention to the impacts that could be caused by specific suppliers relevant to the services/products.

Compliance risk

The monitoring of compliance risks is ensured by a special governance and management system that operates as a second-level control and pays attention to the main regulatory deadlines and 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 2020 to:

- coordinate requests for information, documents and data received by the Central Bank's Surveillance structure on the basis of article 146 of the TUB;
- have a dashboard at Group level for monitoring business certifications, ATM (Automated Teller Machine), POS (Point Of Sale), approvals and circuit agreements;
- extend Group monitoring of ISO certifications, ISAE 3402 type 2 reports /SOC1 reports, MISE and AGCOM obligations, national regulatory obligations;
- renew the Group's PCI certifications (PCI-DSS, PCI 3DS, PCI PIN, PCI Card Production);
- maintain the Mastercard Global Risk Management Program certification;
- extend the alerting service for Mastercard Bulletins and VISA Member Letters of international circuits to Group companies;
- maintain the ISO 9001 - Quality, ISO 22301 - Business Continuity, ISO 20000 - IT Services, ISO 27001 - Information Security, ISO 14001 - Environmental Management, OHSAS 18001 Health and Safety certifications. These certifications are held by Group companies as required by the business;
- maintain ISO 27017 and ISO 27018 certifications for substitute storage services and EasyPA and AgID certification for digital storage services;
- direct and coordinate the general and application ICT controls provided for in ISAE 3402 Type 2 reports;
- maintain the organizational model as per Legislative Decree no. 231/2001 for the Group's Italian companies as indicated by the Supervisory Body.

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.

In 2020, activities at Group level continued to:

- ensure effective and efficient responses to requests to exercise the rights of data subjects (e.g. completion of internal GDPR improvement program in SIA);
- adjust policies (e.g. new release of the Group Privacy Policy), procedures (e.g. new procedure for DPIA) and reference documentation, in line with the evolution of the regulatory scenario and the organizational model;
- update the Processing Register with particular attention to the processing of personal data as part of services provided to Customers;
- improve awareness of the GDPR through the provision of a specific program via the e-learning platform "Academy online";
- monitor that the processing of personal data is carried out in accordance with regulations and in compliance with the contractual agreements in force (e.g. involvement in internal audits and those requested by Customers);
- guarantee periodic reporting to Top Management (e.g., interventions in the Board of Directors and the SIApay Board of Statutory Auditors) and to the Data Controller (e.g., bimonthly reports to the SIA Board of Directors).

Operational security and cybersecurity risk

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

Given the high degree of technological innovation of the services provided by SIA and the importance in terms of the management of sensitive data relating to payments, specific policies and methodologies were defined for the identification and management of IT risk (including cyber risk) and specific organizational controls were implemented as part of the Information Security Management System for line controls and risk management control in accordance with the ISO/EC 27001 standard and certified by a qualified third party.

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 previously mentioned, SIA has put in place an articulated series of operational controls and security countermeasures at organizational, logical and physical level, the application of which is in line with the business guidelines and at the same time adequate to the risk assessments of confidentiality, integrity and availability of information.

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

- ensure prevention against cyber attacks according to a "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;
- 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;
- harmonize coverage across the Group with alignment of procedures and protection measures.

Operational risks are also mitigated through targeted insurance coverage.

Business continuity operational risk

The activities envisaged in the 2020 plan for SIA and Group companies were suspended in order to follow the implementation of continuity plans during the acute phase of the COVID emergency. However, the following activities were carried out to maintain and verify business continuity solutions:

- updating the Business Impact Analysis;
- necessary updates to business continuity plans and documents to keep them aligned with the company's organizational structure;
- carrying out technological tests, positively performed with all personnel involved in remote working;
- courses in Skype mode;
- responding to customer requests such as calls, audits and questionnaires;
- periodic meetings with representatives of the Departments and the Group to update them on business continuity activities.

Annual testing of organizational solutions was not carried out as the management of the COVID-19 event required real use of processes and procedures and led to the identification of some areas for improvement.

Financial risks

Qualitative information on the financial risks to which the Group is exposed is provided below. The quantitative information on financial risk is instead provided in the section of the Notes "Financial risk management policy".

The SIA Group is exposed to the main financial risks described below.

Exchange rate risk. Most Group companies operate mainly in the Euro Area, and therefore it is not significantly exposed to exchange rate risks. The parent company SIA monitors the strategic plans, the 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 carrying amounts 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, the Group has implemented procedures 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 also at past years, the phenomenon of losses on receivables was in any case insignificant; furthermore, during the 2020 financial year, the Group did not experience significant difficulties in collecting receivables from customers and past due amounts were substantially in line with the previous year.

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 2020, the Group generated substantial positive operating cash flows, as shown in the consolidated cash flow statement, and suspended the distribution of dividends to shareholders, allocating the profit for 2019 to reserves, following the approval by the Shareholders' Meeting on May 11, 2020 of the Board of Directors' proposal made on April 9, 2020. 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 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 (which, with effective date January 1, 2020 changed its name to SIA Central Europe a.s.), 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 and were complied with at December 31, 2020.

On the basis of the best estimates available to date, it is reasonably believed that, in the twelve months following the reference date of these consolidated financial statements, there are no significant liquidity risks, i.e. risks relating to the SIA Group's ability to repay debt and comply with financial covenants, in view of the reshaping of its operating requirements and the completion of additional credit lines during the year.

Interest rate risk. The SIA Group invests the liquid assets available in current bank accounts and bank deposits, with fixed or floating rate returns. 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 CE, are connected to finance lease contracts, normally at floating rates.

As regards the aforementioned bank loan granted by a pool of banks in favor of the Parent Company SIA, 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 425 million euro on December 31, 2020 after repayment of the installments on the loan being hedged). This can be classified as a cash flow hedge, which changes the floating interest rate of the loan into a fixed market rate determined at the time of signing the contract.

Health, safety and environment risk

The SIA Group carries out regular and systematic prevention and control actions to protect health in the workplace, in accordance with the provisions of the relevant legislation. With regard to the risks associated with the occurrence of events that may affect the environment or the health of the population residing in the areas of influence of 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 sanctions or penalties for environmental crimes or damage.

Moreover, the SIA Group also pays particular attention to the aspect that governs administrative, safety and environmental responsibility with respect to the risk of committing offenses, as defined by Legislative Decree no. 231/2001.

The second level supervision has led to regular and systematic prevention and control actions to protect health in the workplace, also in accordance with the provisions of the relevant legislation. In particular in 2020, through the Occupational Health and Safety Management System, powers, delegations and appointments in the field of occupational health and safety and the Risk Assessment Document (DVR) and its annexes were updated.

The following were also carried out:

- periodic meeting with the employer;
- health surveillance program;
- risk assessment of work-related stress;
- implementation of the training plan;
- company protocol for the regulation of measures to counter and contain the spread of COVID-19 in the workplace;
- updating of the emergency plan for the Lorenteggio offices;
- assessment of noise risk in the Milan offices;
- environmental and fire prevention checklists at all Italian sites;
- updating of the corporate dashboard to monitor the application of Health and Safety laws in Italy and in the various countries where the SIA Group has a legal entity.

Reputational risk

Service interruption, or a lower quality of the service provided, can affect the reputation of the company and of the customers that operate with the SIA Group. To this end, the structure in charge of managing external relations and communication activities constantly monitors the presence, visibility and image of SIA in the main media such as press agencies, daily and periodical newspapers, including online, radio and TV and social channels.

In 2020, the scope of media monitoring in the Central and Eastern European countries where SIA is present was expanded. Of particular note - especially in the first half of the year - were the communication initiatives within the framework of the overall management of the Covid emergency, towards customers, employees, suppliers, supervisory authorities and all of the company's stakeholders.

Personnel and organizational risk

During the period, the availability of resources and skills - particularly in the areas of digital, smart working, agile and processes - were strengthened to support remote working and people development even during the pandemic. In particular, the following actions were put in place in 2020, with the aim of mitigating some of the risks in the personnel and organization area:

- periodic "we work smart" and "known the rules" communications to all Group companies regarding best practices and updates to processes and procedures;
- strengthening and continuous training on the issues of cybersecurity, digital education and privacy, with the updating of the information security policy, the creation of GDPR training briefs and initiatives dedicated to employees and their children "Sul filo della Rete" (On the wire of the web);
- adoption of a new communication tool (MS Teams), accompanied by virtual training classes for all internal and external collaborators;
- conversion from classroom to webinar of "Inside SIA" refresher courses, with the involvement of internal trainers to provide space for discussion of business, projects and best practices;
- mapping of the technical and business skills of the entire SIA Group.

Risk reporting

In 2020, a liaison was ensured with Group companies on risk management. The following also continued during the year:

- continuous liaison between risk management, business, operational and staff technology structures, with in-depth meetings and special risk teams;
- discussion on corporate risk with the Internal Audit Department (third-level control) with information flows and meetings.

It should be noted that in 2020 actions were taken - still in progress - to set up reporting based also on risk indicators. These monitoring and reporting actions were also carried out for the purposes of sustainability requirements.

Internal control system

The design of controls in the SIA Group is articulated on multiple levels and based on line controls, aimed at ensuring the correct execution of transactions. These controls pertain to the operating structures and are incorporated in the design of the processes and the internal procedures. Special functions carry out the "second-level" controls, aimed at monitoring and managing the risk, in particular operational risk, which includes compliance risk (for which reference is made to the special section of this Report).

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

A role of special relevance in the Internal Control and Risk Management System is given to the Risk & Compliance function, which intervenes to ensure the respect of the legal and regulatory provisions and, more in general, to promote the knowledge of laws, regulations, legal provisions and industry standards.

The third-level controls are carried out within SIA by the Internal Audit Department, which provides objective and independent "assurance" and consulting services, aimed at adding value and improving the operation of the organization. In particular, the Internal Audit helps the company to reach its objectives through a professional and systematic approach, aimed at assessing and improving the effectiveness of the control, risk management and governance processes of the company.

With regard to overall risk management, the risk governance model is divided into centralized and decentralized functions at the Parent Company and the subsidiaries. It provides for roles of Head Quarters, Area Representatives and Focal Points. This approach harmonizes the centralized governance and control of risks for SIA Group companies and ensures the control of specific risks - including those peculiar to SIApay.

Appropriate reporting flows are in place for second-level controls based on a specific Group Reporting Matrix that was reviewed and updated in 2020.

The Control System framework is completed by Senior Management: the Board of Statutory Auditors, which represents the apex of the System of Supervision, the Board of Directors, which is the body with strategic oversight, and the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001 (whose functions are attributed within SIA to the Board of Statutory Auditors), tasked with monitoring the effectiveness of the organization models adopted to prevent the risks of committing an offense.

The SIA Group's Internal Audit Department, which reports directly to the Chairman, informs the Chairman, the Board of Statutory Auditors and the 231 Supervisory Body on the outcome of each audit activity and reports to the Board of Directors on the progress of the audit plan and remedial actions defined by management and on the most significant risks.

The Charter of the Internal Audit function currently in force states that it carries out audit activities in SIA and its subsidiaries in the interest of the Group. In order to guarantee centralized governance of audit activities, while respecting the management autonomy of subsidiaries, the three-year audit plan is defined centrally by the Group Internal Audit function, on the basis of an overall risk assessment, and then submitted for approval to the individual Boards of Directors - for the parts falling within their competence - which may request the performance of additional audit activities. All audit activities are normally carried out by the Group Internal Audit.

The three-year Group Audit Plan 2020 - 2022, approved by the Board of Directors, is being completed as planned.

Internal Audit provided support in audit activities carried out by customers and other external parties and provided opinions on contractual and organizational matters. Lastly, Internal Audit responded to requests from Top Management for updates on activities underway by corporate functions.

Human resources and organization

At December 31, 2020, there were 3,660 employees with the Group, with 3,610 FTEs (full time equivalents), marking a 3% increase over the previous year. The average age of employees is 44 years and females account for 43% of the total.

With reference to organizational aspects, 2020 was a year that saw, on the one hand, the progress of the Group rationalization process and, on the other, the consolidation of the structures of the Parent Company SIA according to the Group Reporting Matrix model.

In May, the CFO Department underwent a profound organizational change, which allowed a redefinition of the responsibilities of each function, with the aim of:

- improving the ability to control product/service margins for each business area;
- defining the Group's financial policies and the methods for using capital and financial instruments, guaranteeing sustainability in the medium-long term;
- ensuring the integrated management of applications and reporting systems for the entire CFO area.

September saw a radical transformation in the world of Customer Operations and contact center and back office services. The entire Department has been reshaped and simplified, evolving from a "Legal Entity based" model to a "Regional based" one, with the activation of three Regions: IGR (Italy, Germany & Romania), Greece, Central Europe. The new model is based on:

- centers of excellence, through the activation of competence centers both at global and local level, with the task of identifying and sharing best practices among the Regions;
- focus on innovation and service excellence, through the activation of global structures focused on process optimization (through Lean/Six Sigma methodologies) and automation (RPA and Artificial Intelligence technologies) and the development of innovative services;
- streamlining of organizational structures, in order to guarantee the optimization of the number of organizational structures and the reconversion towards new professional roles enabling the digital transformation process.

In October, the organizational structure of Service Line Cards was reviewed, with the aim of:

- ensuring the hierarchical-functional coordination of the application development structures of e-money services and their evolution;

- centralizing the budget for the development and maintenance of the entire application portfolio of e-money services for all Group companies;
- fostering innovation and service excellence.

To this end, Global Competence Centers have been set up within the Service Line, which transversally integrate the organizational charts of the individual companies, with the aim of defining the development roadmap and the functional requirements of the services for which they are responsible, in line with the Group's strategic guidelines. The Global Competence Centers identified are as follows:

- PowerCARD;
- CAMS;
- Back-end Acquiring & VAS;
- Digital Commerce;
- TH POS & ATM;
- TH Auriga & Base24.

In September, the renewal of the supplementary company contract for SIA and SIApay was signed, valid until the end of 2023. Among the most significant additions are the increase in support for children with disabilities, the increase in contributions for supplementary pension schemes and the free two-yearly check-up for each employee.

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 fast closing of the books. The Talentia HCM application centralizes all the main core processes (selection, MBO, job rotation, performance appraisal) and from 2020, also the compensation process. In addition, in 2020, the project to implement certified document management of expense claims and the integration of SIA Greece into the Infobudget application was launched. Lastly, the analysis and implementation of the Service Desk on the HR Portal, which provides assistance to employees through the virtual desk, was completed.

In February, HR & Organization, Risk Governance and Corporate Applications launched the Group's first document management tool, Doc&Go. The application is cloud, for the first time, and enables the storage and management of approval workflows across all Group companies.

The plan to renew the system of governance, business and commercial processes continued: publication of a Group newsletter on the most important new developments, provision of briefs and training content on processes and related tools, updating of documentation, introduction of new policies. The latter have been made increasingly applicable at Group level, through the drafting, for each process, of:

- Quick Guide, which defines general rules, roles and responsibilities of the process;

- Operating Procedures, which define, where necessary, the technical and detailed rules to ensure the implementation and concrete application of what is already briefly described in the Quick Guide.

The "skills mapping" project, which started in 2019 for the entire SIA Group with focus groups in the Marketing & Sales and Customer Operations areas, continued in 2020 with the mapping of IT, design and development skills as well, with the aim of protecting the Group's distinctive/strategic skills and enabling a self-assessment of the main skills possessed.

The health emergency, which exploded in February 2020, has forced radical changes in organization and working methods. Remote work has enabled continuity of activities and services and has been widely used by all Group companies to protect the health of employees. In 2020, as a result of the pandemic, an average of 370 people per day worked in offices (280 for foreign offices and 90 for Italy), or 10% of the total. The Group responded to the Covid crisis by equipping people with all the technology necessary for smart working, also strengthening training and people-caring initiatives to deal with any complexities linked to isolation and distance from colleagues: supplementary health cover, psychological support services, fitness classes, conventions, screening and flu vaccination campaigns, digital education courses, digital skills and smart management, as well as the new corporate web radio service "SIA on-air".

Transactions with related parties

The Group did not enter into any transactions with related parties in 2020 that significantly affected the consolidated financial position or results of the Group. Financial and economic transactions between SIA Group companies and related parties are regulated by contract and at market conditions and are reported in the specific section of the notes to these consolidated financial statements, to which reference is made.

Research and development activities

The Group did not carry out any research and development activities during the year. Reference should be made to the specific section "Technology and Innovation" for information on the project initiatives and activities carried out on the Group's applications in 2020.

Financial instruments

In addition to receivables arising from operating activities, the SIA Group also has derivative financial instruments in place for hedging purposes, as reported in the section on financial risk management. With reference to the information on financial instruments required by article 2428, paragraph 2, no. 6 bis of the Civil Code, reference is also made to the notes.

Treasury shares

During the year, no treasury shares were purchased and/or sold. At December 31, 2020, the parent company and SIA Group companies did not hold any treasury shares.

Going concern

The Directors consider the going concern assumption to be appropriate because, in their opinion, despite the context of uncertainty caused by the spread of the COVID-19 pandemic on a global scale and the consequent impact on the business, based on the Group's economic and financial situation, there are no events or circumstances giving rise to uncertainties which, considered individually or as a whole, might cast doubt on the Group's going concern for the foreseeable future.

Adhesion to tax consolidation

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 (similarly in the case of tax losses for consolidated companies, in the presence of consolidated income for the year or high probability of future taxable income). The adhesion of each subsidiary is for three years with tacit renewal, the current expiry dates varying between 2021 and 2022.

Business Outlook

The management believes that the information currently available allows to depict the general trends of a scenario for the context resulting from the COVID-19 pandemic, although susceptible to unpredictable evolutions in view of the significant uncertainty profiles that characterize the extraordinary nature of the COVID-19 event.

In this scenario, the SIA Group, also in the context of the prospective integration with Nexi, will be able to continue to rely on its strengths, confirming its position as an operator capable of responding to the needs of different types of customers and standing out for innovative solutions that also improve the relationship between its customers and their end customers.

Considerations regarding the possible macroeconomic scenario and the structural strengths of the SIA Group, as well as the high level of resilience demonstrated during the year by the competitive reference sector, lead us to estimate that 2021, even considering the uncertainties still inherent in the extraordinary nature of the COVID-19 pandemic, will be characterized by a good marginality of traditional revenues and, at the same time, by the maintenance of the efficiency gains on ordinary management costs in 2020, which should help to support the expected profitability. On the basis of the estimates developed by management, it is therefore believed that the Group's financial performance in 2021, net of non-recurring extraordinary items and any effects related to the COVID-19 pandemic, which are not foreseeable at present, will be able to substantially confirm the growth trends shown in 2020.

In addition, management does not expect financial stress and cash generation is more than positive. To this end, during the year, the Parent Company reshaped its medium/long-term operating requirements with committed lines and, in February 2021, signed a 24-month bridge loan with a leading bank for the main purpose of finalizing agreements with the UniCredit Group, for which reference should be made to significant events after the end of the year, and any further extraordinary transactions to be carried out during 2021. As a result of the above, although an increase in net debt is expected, Management believes that there are no liquidity risks, i.e. risks relating to the ability to repay debt and to comply with financial covenants. On the internal operations front, attention will continue to be focused on pursuing the improvement of operating and management efficiency, also through the consolidation of the integration of foreign subsidiaries.

Significant events subsequent to the end of the financial year

For the main significant events after the end of the year, reference is made to the relevant section of the notes.

Consolidated financial statements of the SIA Group at December 31, 2020

Consolidated statement of financial position

Consolidated Balance Sheet - Assets

Thousands of euro	Note	31/12/2020	31/12/2019
Plant and machinery	1	71,295	64,479
Industrial and commercial equipment	1	516	456
Land and buildings	1	63,315	71,383
Other assets	1	4,378	3,666
Tangible assets in progress and advances	1	9,104	6,189
Leasehold improvements	1	4,629	5,065
Tangible assets		**153,237**	**151,238**
Goodwill	2	521,020	569,139
Other intangible assets	2	254,628	275,162
Intangible assets in progress and advances	2	44,766	49,733
Intangible assets		**820,414**	**894,034**
Investments	3	653	725
Non current financial assets	4	12	12
Non current contract work-in-progress	5	-	566
Other non current assets	6	80	837
Deferred tax assets	7	27,492	13,162
Total non current assets		**1,001,888**	**1,060,574**
Inventories and contract work-in-progress	8	5,623	3,926
Current financial receivables	9	11,016	5,456
Current financial assets	10	111	127
Current tax assets	11	67,753	87,200
Current trade receivables	12	221,223	219,892
Other current assets	13	33,888	33,056
Cash and cash equivalents	14	161,390	97,435
Total current assets		**501,004**	**447,092**
TOTAL ASSETS		**1,502,892**	**1,507,666**

Consolidated Balance Sheet - Liabilities and shareholders' equity

Thousands of euro	**Note**	**31/12/2020**	**31/12/2019**
Share capital	15	22,275	22,275
Share premium reserve	15	5,317	5,317
Reserves	15	300,060	204,779
Valuation reserve	15	(12,208)	(10,519)
Profit/(loss) for the year attributable to the Group	15	16,829	95,281
Equity attributable to owners of the Company		**332,273**	**317,133**
Profit/(loss) - third parties	15	-	-
Consolidation reserve - third parties	15	-	-
Non-controlling interests		**-**	**-**
TOTAL EQUITY		**332,273**	**317,133**
Non current financial payables	16	595,660	679,150
Non current financial liabilities	17	3,614	5,855
Provisions for employee benefits	18	26,869	25,866
Deferred tax liabilities	19	50,983	62,395
Provisions for risks	20	54,611	3,041
Other non current liabilities	21	845	6,045
Total non current liabilities		**732,582**	**782,352**
Current financial payables	22	258,660	227,807
Current financial liabilities	23	3,192	2,587
Current tax liabilities	24	13,535	4,314
Current trade payables	25	85,595	95,996
Other current liabilities	26	77,055	77,477
Total current liabilities		**438,037**	**408,181**
TOTAL LIABILITIES		**1,170,619**	**1,190,533**
TOTAL LIABILITIES AND EQUITY		**1,502,892**	**1,507,666**

Consolidated statement of profit or loss

Thousands of euro	Note	31/12/2020	31/12/2019
Revenues from sales and services	27	758,619	733,237
Other revenues and income	28	3,204	3,317
Changes in inventories third parties	29	971	760
Costs for raw materials, supplies, consumables and goods	30	(12,676)	(14,206)
Costs for services	31	(237,528)	(217,189)
Payroll costs	32	(207,882)	(215,020)
Other operating expenses	33	(31,203)	(33,000)
Adjusted operating margin		**273,505**	**257,899**
Depreciation and amortization	34	(115,217)	(110,824)
Adjustments to tangible and intangible assets	34	(49,325)	(3,607)
Adjustments to trade receivables	35	(1,089)	(3,670)
Provision for risks	36	(52,863)	(1,678)
Operating Income		**55,011**	**138,120**
Equity investments result	37	(67)	-
Adjustments to investments	37	(6)	-
Income/(charges) from investments	**37**	**(73)**	**-**
Profit/(loss) on financial assets and liabilities management	38	(1,933)	-
Management/trading of financial assets and liabilities	**38**	**(1,933)**	**-**
Interest income	39	452	442
Other financial income	39	-	2,175
Financial income	**39**	**452**	**2,617**
Interest expenses	40	(13,730)	(17,484)
Bank charges	40	(551)	(629)
Financial expenses	**40**	**(14,281)**	**(18,113)**
Net income before taxes		**39,176**	**122,624**
Income taxes	**41**	**(22,347)**	**(27,343)**
Net income from continuing operations		16,829	95,281
Profit/(loss) for the year		**16,829**	**95,281**
Net income attributable to the Group		**16,829**	**95,281**
Net Income to minority interests		**-**	**-**
Earnings per share	**42**	**0.10**	**0.56**

Consolidated statement of comprehensive income

Thousands of euro	Note	31/12/2020	31/12/2019
Profit/(loss) for the year		**16,829**	**95,281**
Remeasurement of net defined benefit liability		(939)	(2,889)
Income taxes relating to items that will not be reclassified subsequently to profit and loss		225	693
Items that will not be reclassified subsequently to profit and loss	*15*	*(714)*	*(2,196)*
Foreign exchange differences on translation of foreign operations		(743)	11
Cash flow hedges		(305)	(2,267)
fair value gain (loss) on hedging instruments during the period		*(7)*	*(3,210)*
less cumulative (gain)/loss arising on hedging instruments reclassified to proft and loss		*(298)*	*943*
Income taxes relating to items that may be reclassified subsequently to profit and loss		73	544
Items that may be reclassified subsequently to profit and loss	*15*	*(975)*	*(1,712)*
Other comprehensive income for the year, net of tax		**(1,689)**	**(3,908)**
Total comprehensive income for the year		**15,140**	**91,373**
Total comprehensive income attributable to non-controlling interests		-	-
Total comprehensive income attributable to the owners of the Company		**15,140**	**91,373**

Consolidated statement of changes in shareholders' equity

Changes in shareholders' equity during 2020

Thousands of euro	Share capital	Share premium reserve	Reserves	Valuation reserve	Profit/(loss) for the year	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 1 January 2020	**22,275**	**5,317**	**204,779**	**(10,519)**	**95,281**	**317,133**	**-**	**317,133**
Allocation of profit			95,281		(95,281)	-	-	-
Distribution of dividends			-			-	-	-
Total net comprehensive income			-	(1,689)	16,829	15,140	-	15,140
Exchange rate differences				*(743)*		*(743)*	-	*(743)*
Cash flow hedging				*(232)*		*(232)*	-	*(232)*
Actuarial gain/(losses)				*(714)*		*(714)*	-	*(714)*
Result of the year					*16,829*	*16,829*	-	*16,829*
Balance at 31 December 2020	**22,275**	**5,317**	**300,060**	**(12,208)**	**16,829**	**332,273**	**-**	**332,273**

On May 11, 2020, the Shareholders' Meeting of SIA S.p.A. resolved to allocate the entire amount of the 2019 profit of the Parent Company SIA to the equity reserves of "Retained earnings".

Changes in shareholders' equity during 2019

Thousands of euro	Share capital	Share premium reserve	Reserves	Valuation reserve	Profit/(loss) for the year	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 31 December 2018 as 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)
Changes during the year	-	-	(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**

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).

Consolidated cash flow statement – indirect method

Thousands of euro	31/12/2020	31/12/2019
Profit/(loss) for the year	**16,829**	**95,281**
Income taxes	22,347	27,343
Financial income	(452)	(2,617)
Financial expenses	14,281	18,113
Result of financial assets and liabilities management	1,933	-
(Income)/charges from investments	73	-
Depreciations and write-off of tangible assets	37,455	36,367
Amortizations and write-off of intangible assets	127,087	78,064
Adjustments to trade receivables	1,089	3,670
Provision for risks	52,863	1,678
Operating cash flow before movements in working capital	*273,505*	*257,899*
Income taxes paid	(19,122)	(46,193)
Witholding tax paid to recognize goodwill for tax purpose	-	(40,000)
Change in trade receivables	(2,420)	(34,799)
Change in trade payables	(10,401)	10,599
Change in non current contract work-in-progress	566	(566)
Change in inventories and current contract work-in-progress	(1,697)	449
Change in provisions for employees	64	(168)
Change in provisions for risks	(1,293)	(994)
Change in other assets	(75)	3,794
Change in other liabilities	(5,622)	(5,355)
Change in operating financial receivables	(5,560)	(3,753)
Change in operating financial payables	(223)	(622)
Net cash from operating activities	**227,721**	**140,290**
(Investments) in owned tangible assets	*(13,271)*	*(19,732)*
Divestments in owned tangible assets	*180*	*648*
Purchases of owned tangible assets	(13,091)	(19,084)
(Investments) in intangible assets	*(58,434)*	*(58,024)*
Divestments in intangible assets	*4,967*	*533*
Purchases of intangible assets	(53,467)	(57,491)
Net cash (used in) from investing activities	**(66,558)**	**(76,575)**
Dividends paid	-	(59,970)
Repayments of non current term loans	(80,000)	(70,000)
Proceed from non current term loans	100,189	-
Repayments of credit lines	(115,000)	-
Proceed from credit lines	29,473	105,132
Interest paid on non current financial liabilities	(7,942)	(10,380)
Differentials paid for hedging derivatives	(2,535)	(2,682)
Change in financial payables	(17,535)	(24,009)
Change in financial liabilities	(3,874)	944
Change in financial assets	16	33
Net cash (used in) from financing activities	**(97,208)**	**(60,932)**
Net increase/(decrease) in cash and cash equivalents	**63,955**	**2,783**
Cash and cash equivalents at beginning of year	97,435	94,652
Change in cash and cash equivalents	63,955	2,783
Cash and cash equivalents at end of year	**161,390**	**97,435**

Consolidated Notes

Statement of compliance with international accounting standards

The consolidated financial statements of the SIA Group at December 31, 2020 consist of the compulsory accounting statements set forth in IAS 1 (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated cash flow statement), as well as the Notes and are accompanied by the Management Report on the results of the SIA Group.

The consolidated financial statements of the SIA Group at December 31, 2020 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 and applicable to financial statements beginning on January 1, 2020. IFRS include all the International Financial Reporting Standards, 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 for the three-year period 2019-2021.

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 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.

Beginning in 2020 and consequently restating the data at December 31, 2019 (for the amounts shown below), the following balance sheet reclassifications were made, which did not have any impact on the shareholders' equity or the result:

- reclassification of the non current portion of social security debts from the item "Other current liabilities" to the item "Other non current liabilities" for an amount of 4.3 million euro;
- reclassification of assets in progress from "Intangible assets" to "Tangible assets" amounting to 477 thousand euro.

The cash flow statement is prepared using the indirect method.

The reporting currency is the euro and the information reported in these financial statements, if not specified otherwise, is expressed in euro. The financial statements, notes and explanatory tables are in thousands of euro.

The consolidated 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 of the Group. 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.

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. The preparation of these estimates implies the use of available information and the adoption of subjective evaluations, based also on historical experience, used to formulate reasonable assumptions for the recognition of operating events.

In this regard, it should be noted that the spread of the COVID-19 pandemic on a global scale and the consequent impact on economic activity entail an increase in uncertainty that makes it more complex to formulate estimates for some of the financial statement figures, given the greater uncertainty associated, in the current context, with the assumptions and parameters used to support them.

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 change in the estimate is applied prospectively and therefore generates an impact on the statement of profit or loss of the year in which the change takes place and, possibly, on that of future years.

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; 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; the measurement of intangible assets with indefinite useful life, goodwill and equity investments; the measurement of the recoverability of receivables; the measurement of employee benefits; the quantification and assumptions on the recoverability of deferred tax assets.

For some of the cases listed above, it is possible to identify the main factors that are subject to estimates by the Group and that therefore contribute to determining the value at which assets and liabilities are recorded in the financial statements. It should be noted that:

- for the calculation of the expected losses on receivables, the main estimates concern the determination of the parameters for increasing credit risk, based essentially on the evolution of the historical series of losses on receivables that occurred in previous years and on the inclusion of forward-looking factors, including macroeconomic factors;

- in order to determine the value in use of intangible assets with indefinite useful life with reference to the Cash Generating Units (CGUs) of which the Group is composed, estimated separately and discounted appropriately are future cash flows for the period of the analytical forecast and the cash flows used to determine the "terminal value", generated by the CGU and the cost of capital is also included among the elements subject to estimation;
- in determining the value in use of intangible assets with finite useful life for the CGUs of which the Group is composed (customer relationships), the useful life, on the one hand, and the future cash flows deriving from the asset, on the other, are estimated;
- for the valuation of provisions for employees, the present value of the obligations is estimated, taking into account the flows, appropriately discounted, deriving from historical-statistical analyses and the demographic curve;
- for the quantification of the provisions for risks, an estimate is made - where possible - of the amount of the outlays necessary to fulfill the obligations, taking into account the actual probability of having to use resources;
- for the determination of the items relating to deferred tax assets, the probability of actual future taxation is estimated (taxable temporary differences) and the degree of reasonable certainty - if any - of future taxable amounts at the time when tax deductibility will occur (deductible temporary differences and tax losses carried forward).

In this regard, it should be noted that 2020 did not feature any changes in the estimation criteria applied when preparing the financial statements at December 31, 2019.

Key sources of estimation uncertainty

For the SIA Group, 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 critical judgement by Group Management.

Going Concern

In preparing the Financial Statements for the year ended December 31, 2020, the Directors consider the going concern basis of accounting to be appropriate because, in their opinion, despite the current context characterized by uncertainty about the effects of the COVID-19 pandemic and the associated measures to contain it on the real economy, given the Group's economic and financial position, there are no events or circumstances giving rise to uncertainties which, considered individually or as a whole, might cast doubt on the Group's ability to continue as a going concern for the foreseeable future.

Consolidation criteria and methods

The scope of consolidation has changed compared with December 31, 2019 as a result of the merger by incorporation of the company Emmecom into SIApay and the merger by incorporation of the companies SIA Central Europe Zrt. and SIA Hungary Kft. into SIA Slovakia a.s., which changed its name to SIA Central Europe, a.s.; the latter incorporated the company in Hungary as its branch, naming it SIA Central Europe a.s. - Hungarian branch. Both of the extraordinary transactions described above were effective as of January 1, 2020. In addition, during the fourth quarter of 2020, the Parent Company SIA completed the acquisition of the shares held by the minority shareholder of SIAadvisor and therefore held 100% of the share capital at December 31, 2020 (the company, although 51% owned, was already 100% consolidated in the previous year due to the holding of a specific option on the remaining shares).

At the reporting date, the scope of consolidation includes, in addition to the parent company SIA:

- the direct foreign subsidiaries Perago FSE, PforCards, SIA Central Europe, and SIA Greece,
- the direct Italian subsidiaries P4cards, SIAadvisor, and SIApay,
- the companies they control.

SIA Central Europe directly controls SIA Croatia, SIA Czech Republic, 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).
It should be noted that the company Consorzio QuenIT has prepared the final liquidation financial statements at December 15, 2020 and that cancellation from the Companies' Register of Verona was on January 4, 2021.

Thousands of euro	Share capital	Equity	Result for the period	Ownership interest
SIA	**22,275**	**375,874**	**60,264**	
Subsidiaries				
Perago FSE	2	(3,253)	(2,318)	100%
P4cards	49,240	62,179	3,773	100%
PforCards	35	2,063	417	100%
SIApay	600	14,100	2,278	100%
SIA Central Europe	4,906	35,427	7,496	100%
SIA Croatia	3	469	114	100%
SIA Czech Republic	137	208	27	100%
SIA Romania	88	149	7	100%
SIA Serbia	-	546	109	100%
SIA Greece	43,852	44,051	(4,609)	100%
SIAadvisor	10	1,737	1,086	100%
Associates				
ATS (*)	120	2,175	73	30%

(*) The figures refer to 2019, as the latest figures from the approved financial statements.

As regards the consolidation method, the investments in subsidiaries are consolidated on a line-by-line basis, while the interests over which the Group exercises significant influence (associates) are measured using the equity method. The adequacy of the goodwill of assets with indefinite life and equity investment carrying amounts is checked at least yearly, and in any case, any time there is a sign that an asset may have suffered impairment. If there are trigger events, IAS 36 also requires impairment tests to be carried out 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 on the company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of such variable returns. IFRS 10 requires an investor to assess whether it has control over the company acquired by focusing on activities that significantly affect the returns of the same (concept of relevant activities). IFRS 10 also requires that, in assessing the existence of control, only substantial rights be considered, that is those that can be exercised in practice when significant decisions must be taken on the company acquired.

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 the above adjustments, if positive, are recorded - after any allocation to assets or liabilities of the subsidiary - as goodwill under the item "Intangible assets" at the date of first consolidation if the conditions exist. The resulting differences, if negative, are normally recognized in the statement of profit or loss.

Intragroup balances and transactions, including revenues, expenses and dividends, are derecognized 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 machinery 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 company and accounts for this investment as "Current financial assets" or "Non current financial assets", in accordance with the logic described above, from that date, provided 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 "Valuation 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.

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 for the year ended December 31, 2019, except for new accounting standards, amendments and interpretations that became effective and applicable from years beginning January 1, 2020.

Financial assets and receivables

<u>Financial assets measured at fair value through profit or loss</u>
Financial assets other than those classified under "Financial assets at fair value through other comprehensive income" and " Financial assets at amortized cost". In particular, the 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 obligatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income.

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

<u>Financial assets at fair value through other comprehensive income (FVOCI)</u>
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 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 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 in accordance with a business model whose objective is achieved through the collection of contractually agreed cash flows (Hold to Collect business model), and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (SPPI test passed).

On initial recognition, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, these financial assets are measured at amortized cost, using the effective interest rate method. The amortized cost method is not used for assets - valued at historical cost - whose short duration makes the effect of applying discounting logic negligible, for those without a defined maturity date and for revocable receivables. 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);
- hedging the risks of a net investment in a foreign currency investment or 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 strategy for undertaking the hedge and the methods that will be used to verify its prospective and retrospective effectiveness.
The designation of the type of relationship is made at the beginning of the relationship and evaluated on the basis of a criterion of continuity; it must therefore prospectively remain highly effective for all the reference periods for which it has been 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.

Tangible assets

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

Category	Subclasses	Depreciation rate
Land and buildings	Land Civil/industrial buildings	- 3%
Plant and machinery	Plant Hardware Machinery	10% - 25% 20% - 25% 15% - 25%
Equipment	Commercial and miscellaneous industrial equipment Electrical machines	12% - 20% 12% - 20%
Other assets	Office machines Furniture and furnishings Motor vehicles and cars	12% - 20% 12% - 20% 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 future economic benefits attributable to the asset will be enjoyed by the enterprise;
- 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 recognized as tangible assets when the following conditions are met: identification of the asset, the right to replace the asset, the right to obtain substantially all the economic benefits arising from the use of the asset and, lastly, 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. Leases 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.

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 its fair value can be measured reliably, regardless of whether the asset was recognized by the acquiree prior to the business combination: in particular, there is a presumption of reliable measurability of 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 arising from the development or the development phase of an internal project is recognized if it is demonstrated that the following conditions have been met:

- the technical feasibility of completing the intangible asset so that it is available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- the way in which the intangible asset is able to generate future economic benefits and in particular, the existence of a market for the product of the intangible asset or for the intangible asset or, if it is to be used for internal purposes, its usefulness;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset;
- the ability to reliably measure 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%
Internally generated assets	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 indefinite useful life is represented by goodwill arising from 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 statement of profit or loss 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 IFRS 16 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, which have not been consolidated due to insignificance;
- companies subject to joint control;
- associates.

Investments in subsidiaries, associates and joint ventures are recognized at the date of acquisition of the investment, which is assumed to be the date on which control, significant influence or joint control is acquired. This date is also the reference date in business combinations for measuring the fair value of the assets and liabilities acquired and, therefore, of goodwill. Investments in subsidiaries, joint ventures and associates are initially recognized at cost and subsequently measured under the equity 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 (impairment). Investments are derecognized when the contractual rights to the cash flows from the financial asset expire or the investment and substantially all the risks and rewards of ownership thereof are transferred.

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 amount 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 amount 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 statement of profit or loss, 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 the financial statements of SIA S.p.A. 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 amount of the CGU.

An asset has suffered from impairment when its carrying amount exceeds its recoverable amount. For the determination of the recoverable amount, 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, the most accurate 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 the one being considered in terms of service and risks. When the rate of a specific asset is not directly available from the market, the company uses other techniques to estimate its discount rate (taking into account, for example, the following rates: the entity's weighted average cost of capital determined using valuation techniques such as the Capital Asset Pricing Model (CAPM); the enterprise's incremental borrowing rate; other market borrowing rates).

An impairment loss is recognized if the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs and then to the other assets of the unit (group of units) in proportion to the carrying amount of each asset in the unit (group of units).

Sensitivity analyses are also carried out to capture additional elements supporting the reasonableness of the results obtained from the estimates of values which, by their very nature, 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 statement of profit or loss.

Inventories
Inventories are assets:

- 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 Group, 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 IAS 2, the weighted average cost method is used to determine the cost of inventories on an annual basis, unless there are abnormal price fluctuations that could have 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-off must be made on the basis of an evaluation 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 segment.

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 § 5.5.15 envisages the possibility of using a simplified approach, which also takes into account future economic scenarios, to determine the "lifetime expected credit losses" on trade receivables, using, for example, a "provision matrix" (IFRS 9 § B5.5.35), which specifies impairment percentages based on days past due. The Group's policy for the valuation of trade receivables envisages that customers are subdivided according to time periods in which they are past due in order to apply appropriate impairment percentages on the basis of historical experience to the various categories of customer, taking into account expected losses. If there is information on the creditworthiness of counterparties that has a significant impact on the possibility of recovering the receivable, the Group plans to carry out specific assessments of open positions.

Receivables are derecognized when the contractual rights to the cash flows arising from them expire. Trade receivables are derecognized only for non-collectible exposures for which, following recovery, 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 amounts of cash and subject to an insignificant risk of changes in value, with an original maturity or at the time of purchase of not more than three months.

Employee benefits

Employee benefits include benefits provided to employees or their dependents and can be settled by payments (or by the provision of goods and services) made directly to employees, their spouses, children or other dependents or to third parties such as insurance companies and are divided into short-term benefits, termination benefits and post-employment benefits.

Short-term benefits, which also include incentive programs such as annual bonuses, MBOs and one-off renewals of national collective bargaining agreements, are accounted for as a liability (accrual of costs) after deducting any amounts already paid, and as an expense, unless some other IFRS standard requires or permits the inclusion of the benefits in the cost of an asset (e.g. the cost of personnel employed in the development of internally generated intangible assets).

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

Post-employment benefit plans are divided 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;
- employee severance indemnity provision, limited to the amounts accruing from 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 allocated to 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;
- supplementary retirement plans the conditions of which require the payment to participants of a defined benefit;
- seniority bonuses, which provide for 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 implicit 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 required to settle the relevant obligation existing at the reporting date has been determined, the present value of the provision is determined, where the effect of the present value of money is a material consideration.

The components arising from the effects of discounting are reported under the same item used for the provision for contingent liabilities.

Contingent assets are assets for which there is no certainty and therefore cannot be recorded in the financial statements, although appropriate information is provided.

Payables

Trade payables and other payables are recognized initially at fair value and subsequently valued 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 the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the effective internal rate initially determined. 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 settled and when the Group has transferred all risks and expenses relating to the instrument.

Revenues and costs

Revenues from the sale of products and the 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 fees and terms of payment must be defined;
- the price was allocated to 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 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 if they cannot be easily estimated at the beginning of the year.

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 from the provision of services falling within the Group's various business segments and related to transaction volumes in the payment/card area or network traffic volumes in the capital markets area are recognized on the basis of the date of execution of the transaction or of the use of network traffic; the contracts with customers relating to these services in some cases provide for annual fees, which are recognized in the statement of profit or loss during the year in line with the invoicing frequency. Revenues related to recurring services (such as platform maintenance, assistance services, POS rental, service desk, etc.) are recognized linearly over the duration of the contracts.

Revenues from 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 no milestones are envisaged, the costs relating to the order are suspended if it is possible to demonstrate their recoverability. Revenues will be recognized only upon completion and acceptance by the customer of the order (point in time). Costs incurred for development and any additional amounts considered probable and prudently measured must be suspended in the item "*Inventories and contract work-in-progress*" in current assets with a contra-entry in the statement of profit or loss item *"Change in inventories and contract work-in-progress"*.

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' meeting resolution of the subsidiary (not consolidated), associate or joint venture. In the separate financial statements, dividends are recognized in the statement of profit or loss when the right to receive the dividend is established.

Costs

Costs are recognized in the statement of profit or loss on an accruals basis; costs related to obtaining and fulfilling contracts with customers are recognized in the statement of profit or loss in the periods in which the related revenues are recorded.

Income taxes

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 in respect of taxable temporary differences;
- deferred tax assets: 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 identified taxable or deductible temporary differences, i.e. 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 by means of the probability test, using the forecasts in the business plans as a reference.

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 (similarly in the case of tax losses for consolidated companies, in the presence of consolidated income for the year or high probability of future taxable income). In the separate financial statements of the consolidating company, therefore, the liability for its own individual income taxes and for the individual income taxes of subsidiaries participating in the tax consolidation scheme is recognized under "Current tax liabilities" net of advances paid, or if the latter are greater than the balance of current liabilities, the net balance is shown under "Current tax assets". As a result, the items transferred by the subsidiaries are offset by a receivable from (payable to) the subsidiaries, classified as "Other current assets" and "Other current liabilities", respectively. The item "Income taxes" includes the cost relating to the taxable income of the consolidating company. The adhesion of each subsidiary is for three years with tacit renewal, the current expiry dates varying between 2021 and 2022.

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, 2020

Some amendments - none of which are particularly significant for the Company - made to the accounting standards already in force, highlighted below, are obligatorily applicable and for the first time, starting from the years beginning January 1, 2020:

- 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.

- 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 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.

- On October 22, 2018, the IASB published its "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications on the definition of business for the purposes of 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 a business in the presence of an integrated set of activities/processes and assets. 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 amendment also introduced an optional test ("concentration test") that allows the exclusion of the presence of a business if the price paid is substantially referable to a single activity or group of activities. The changes apply to all business combinations and acquisitions of activities after January 1, 2020, but early adoption is permitted.

- On May 28, 2020, the IASB published an amendment entitled "Covid-19 Related Rent Concessions (Amendments to IFRS 16)". The document provides lessees with the ability to account for rent reductions related to the COVID-19 pandemic without having to assess through contract analysis whether the definition of lease modification in IFRS 16 is met. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the statement of profit or loss on the effective date of the reduction. This amendment applies to financial statements beginning on or after June 1, 2020.

To the extent applicable, these standards, amendments and accounting interpretations did not have a material impact on the Group's financial position, results of operations and cash flows at December 31, 2020.

IFRS accounting standards, amendments and interpretations already issued and approved by the European Union, not yet obligatorily applicable and not adopted in advance by the Group at December 31, 2020

- On May 28, 2020, the IASB published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from the application of IFRS 9 to be extended until January 1, 2023 for insurance. These amendments will take effect on January 1, 2021.

- On August 27, 2020, the IASB published, in light of the reform on interbank interest rates such as IBOR, the document "Interest Rate Benchmark Reform-Phase 2", which contains amendments to the following standards: IFRS 9 Financial Instruments, IAS 39 Financial Instruments - Recognition and Measurement, IFRS 7 Financial Instruments – Disclosures, IFRS 4 Insurance Contracts, IFRS 16 Leases. All amendments will take effect on January 1, 2021.

The directors do not expect the adoption of these amendments to have any effect on the financial position, results of operations and cash flows of the Company's Group.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union at December 31, 2020

At the date of reference of this document the EU competent authorities have not yet completed the standardization process required to adopt the accounting standards and amendments described below.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts; the objective of the new standard is to ensure that an entity provides relevant information that fairly represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting standards by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also includes presentation and disclosure requirements to improve comparability among entities in this segment. The new standard measures an insurance contract based on a General Model or a simplified version of it, called the Premium Allocation Approach ("PAA"). The standard applies from January 1, 2023. However, earlier application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

- On January 23, 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or non-current". The document aims to clarify how to classify payables and other short-term or long-term liabilities. The changes take effect on January 1, 2023. However, earlier application is in any case permitted.

- On May 14, 2020, the IASB published the following amendments, which will become effective on January 1, 2022, entitled:
  - Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing any changes to the provisions of IFRS 3;
  - Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the deduction from the cost of tangible assets of the amount received from the sale of goods produced during the test phase of the asset. These revenues from sales and related costs will therefore be recognized in the statement of profit or loss;
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating whether a contract is onerous, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct materials used in the work), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as

the share of payroll costs and depreciation of machinery used to perform the contract);

- Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples of IFRS 16 Leases.

- On January 30, 2014, the IASB issued IFRS 14 - Regulatory Deferral Accounts that allows only first-time adopters of IFRS to continue to recognize amounts related to Rate Regulation Activities under the previous accounting standards adopted.

The possible effects of the future adoption of these standards, interpretations and amendments, to the extent that they are applicable and relevant to the Group, are reasonably estimated not to be significant; the relative analyses, also in relation to the fact that endorsement has not yet taken place, are still to be completed.

Notes to the statement of financial position

Assets

Non current assets

1. Tangible assets

Thousands of euro	31/12/2020			31/12/2019			Change
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	2020 Vs 2019
Plant and machinery	323,793	(252,498)	71,295	319,859	(255,380)	64,479	6,816
Industrial and commercial equipment	2,395	(1,879)	516	3,653	(3,197)	456	60
Land and buildings	102,076	(38,761)	63,315	103,151	(31,768)	71,383	(8,068)
Other assets	21,950	(17,572)	4,378	20,356	(16,690)	3,666	712
Construction in progress and advances	9,104	-	9,104	6,189	-	6,189	2,915
Leasehold improvements	16,030	(11,401)	4,629	15,870	(10,805)	5,065	(436)
Total	**475,348**	**(322,111)**	**153,237**	**469,078**	**(317,840)**	**151,238**	**1,999**

Changes in tangible assets in 2020 are shown below:

Gross amount	31/12/2019	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2020
Plant and machinery - Gross	258,860	(484)	9,646	(2,137)	-	1,161	267,046
Leased plant and machinery - Gross	60,999	-	28,068	(32,747)	-	427	56,747
Equipment - Gross	3,653	(126)	419	(39)	-	(1,512)	2,395
Leased Industrial and commercial equipment - Gross	-	-	-	-	-	-	-
Land	2,472	-	-	-	-	-	2,472
Buildings - Gross	38,497	-	155	(634)	-	1	38,019
Other assets - Gross	18,104	(16)	304	(58)	-	143	18,477
Construction in progress and advances	6,189	(11)	6,323	(2,919)	(1)	(477)	9,104
Leased buildings - Gross	62,182	(56)	1,444	(1,970)	-	(15)	61,585
Leased other assets - Gross	2,252	-	1,581	(273)	-	(87)	3,473
Leasehold improvements - Gross	15,870	-	145	-	-	15	16,030
Total	**469,078**	**(693)**	**48,085**	**(40,777)**	**(1)**	**(344)**	**475,348**

Depreciation fund	31/12/2019	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2020
Plant and machinery - Fund	(212,885)	418	(17,796)	2,092	-	(1,373)	(229,544)
Leased plant and machinery - Fund	(42,495)	-	(9,506)	29,071	-	(24)	(22,954)
Equipment - Fund	(3,197)	78	(265)	221	-	1,284	(1,879)
Leased Industrial and commercial equipment - Fund	-	-	-	-	-	-	-
Buildings - Fund	(24,664)	-	(763)	630	-	8	(24,789)
Other assets - Fund	(15,924)	12	(501)	211	-	(49)	(16,251)
Leased buildings - Fund	(7,104)	45	(7,563)	259	-	391	(13,972)
Leased other assets - Fund	(766)	-	(861)	273	-	33	(1,321)
Leasehold improvements - Fund	(10,805)	-	(256)	-	-	(340)	(11,401)
Total	**(317,840)**	**553**	**(37,511)**	**32,757**	**-**	**(70)**	**(322,111)**
Total net amount	**151,238**						**153,237**

Total investments are substantially in line with the previous year, mainly due to the effect of purchases made by the Parent Company SIA for the modernization of the technological infrastructure against the regular depreciation of properties leased for the headquarters and offices of the various Group companies.

2. Intangible assets

Thousands of euro	31/12/2020			31/12/2019			Change
	Gross amount	Amort. Fund	Net amount	Gross amount	Amort. Fund	Net amount	2020 Vs 2019
Goodwill	**521,020**	**-**	**521,020**	**569,139**	**-**	**569,139**	**(48,119)**
Internally generated asset	385,610	(337,873)	47,737	358,848	(331,250)	27,598	20,139
Software Licences	178,514	(150,448)	28,066	169,438	(140,234)	29,204	(1,138)
Intangible assets others	398,152	(219,327)	178,825	399,079	(180,719)	218,360	(39,535)
Other intangible assets	**962,276**	**(707,648)**	**254,628**	**927,365**	**(652,203)**	**275,162**	**(20,534)**
Intangible assets in progress and advances	**44,766**	**-**	**44,766**	**49,733**	**-**	**49,733**	**(4,967)**
Total	**1,528,062**	**(707,648)**	**820,414**	**1,546,237**	**(652,203)**	**894,034**	**(73,620)**

Changes in intangible assets in 2020 are shown below:

Gross amount	31/12/2019	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2020
Goodwill	569,139	-	-	-	(48,119)	-	521,020
Internally generated asset	358,848	(429)	40,000	(8,879)	(1,161)	(2,769)	385,610
Software Licences	169,438	(7)	19,740	(12,716)	-	2,059	178,514
Intangible assets others	399,079	-	10	(937)	-	-	398,152
Intangible assets in progress and advances	49,733	-	27,554	(33,584)	(44)	1,107	44,766
Total	**1,546,237**	**(436)**	**87,304**	**(56,116)**	**(49,324)**	**397**	**1,528,062**

Amortization fund	31/12/2019	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2020
Internally generated asset	(331,250)	69	(16,414)	8,539	-	1,183	(337,873)
Software Licences	(140,234)	(5)	(21,811)	12,713	-	(1,111)	(150,448)
Intangible assets others	(180,719)	-	(39,538)	937	-	(7)	(219,327)
Total	**(652,203)**	**64**	**(77,763)**	**22,189**	**-**	**65**	**(707,648)**
Total net amount	**894,034**						**820,414**

Significant investments in intangible assets were made during the year, also with reference to the continuation of technological integration projects with Group companies. These higher investments were related in particular to the development of internal projects, a large part of which are still under development and therefore included in "Intangible assets in progress". It should be noted that a significant portion of the projects in progress consists of activities developed for important banking customers.

Other intangible assets mainly include customer relationships, originally valued by discounting the cash flows over a period that reflects the residual duration of the relationships at the date of the business combination from which they derive and amortized over their useful life. These assets are attributable to the business combinations carried out by the Group in previous years and in particular to P4cards for 129 million euro (compared to the original 215 million euro on which deferred taxes of 60 million euro were allocated), to SIA Greece for 23.9 million euro (compared to the original 43.6 million euro on which deferred taxes of 12.9 million euro were allocated), and to SIA Slovakia for 25.4 million (compared to the original 46.3 million euro on which deferred taxes of 13.7 million euro were allocated) and which decreased compared to the previous year due to regular amortization.

The table below summarizes the amounts of goodwill recognized in the consolidated financial statements at December 31, 2020 and the comparison with 2019, which shows an impairment of SIA Greece's goodwill of 48.1 million euro:

Thousands of euro	Business combination	Consolidated goodwill at 31/12/2019	Impairment	Consolidated goodwill at 31/12/2020
CGU				
SIA	SiNSYS S.A. (i)	7,485	-	7,485
	RA Computer S.r.l. (ii)	523	-	523
SIApay	SIApay S.r.l.	-	-	-
	Emmecom S.r.l. (iii)	3,275	-	3,275
SIA Central Europe	SIA Central Europe Zrt. (iv)	9,945	-	9,945
	SIA Slovakia a.s. (v)	183,840	-	183,840
SIAadvisor	SIAadvisor S.r.l.	1,732	-	1,732
P4cards	P4cards S.r.l.	284,029	-	284,029
	PforCards GmbH	1,608	-	1,608
SIA Greece	SIA Greece S.A.	76,702	(48,119)	28,583
Total goodwill		**569,139**	**(48,119)**	**521,020**

(i) SiNSYS S.A. was merged by incorporation into SIA S.p.A. with effective date January 1, 2013.
(ii) RA Computer S.r.l. was merged by incorporation into SIA S.p.A. with effective date January 1, 2015.
(iii) Emmecom S.r.l. was merged by incorporation into SIApay S.r.l. with effective date January 1, 2020.
(iv) SIA Central Europe Zrt. was merged by incorporation into SIA Central Europe a.s. (SIA Slovakia a.s. until 31.12.2019) with effective date January 1, 2020.
(v) SIA Slovakia a.s. changed its name to SIA Central Europe a.s. following the integration with SIA Central Europe Zrt. and SIA Hungary Kft., with effective date January 1, 2020.

Impairment test on consolidated goodwill and other non-financial assets

The SIA Group adopted a specific impairment procedure, approved by the Board of Directors of SIA S.p.A. in January 2020, for carrying out impairment tests on goodwill and intangible assets with finite life, represented by the valuation of customer relationships following business combinations, in compliance with the provisions of IAS 36 and in line with best market practices. This procedure was supplemented, with the approval of the Board of Directors on January 28, 2021, by additional guidelines that became necessary to take into account, in the context of the COVID-19 pandemic, the uncertainties mainly related to the limited external information supports and the possible necessary changes in the architecture of the valuation system compared to the previous impairment test, consistently with the guidelines under discussion "Guidelines for impairment testing after the effects of the COVID-19 pandemic" issued on July 10, 2020 by the Organismo Italiano di Valutazione - OIV (Italian Valuation Body).

The procedure envisages that the SIA Group, with the support of an external qualified third party, at least once a year subjects the goodwill, and therefore the cash generating units (CGUs) or groups of CGUs to which the goodwill has been allocated, to an impairment test and continuously monitors certain qualitative and quantitative indicators of presumed impairment, in order to verify the existence of any presumed impairment requiring the test to be repeated more frequently. In addition, the above-mentioned procedure requires that the value of investments and other intangible assets with finite useful life be tested for impairment when there are indications of impairment and, in any case, annually at the end of the reporting period.

In this regard, in assessing at December 31, 2020, the presence of the impairment indicators provided for by IAS 36 and any additional supplementary indicators, also considering the indications of national and international supervisory authorities on financial reporting profiles relating to risks, uncertainties, estimates, assumptions and valuations, SIA's management considered the difficulties associated with the impacts of the health crisis due to the spread of the COVID-19 pandemic. The spread of the COVID-19 pandemic on a global scale and the consequent impacts on economic activity have led to an increase in uncertainty, which makes the formulation of estimates regarding quantities such as the cash flows deriving from participating assets more complex, also with reference to the greater uncertainty associated with the assumptions and parameters used to support the valuation of the assets.

At December 31, 2020, SIA's management analyzed all the main elements from internal and external sources that could constitute a presumption of impairment, i.e. a presumption of lower recoverable amount compared to the carrying amount of the CGUs to which the goodwill is allocated. In particular, the COVID-19 pandemic, due to its intensity and unpredictability, constituted, in the opinion of management, an external factor of potential impairment and therefore required a preliminary analysis of the impact of the crisis on all CGUs. This analysis was conducted by preliminarily comparing the pre-consolidated results achieved by the CGUs at December 31, 2020 with the budget forecasts for the same period.

The impairment procedure has not been modified in the architecture of the valuation system compared to the impairment test at December 31, 2019, because, despite the high uncertainty of the macroeconomic context, which is summarized in the volatility of market variables, the difficulty of identifying a clear evolution of the scenario, the absence of comparable transactions that can be used as a reference for fair value and, more generally, in the particular nature of the crisis that is destined to show more intense effects in the short term than in the long term, the Group's management has in any case revised the economic forecasts of the CGUs under review for purposes consistent with the impairment test.

Definition of the CGUs

According to IAS 36 the "recoverable amount" 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 amount.

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 amount of the CGU to which they refer.

The CGUs subject to the valuation procedure did not undergo any changes compared to the previous year, as the intragroup business combination and integration transactions effective as of January 1, 2020 had already been taken into account in the impairment test at December 31, 2019.

As noted above, the CGUs tested for impairment at December 31, 2020 are as follows:

- SIA CE, which includes the companies SIA Slovakia (considered as a sub-holding, as it has 100% direct control of SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia) and SIA Central Europe, which has been merged by incorporation as of January 1, 2020;
- SIA Greece, wholly owned subsidiary of SIA;

- P4cards, consisting of the investments in P4cards and PforCards, which are wholly owned subsidiaries of SIA;
- SIApay, consisting of the investments in SIApay and Emmecom, following the absorption of Emmecom by SIApay, effective January 1, 2020;
- SIAadvisor, wholly owned subsidiary of SIA.

Criteria for estimating the value in use of CGUs

For the purposes of estimating the "recoverable amounts" of the assets recognized in the consolidated financial statements at December 31, 2020, reference was made to the concept of "value in use", determined by estimating the present value of the future cash flows expected to be generated by the CGUs. These cash flows are normally estimated using the latest available business plan or, in the absence thereof, through the formulation of an internal forecast plan by Management. Normally, the analytical forecast period covers a maximum time frame of five years. The flow of the last year of analytical forecasting is projected in perpetuity (through the use of perpetual return formulas or alternatively temporary ones if it is not realistic that the assets being assessed are capable of producing positive cash flows in the long term), through an appropriate growth rate "g" for the purposes of the "terminal value". The "g" rate is determined by assuming as a growth factor the rate of development of the gross domestic product in the countries where the flows are generated. Alternatively, the terminal value could be determined using a final sale or liquidation value. In determining the value in use, cash flows must be discounted at a rate that reflects current assessments of the time value of money and the risks specific to the asset. In particular, the discount rates to be used must incorporate current market values with reference to the risk free component and the risk premium related to the equity component observed over a sufficiently long period of time to reflect different market conditions and economic cycles. In addition, differentiated Beta coefficients must be used for each CGU in view of the different riskiness of their respective operating areas. All rates determined in this way are adjusted to take account of the "country risk".

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.

Estimate of cash flows

In the current market context, the Supervisory Authorities seem to agree in suggesting extreme caution, at least in the immediate future, in modifying valuation scenarios, in light of the extreme uncertainty regarding both the developments of the COVID-19 pandemic and the extent and effects of government measures to support the economy. Moreover, the Authorities suggest caution in using estimates based on assumptions and hypotheses that are highly uncertain at this stage and recommend considering, if they can be reliably determined, any long-term effects, which, as mentioned, represent the time reference at the basis of the impairment test logic.

For each of the CGUs, therefore, the general trends of a scenario for the context following the COVID-19 pandemic have been outlined, even if susceptible to unpredictable evolutions in view of the significant uncertainty profiles that characterize the extraordinary nature of the COVID-19 event. The forecast estimates used for the purpose of the impairment test were prepared starting from the 2020 forecast data, updated in October 2020, subsequently integrated with the preliminary figures at December 31, 2020, and included, on the one hand, an analysis of the exposure to the crisis induced by the COVID-19 pandemic by updating the 2021 budget data and, on the other hand, an analysis of the verification of the ability to maintain an economic and financial balance in subsequent years, which confirmed the strategic actions of the plan for the following years, until 2025. These economic projections, aimed solely at performing the impairment test, were approved by the corporate bodies of the subsidiaries from which the goodwill originated in December 2020 and January 2021.

As an alternative to the method of estimating the terminal value illustrated above, the doctrine also envisages the approach based on the use of exit multiples and the approach based on an estimate of the company's liquidation value. In particular, with regard to the approach based on multiples, it should be noted that the estimation of a forward multiple presents elements of complexity (and, potentially, subjectivity) that are even more pronounced in times of uncertainty and market volatility, such as the current one; the approach based on the estimate of the liquidation value is valid only for companies that are going to cease at the end of the analytical forecast period and, therefore, it is not useful to use it in the presence of prospects of going concern. In view of the above, reference was made to the value in use to estimate the impairment test.

Discount rates for cash flows

In determining value in use, cash flows must be discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset. In practice, the first characteristic (current market conditions) results in the determination of all parameters based on the most up-to-date information available at the reference date of the estimate, in order to best consider current market assessments. The second characteristic (consistency between risks/flows and rates) must be considered in relation to the specificities of the flows used for the impairment test of the CGUs. The rate (in its various components) must, therefore, be chosen by observing the specificities of the flows used in the valuation of each CGU, so as to be congruous and consistent with respect to these flows. In particular, consistency is important with regard to inflation, country risk and other risk factors that could be expressed, according to IAS 36, in the flows or in the rate.

It should be noted that a common characteristic of all CGUs containing goodwill (and, in general, intangible assets with indefinite life) is the long-term perspective of the flows used in estimating the value in use of the CGUs. In fact, goodwill has by definition indefinite useful life and, therefore, the cash flows expected from it are normally projected in perpetuity. This long-term perspective should be reflected in all the parameters of the discount rate through an appropriate choice of each of them, so that they express "normal" conditions in the long term.

Normally, the discount rate must include the cost of the different sources of financing of the asset to be assessed, i.e. the cost of equity and the cost of debt, and corresponds to the WACC, i.e. the weighted average cost of capital, which weights the cost of equity and financial debt, calculated as the nominal and net tax rate. The cost of capital is determined as the sum of the return on risk-free investments and a risk premium, which in turn depends on the specific riskiness of the business (i.e. the business riskiness, the execution risk incorporated in the business plans and the geographical riskiness).

As the different CGUs have different risk factors, specific costs have been identified for each of them.

With reference to the risk free component and the country risk premium (CRP), the current extremely low values were taken into account with reference to the general interest rate context. Although the level of interest rates is not expected to rise, it is nevertheless worth considering whether or not the current situation can reasonably be expected to last beyond the "explicit period" of cash flow projection for assessments for impairment testing purposes. As is well known, in fact, a significant component of the calculation of the value of the CGUs is represented by the terminal value, calculated as the perpetual return of a cash flow that can be achieved "when fully operational"; in this sense, the reflections must focus on the analysis of the current macroeconomic context, to verify whether the current level of interest rates can be representative of an ordinary situation and therefore can be incorporated in the discount rate of the flow implicit in the terminal value, in a long-term calculation logic, such as that underlying the impairment test process.

On the basis of the situation described above, considering the aforementioned long-term perspective that must guide the impairment test and the fact that the current low level of interest rates (especially in the risk free component), which is strongly influenced by the ECB's monetary policies, is unlikely to continue beyond the medium term, it was decided, as a continuation of the 2019 financial statements, to adopt an approach involving the use of differentiated discount rates to discount the cash flows of the CGUs, as permitted by IAS 36. In particular:

- with regard to the risk free rate included in the discount rate of the cash flows of the "explicit" forecast horizon, it was decided to use the average yield of the government bonds of the country of reference in the last 12 months before December 31, 2020 (source: Factset);
- as regards the risk free included in the discount rate of the cash flow of the terminal value, it was decided to use the average yield of the 10-year government bonds of the reference country in the last 10 years prior to December 31, 2020; only for Greece, the risk-free rate for the terminal value is estimated as the average yield of 10-year government bonds in the last 3 years prior to December 31, 2020, thus excluding the extraordinary yields 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 equity risk premium (ERP), i.e., the premium for business risk, represented by the difference between the return on the stock market and the return on an investment in risk-free securities determined with reference to a sufficiently long time horizon, was determined with reference to the arithmetic average of the historical and prospective data of the last 12 months prior to December 31, 2020 (average value between historical and forward looking ERP - source: Damodaran).

The Beta coefficient, which measures the specific riskiness of the individual company or operating segment, was determined by identifying - for each CGU - a sample of comparable companies (in terms of business) and with respect to this sample, the median figure was used of the Betas recorded through monthly observations over a 5-year horizon starting from December 31, 2020. In particular, the beta unlevered has been estimated at 1.02 and is based on a sample of 11 comparable companies, adjusted using the Blume formula (source: Factset).

The results of the impairment test

The parameters used to determine the value in use and the results of the impairment test are summarized below for each CGU, together with the sensitivity of the results obtained to changes in certain parameters and assumptions. It should be noted that the parameters and information used to verify the recoverability of intangible assets with indefinite useful life are significantly influenced by the macroeconomic scenario resulting from the COVID-19 pandemic and could undergo changes that are not foreseeable today.

In particular, it should be noted that:

- for the purposes of the estimates, data relating to market quotations and parameters were used, which are subject to fluctuations, even significant ones, due to the continuing turbulence and volatility of the markets, also related to the COVID-19 pandemic;
- the assessments carried out involved the use of forecasting data which are, by their very nature, random and uncertain, in that they are sensitive to changes in macroeconomic variables and phenomena external to the company, as well as being based, in this case, on a set of assumptions regarding future events and actions by the administrative bodies that will not necessarily occur. Because of the uncertainty inherent in the occurrence of any future event, both with regard to the actual occurrence of the event and the extent and timing of its occurrence, variances between actual and budgeted amounts could be significant, even if the events that were projected as part of the assumptions upon which the projections were based were to occur. This limitation is even more pronounced in the current context of uncertainty related to the future effects of the COVID-19 pandemic.

Therefore, we reiterate the profound uncertainty connected with the effects deriving from the pandemic and the complexity of foreseeing its effects in the short and medium term, which entails a high degree of complexity and uncertainty in the estimates made, due to the possibility that the basic assumptions and hypotheses could be subject to further revisions, following the evolution of elements not under the control of management, thus determining impacts that are not expected or foreseeable. In the current reference context, therefore, it is necessary to constantly monitor the evolution of these elements because, if the macroeconomic scenario worsens in the future compared to as hypothesized, this could have effects on the estimated cash flows of the CGUs and on the main assumptions adopted, which could lead in future financial statements to results that differ from those forecast in these financial statements.

SIA Greece

Basic parameters

The risk-free rate for the years of the plan is 1.3%; the risk-free rate for the terminal value is 2.7%.

The equity risk premium is 5%.

The specific risk premium, in continuity with the previous year, was set at 1%, in order to reflect certain elements of intrinsic uncertainty in the specific operating context of the business and specifically to incorporate the effects of the significant concentration of turnover with an important customer; this parameter was raised to 2% in the estimate of the terminal value to reflect further elements of uncertainty deriving from the concentration of turnover with an important customer.

The beta unlevered, as reported above, is estimated at 1.02, while the beta levered is 1.13, which, adjusted (beta levered adjusted) to consider a risk factor related to the limited size and lack of marketability, estimated at 20%, becomes 1.35.

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

The resulting WACC is 8.3% for the years of the plan and 10.5% on the terminal value.

Finally, it should be noted that at the date of approval of these financial statements, the tender procedure called by a major listed Greek bank, with which SIA Greece boasts a significant concentration of its turnover, is underway for the renewal of the processing services offered; management has taken this aspect into account when carrying out the impairment test and to this end, has drawn up specific forecasts up to the expiry of the contract expected to be stipulated with this bank, adopting assumptions consistent with those used to estimate the terminal value and using a differentiated WACC on the flows of this time horizon (equal to 9.6%).

Summary of results

The results of the impairment test carried out showed that the value in use was lower than the carrying amount in the consolidated financial statements, resulting in the need to proceed with overall impairment in the year of 48.1 million euro to the value of goodwill; on the other hand, in line with the provisions of IAS 36, no adjustments emerged as at December 31, 2020 on the residual value of the intangible asset represented by the value of the contractual relationships with an important customer recognized in the consolidated financial statements at the time of the purchase price allocation, as provided for by the provisions of IAS 36 in relation to the methods for allocating value adjustments resulting from the impairment test.

The sensitivity analyses carried out showed that the impact on the value in use of an increase in discount rates of up to 100 bps would result in further impairment of 11.2 million euro, while a 5% reduction in terminal EBITDA would result in further impairment of 10.1 million euro.

SIA CE

Basic parameters

The risk-free rate for the years of the plan is 1.2%; the risk-free rate for the terminal value is 2.9%.

The equity risk premium is 5%.

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 1.1%.

An execution risk premium of 1% was introduced to reflect certain elements of inherent uncertainty in the specific operating context of the business and specifically to incorporate the execution risk of the business plan.

The beta unlevered, as reported above, is estimated at 1.02, while the beta levered is 1.13, which, adjusted (beta levered adjusted) to consider a risk factor related to the limited size and lack of marketability, estimated at 20%, becomes 1.36.

The growth rate "g" is estimated as the inflation rate expected for the European Union in 2024 and is equal to 1.8% (source: IMF).

The resulting WACC is 8.2% for the years of the plan and 9.9% on the terminal value.

Summary of results

The results of the *impairment* test carried out showed that the value in use of the CGU is higher than its carrying amount in the consolidated financial statements and, therefore, there was no need to proceed with impairment to the value of goodwill, as well as to the net residual value at December 31, 2020 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.

The sensitivity analyses carried out showed that the impact on the value in use of an increase in discount rates of up to 100 bps would result in impairment of 2.6 million euro, while a 5% reduction in terminal EBITDA would result in a value in use that would be 12.3 million euro higher than the carrying amount.

P4cards

Basic parameters

The risk-free rate for the years of the plan is 1.1%; the risk-free rate for the terminal value is 2.9%.
The equity risk premium is 5%.
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 beta unlevered, as reported above, is estimated at 1.02, while the beta levered is 1.13.
The growth rate "g" is estimated as the inflation rate expected for Italy in 2024 and is equal to 1.4% (source: IMF).
The resulting WACC is 7.1% for the years of the plan and 9.7% for the terminal value.

Lastly, as reported in the section on events occurring after the end of the year, in February 2021, the parent company SIA finalized an overall agreement with the UniCredit Group, which, among other things, provides for the option to extend the existing processing contract until 2036; management has taken into account the impact of this extension when carrying out the impairment test and to this end, has drawn up specific forecasts up to the new expiry date of the contract, adopting assumptions that are consistent with those used to estimate the terminal value and using a differentiated WACC on flows over this time horizon (equal to 8.9%).

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. Therefore, there was no need to proceed with impairment of the value of goodwill, nor of the residual net carrying amount at December 31, 2020 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.

The sensitivity analyses carried out have shown that the impact on the value in use of an increase in discount rates up to 100 bps would show a value in use higher than the carrying amount of 30.3 million euro, while a reduction in terminal EBITDA of 5% would show a value in use higher than the carrying amount of 66.6 million euro; the alignment between value in use and carrying amount would occur in the case of the combined effect of an increase in the discount rate up to 100 bps and a reduction in terminal EBITDA of 5%.

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. Taking into account the strategic plan approved by SIA's Board of Directors in February 2020 and the budget forecasts for 2021, the value of the aforementioned CGU is largely higher than the carrying amount of the goodwill in question.

SIApay/SIAadvisor CGU

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

SIApay's final results show substantial stability in terms of turnover, with a slight reduction in profitability compared to budget forecasts. Moreover, in the economic projections for the period 2021-2023 prepared by management, margins are expected to grow driven by the acquisition of additional acquiring customers, some of which have already been activated during the first months of 2021.

The 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 production of SIAadvisor was higher than budget forecasts (+2.9%) and EBITDA recorded a significant increase compared to expectations (+60.5%), thanks to the different mix of revenues compared to the plan; in particular, revenues referring to the resale of services to SIA, with lower margins, were replaced with revenues from third parties with higher margins. The 2021-2023 plan drawn up by Management shows moderate growth in value of production and margins.

Based on impairment tests on the goodwill allocated to the CGUs in question, there is no need to make any value adjustments for 2020.

3. Investments

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Subsidiaries	-	5	(5)
Associates	653	720	(67)
Total	**653**	**725**	**(72)**

The value of the investment in the company Consorzio QuenIT, directly controlled by P4cards, was reduced to zero following the submission of the cancellation request to the Chamber of Commerce of Verona on December 23, 2020 and subsequent cancellation on January 4, 2021.

The equity valuation of the associate ATS, carried out on its 2019 financial statement figures, approved in the second half of May 2020, resulted in impairment of the carrying amount of 67 thousand euro.

4. Non current financial assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Financial asset at fair value through other comprehensive income - non current	12	12	-
Total	**12**	**12**	**-**

Non current financial assets amount to 12 thousand euro and correspond to the carrying amount of the shares held by the Parent company in MIP Politecnico di Milano.

5. Non current contract work-in-progress

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Work on commission - non current	-	566	(566)
Total	**-**	**566**	**(566)**

At December 31, 2019, the contract work-in-progress includes costs incurred by the subsidiary Perago FSE for a job order in progress which, in 2020, after reaching the project milestones, generated revenues in accordance with IFRS 15.

6. Other non current assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other non current assets	80	837	(757)
Total	**80**	**837**	**(757)**

The decrease in other non current assets is related to some items linked to the acquiring services provided by SIApay, which became current during the year.

7. Deferred tax assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Deferred tax assets	27,492	13,162	14,330
Total	**27,492**	**13,162**	**14,330**

Deferred tax assets total 27.5 million euro, broken down as follows:

- deferred tax assets recognized for the difference between statutory and fiscal depreciation and amortization and for write-offs of tangible and intangible assets;
- deferred tax assets recorded on provisions for risks;
- deferred tax assets recognized on the actuarial components of defined benefit plans for employees and on the change in the fair value of hedging derivatives, recognized with a balancing entry in equity;
- deferred tax assets on other temporary differences found in the calculation of current taxes between carrying amounts and tax amounts.

The main increase is explained by the effect resulting from the provisions recognized in the provisions for risks in 2020 and, in particular, the provision made by the company P4cards in relation to the definition of the requests received by the UniCredit Group with reference to certain profiles relating to the services provided in the 2016-2020 period under the existing outsourcing contract.

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

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Deferred tax assets	27,492	13,162	14,330
of which:			
- in return for the Net Equity	*3,387*	*3,322*	*65*
- in return for the P&L	*24,105*	*9,840*	*14,265*
Total	**27,492**	**13,162**	**14,330**

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**13,162**	**12,755**
Deferred tax assets recognized during the period with return for the P&L	19,361	2,730
Deferred tax assets recognized during the period with return for the Net Equity	1,603	1,831
Other increases		666
Deferred tax assets reversed during the period with return for the P&L	(5,341)	(2,795)
Deferred tax assets reversed during the period with return for the Net Equity	(1,293)	(466)
Other decreases		(1,559)
Closing balance	**27,492**	**13,162**

Current assets

8. Inventories and contract work-in-progress

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Finished products and raw materials	3,709	2,860	849
Work in progress - current	1,914	1,066	848
Total	**5,623**	**3,926**	**1,697**

Inventories of finished products and raw materials primarily relate to the inventory of credit/debit card plastics and telephone top-up PINs of the company P4cards and increased compared to December 31, 2019 due to increased procurement. Work in progress refers to multi-year project work on behalf of third parties started during the year, in particular by the parent company SIA and Perago FSE.

9. Current financial receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other financial receivables	11,016	5,456	5,560
Total	**11,016**	**5,456**	**5,560**

This item entirely comprises the financial receivables of the subsidiary SIApay from international and national circuits for transactions relating to the settlement of collection and payment transactions within the scope of acquiring services. The increase is explained by the increased operations of the subsidiary compared to the previous year.

10. Current financial assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Financial asset measured at amortized cost - current	111	127	(16)
Total	**111**	**127**	**(16)**

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 credit line. 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. The change is due to exchange rate fluctuations (RAND/EUR).

11. Current tax assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other tax assets	63,328	71,673	(8,345)
Current tax assets - IRES	-	7,316	(7,316)
Current tax assets - IRAP	-	2,113	(2,113)
Foreign tax assets	4,425	6,098	(1,673)
Total	**67,753**	**87,200**	**(19,447)**

The item decreases as the Parent Company's tax position in 2020 is a debit, while in the previous year, it was a credit, as well as due to the decrease in tax credits.

In particular, tax credits amount to 63.3 million euro at December 31, 2020 (71.7 million euro at December 31, 2019) and mainly refer to the following:

- the remainder of the payment made in 2017 of the substitute tax for the redemption of a portion of the goodwill recognized in the Group's consolidated financial statements, generated in the acquisition of P4cards (21.4 million euro, reduced by approximately 14.4 million euro compared to the original 35.8 million euro and by approximately 7.2 million euro compared to the previous year); a portion of the amortization of this step-up goodwill was deducted for tax purposes in 2020 (it should be noted that the amortization period is 5 years), reducing current taxes by approximately 6.1 million euro;
- the payment of a substitute tax for 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 refund application submitted by SIA in 2013, for the non-deduction of IRAP on employee and assimilated payroll costs for the years 2007-2011, originally amounting to 3.0 million euro, reduced to 1.9 million euro at December 31, 2020 as a result of refunds received during the year with reference to the tax years 2010 and 2011.

12. Current trade receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Trade receivables - current	227,691	225,639	2,052
Bad debt provision - current	(6,468)	(5,747)	(721)
Total	**221,223**	**219,892**	**1,331**

Overall, trade receivables are essentially stable compared to December 31, 2019; receivables of the Group's Italian companies showed an increase in relation to the increase in turnover volumes, while foreign companies recorded a decrease related to the drop in turnover linked to the effects of the COVID-19 pandemic.

Given the short-term nature of trade receivables, it is believed that the carrying amounts, net of the bad debt provision, represent a good approximation of fair value. At December 31, 2020, the assessment of the recoverability of receivables was updated in accordance with the provisions of IFRS 9.

The change in the bad debt provision is shown below:

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Opening balance	**(5,747)**	**(5,618)**	**(129)**
Increase	(1,089)	(1,966)	877
Decrease	368	1,837	(1,469)
Closing balance	**(6,468)**	**(5,747)**	**(721)**

In 2020, the bad debt provision recorded a net increase of 721 thousand euro, as a result of updating the historical series of loss rates and forward-looking parameters used to estimate expected losses. In the previous year, the bad debt provision was used, above all to write off some receivables for which a specific provision had been made in 2018.

The exposure to credit risk and the expected losses relating to trade receivables and other receivables (classified according to criteria defined internally) have been processed by the Group as follows:

Thousands of euro	Bonis	Past due			Unlikely to pay		Dispute	Legal	Default	Total
		1 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	> 180 days				
Customers	200,215	8,919	2,954	1,863	3,095	6,293	2,332	2,020	-	227,691
Gross amount	**200,215**	**8,919**	**2,954**	**1,863**	**3,095**	**6,293**	**2,332**	**2,020**	**-**	**227,691**
Bad debt provision	1,186	323	186	319	264	938	1,317	1,937	-	6,468
Net Value	**199,029**	**8,597**	**2,767**	**1,544**	**2,831**	**5,355**	**1,016**	**83**	**-**	**221,223**

13. Other current assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Security deposits	486	560	(74)
Prepayments to suppliers	3,728	2,499	1,229
Receivables from employees	442	476	(34)
Other activities	3,332	1,862	1,470
Tax receivables	456	924	(468)
Prepayments and accrued expenses	25,444	26,735	(1,291)
Total	**33,888**	**33,056**	**832**

14. Cash and cash equivalents

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Cash on hand	12	14	(2)
Bank accounts and deposits	161,375	97,388	63,987
Other cash and cash equivalents	3	33	(30)
Postal accounts and deposits	-	-	-
Total	**161,390**	**97,435**	**63,955**

The Group's cash and cash equivalents are represented by current accounts and deposits held with leading banks. The significant change in this item compared to the previous year is due to the opening, on December 16, 2020, of bank deposits of 76.5 million euro restricted in favor of the creditors of SIA and P4cards, pursuant to and for the purposes of article 2503 of the Italian Civil Code. These deposits, which are restricted for 60 days from the date of registration of the resolution to merge P4cards S.r.l. into SIA S.p.A. at the Companies' Register of the offices of the two companies involved in the merger, have the characteristics of cash and cash equivalents envisaged by IAS 7.

An analysis of the consolidated cash flow statement shows that the Group generated operating cash flow of approximately 227.7 million euro during the period, which fully covered investing and financing activities. In 2020, the Parent Company did not distribute dividends to its shareholders and repaid the principal of the medium/long-term loan for 80 million euro (in addition to interest and differentials on derivative instruments to hedge cash flows connected with the variability of the interest rate on the aforementioned loan). It is recalled that the previous year was also characterized by the payment of substitute tax relating to the step-up of consolidated goodwill associated with the acquisition of SIA Greece and SIA Slovakia, for an amount of 40 million euro.

Liabilities and Shareholders' Equity

15. 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, unchanged compared to the previous year. The total number of shares without voting rights is 1,410,253 (0.82305734% of total shares).

Share premium reserve

Share premium reserve amounts to 5,317 thousand euro and does not change during the year.

Reserves

Reserves amount to 300,060 thousand euro (204,779 thousand euro at December 31, 2019). The change from the previous year, as shown in the consolidated statement of changes in shareholders' equity, is attributable to the allocation of profits for 2019 to reserves, in execution of the shareholders' resolution approving the financial statements for 2019.

Valuation reserve

The valuation reserve is recorded at a negative value of 12,208 thousand euro (at December 31, 2019 it was negative by 10,519 thousand euro) and represents the effects on equity arising from items whose valuation requires a contra-entry in the balance sheet in accordance with IAS/IFRS. Changes during the year were generated by the actuarial component of defined benefit plans, as well as the income effects of cash flow hedges on bank debt and the effect of exchange rate translation.

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

Thousands of euro	Shareholders' Equity at 31/12/2020	Profit/(loss) for 2020	Shareholders' Equity 2019	Profit/(loss) for 2019
SIA S.p.A.	375,874	60,264	316,238	105,575
Shareholders' Equity and result for the period attributable to the Group	157,676	8,380	196,948	49,919
Shareholders' Equity and result for the period attributable to non-controlling interests	-	-	-	-
Subsidiaries carrying amount elimination	(844,200)	-	(908,548)	-
Write-off consolidated investments elimination	-	66,472	-	-
Write-off intra-group receivables elimination	4,100	4,100	-	-
Intra-group dividends elimination	1,274	(44,326)	-	(32,196)
Allocated goodwill	521,020	-	569,139	-
Non-allocated goodwill	-	-	-	-
Impairment of goodwill	-	(48,119)	-	-
Valuation of Equity investments	-	-	-	-
Intangible assets recognised as a result of PPA processes and depreciations of the period (net of deferred taxes)	127,768	(28,183)	155,951	(28,149)
Allocated fair value buildings - PPA	(4,483)	271	(4,754)	271
Debts for non-controlling interests	(1,274)	(1,933)	(2,117)	-
Other consolidation adjustments	(5,482)	(97)	(5,724)	(139)
SIA Group	**332,273**	**16,829**	**317,133**	**95,281**

Non current liabilities

16. Non current financial payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Bank loans - non current	535,752	617,750	(81,998)
Other financial payables - non current	59,908	61,400	(1,492)
Total	**595,660**	**679,150**	**(83,490)**

The change in non current bank loans is explained by the repayment of principal amounts of the medium/long-term loan taken out by the Parent Company for 80 million euro (plus interest and differentials related to derivative contracts that exchange the floating rate of the loan for a fixed rate), originally taken out in 2017 and renegotiated in 2018 in connection with the acquisitions of subsidiaries.

Other non current financial payables, which mainly include payables on leased assets and the debt related to new investments in leased assets made by SIA for the modernization of the technology infrastructure, do not change significantly, as the new investments offset the effect of the regular expiration of existing contracts.

17. Non current financial liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other non current financial liabilities	-	2,117	(2,117)
Hedging derivatives - non current	3,614	3,738	(124)
Total	**3,614**	**5,855**	**(2,241)**

The item other non current financial liabilities is reduced to zero as the payable for the purchase of the minority shares of SIAadvisor, which represents the entirety of the item, became current during the year (please refer to the comment on the item "Current financial liabilities").

The negative mark-to-market of hedging instruments is substantially stable compared to the previous year. In 2020, following the repayment of the principal amount of 80 million euro of the Parent Company's medium/long-term loan, the residual notional value of the derivatives in question is 425 million euro (compared with the original 575 million euro at the initial date of January 2019); the differentials accruing in the period amount to 2.4 million euro.

It is recalled that the hedging derivatives stipulated by the Company in 2018 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.

18. Provisions for employee benefits

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Employee benefits	26,869	25,866	1,003
Total	**26,869**	**25,866**	**1,003**

The provisions for employee benefits mainly refer to the employee severance indemnity for employees of the Group's Italian companies and the defined benefit plans envisaged by trade union agreements for foreign companies and branches.

The changes in provisions for employee benefits during the year are shown below:

Thousands of euro	Funds for staff
Opening balance	**25,866**
Increase	
Provision	6,033
Decrease	
Liquidation	(5,030)
Closing balance	**26,869**

Changes in the year include actuarial losses recorded in the statement of comprehensive income for 714 thousand euro.

The actuarial assumptions used to determine the provisions for employee benefits are shown below:

Financial and economic assumptions:

Discount rate	*Curve Eur Composite AA at 30.11.2020*

Maturities (years)	*Rates*
1	*-0.426%*
2	*-0.373%*
3	*-0.339%*
4	*-0.295%*
5	*-0.234%*
7	*-0.113%*
8	*-0.048%*
9	*0.024%*
10	*0.107%*
15	*0.328%*

Inflation rate	*European curve Zero-Coupon Inflation-Indexed Swap at 30.11.2020*

Maturities (years)	*Rates*
1	*1.099%*
2	*0.883%*
3	*0.864%*
4	*0.890%*
5	*0.915%*
6	*0.945%*
7	*0.978%*
8	*1.010%*
9	*1.039%*
10	*1.071%*
12	*1.130%*
15	*1.224%*
20	*1.331%*
25	*1.406%*
30	*1.453%*

Expected rate of pay increase (including inflation)	N.A.
Percentage of employees severance indemnity requested in advance	100.00%

Demographic assumptions:

Minimum requirements for retirement	*According to latest legal provisions*
Mortality tables	SI 2019
Average annual percentage of personnel exit *	3.68%
Annual probability of request for an advance	1.00%

* calculated for any cause of termination, in the first ten years after the assessment year.

19. Deferred tax liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Deferred tax liabilities	50,983	62,395	(11,412)
Total	**50,983**	**62,395**	**(11,412)**

The change in deferred tax liabilities compared to the previous year, which are recorded as a contra-entry in the statement of profit or loss, is mainly explained by the use of deferred taxes allocated on intangible assets with finite useful life identified on completion of the purchase price allocation transactions of the subsidiaries P4cards, SIA Greece and SIA Slovakia (which from January 1, 2020 changed its name to SIA Central Europe a.s. following the integration transaction with SIA Central Europe Zrt. and SIA Hungary Kft.), the amortization of which is in progress.

Changes in deferred tax liabilities are shown below:

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**62,395**	**73,643**
Deferred tax liabilities recognized during the period with return for the P&L	995	27
Other increases	-	88
Deferred tax liabilities reversed during the period with return for the P&L	(12,407)	(11,363)
Other decreases	-	-
Closing balance	**50,983**	**62,395**

20. Provisions for risks

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Provisions for risks	54,611	3,041	51,570
Total	**54,611**	**3,041**	**51,570**

Provisions for risks include provisions for:

- seniority bonuses to be paid to employees of the Group's Italian companies in relation to the agreements provided for in the supplementary company contract, adjusted in relation to the payments made during the year and the impact of the actuarial valuation, the assumptions of which are the same as those given above in the comment on provisions for employee benefits;
- certain legal disputes related to the Group's normal operations, including an estimate of the related legal expenses;
- tax litigation, which concerns disputes with SIA relating to tax periods from 2006 to 2011;

- charges that cannot be determined with a sufficient degree of certainty for risks of damages to customers, as well as the amount of 48.2 million euro relating to the settlement of claims received by the UniCredit Group with reference to certain profiles relating to the services provided by P4cards for the period 2016-2020 under the existing outsourcing contract.

The increase compared to the previous year is mainly explained by the aforementioned provision made by the company P4cards (this amount was paid, by SIA, as the merging company of P4cards from January 1, 2021, when the relevant agreements between the parties were signed in February 2021), as well as by the provisions made on legal and tax disputes by the Parent Company. In particular, the change in provisions for legal disputes is due to developments during the year in disputes relating to the supply of licenses and software development services for a new payment system for an international customer, while the change in provisions for tax disputes reflects the adjustment made following an unfavorable ruling.

Changes in provisions for risks during the year are shown below:

Thousands of euro	Charges for employees	Tax disputes	Other provisions	Total
Balances at 31/12/2019	510	204	2,327	**3,041**
Increase				
Provisions of the period	56	1,083	52,065	**53,204**
Decrease				
Utilisation of the period	(121)	(86)	(551)	**(758)**
Releases	-	-	(876)	**(876)**
Balances at 31/12/2020	**445**	**1,201**	**52,965**	**54,611**

21. Other non current liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other non current liabilities	845	6,045	(5,200)
Total	**845**	**6,045**	**(5,200)**

This item consists of the Parent Company's payable to personnel and to INPS relating to the early retirement incentive plan launched in previous years, for the portion due beyond 12 months. The decrease compared to the previous year is mainly explained by the portion of the payable that became current at December 31, 2020.

Current liabilities

22. Current financial payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Bank loans - current	216,511	199,424	17,087
Other current financial payables	42,149	28,383	13,766
Total	**258,660**	**227,807**	**30,853**

Current bank loans increase following the activation, during the fourth quarter of the year, of a short-term credit line with a leading Italian bank for ordinary operations. The increase in other current financial payables is mainly explained by payables connected to the acquiring activity carried out by the subsidiary SIApay, whose volumes recorded a significant increase compared to the previous year, and by new investments in leased assets made by the Parent Company for the modernization of the technological infrastructure.

23. Current financial liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other current financial liabilities	300	-	300
Hedging derivatives - current	2,892	2,587	305
Total	**3,192**	**2,587**	**605**

Other current financial liabilities refer to the amount due to the previous minority shareholder of the subsidiary SIAadvisor (as well as its Chief Executive Officer), as provided for in the contractual agreements related to the acquisition of the relevant minority interests, which took place during the fourth quarter of 2020.

24. Current tax liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Current tax liabilities - IRES	11,665	44	11,621
Current tax liabilities - IRAP	1,742	224	1,518
Foreign tax liabiities	128	4,046	(3,918)
Total	**13,535**	**4,314**	**9,221**

The item increase as the tax position of the Parent Company, which accounts for the majority of the balance, is a debit at December 31, 2020 in relation to tax due on lower tax advances paid on the basis of the previous year's taxable result. It should also be noted that this amount benefits, in terms of lower taxes, from the tax amortization of the consolidated goodwill relating to the acquisition of P4cards. However, unlike the previous year, it does not include the benefits relating to the Patent Box, since at the end of the year, the agreement with the Tax Authorities for the five-year period 2020-2024 had not yet been renewed, according to the application submitted in September 2019. In the previous year, on the other hand, the tax relief resulting from the Patent Box had led to a benefit of approximately 3.8 million euro in lower taxes.

25. Current trade payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Trade payables - current	85,595	95,996	(10,401)
Total	**85,595**	**95,996**	**(10,401)**

Trade payables show a change related to the decrease, especially in the fourth quarter of 2020, in the volume of operating costs compared to the previous year.

Given the short-term characteristics of trade payables, it is believed that the nominal amounts represent a good approximation of the fair value.

26. Other current liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Customer advance payments	9,541	6,881	2,660
Social security debts	17,735	18,493	(758)
Amounts due to Directors and Auditors	577	497	80
Payables to employees	28,398	30,533	(2,135)
Deferred income and accrued liabilities	4,696	4,788	(92)
Tax liabilities	7,821	9,020	(1,199)
Other liabilities	8,287	7,265	1,022
Total	**77,055**	**77,477**	**(422)**

Although the item as a whole does not undergo any significant changes, there is a decrease in social security debts and payables to employees, due to the payment during the year of variable compensation (MBO and VAP) and the release of part of the variable remuneration provided for Top Management, relating to 2019. On the other hand, customer advance payments increased in relation to the invoicing times foreseen by some contracts for multi-year project activities and to the change in security deposits received from the subsidiary SIApay. Other liabilities mainly comprise credit notes to be issued by the Parent Company to customers, substantially in line with the previous year.

Notes to the statement of profit or loss

27. Revenues from sales and services

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Revenues from sales and services	758,619	733,237	25,382
Total	**758,619**	**733,237**	**25,382**

The Group's revenues are attributable to sales of products and services of approximately 757.1 million euro and project activities of approximately 1.5 million euro. The increase in revenues derives mainly from higher volumes in the Card & Merchant Solutions sector, due to the activation of new services for banks, financial institutions and transport companies and new fraud management solutions, and from initiatives in the Digital Payment Solutions sector, with particular reference to the development of collection and payment solutions and IMEL initiatives that exploit the Group's digital factory.

Revenues from volumes managed showed strong growth in the first two months of the year, but then felt the effects of the economic contraction generated by the COVID-19 pandemic, especially in March and April, settling at the end of the year at values slightly higher than the previous year; revenues from services invoiced on a fee basis showed significant growth compared to the previous year; finally, revenues from project activities were substantially stable.

A breakdown of revenues by business operating segment and geographical area is provided below:

Revenues by business operating segment				
Thousands of euro	**31/12/2020**	**31/12/2019**	**Change 2020 Vs 2019**	**Change %**
Card & Merchant Solutions	511,887	490,474	21,413	4.4%
Digital Payment Solutions	155,339	150,761	4,578	3.0%
Capital Market & Network Solutions	91,393	92,002	(609)	-0.7%
Total	**758,619**	**733,237**	**25,382**	**3.5%**

Revenues by geographical area at 31 December 2020			
Thousands of euro	**Italy**	**Abroad**	**Total 31/12/2020**
Card & Merchant Solutions	337,292	174,595	511,887
Digital Payment Solutions	102,769	52,570	155,339
Capital Market & Network Solutions	81,920	9,474	91,394
Total	**521,981**	**236,639**	**758,619**
Percentage	*68.8%*	*31.2%*	*100.0%*

Revenues by geographical area at 31 December 2019			
Thousands of euro	**Italy**	**Abroad**	**Total 31/12/2019**
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**
Percentage	***68.4%***	***31.6%***	***100.0%***

It should also be noted that there are no individual foreign countries in which the Group achieved a share of more than 10% of total revenues.

Complete economic data by operating segment are provided in the specific section of these notes.

28. Other revenues and income

Thousands of euro	**31/12/2020**	**31/12/2019**	**Change 2020 Vs 2019**
Other revenues	2,444	1,126	1,318
Contingent income	239	1,992	(1,753)
Gains	521	199	322
Total	**3,204**	**3,317**	**(113)**

Other revenues include non-operating income, mainly consisting of insurance reimbursements, grants on innovation projects and exchange rate differences.

29. Changes in inventories for third parties

Thousands of euro	**31/12/2020**	**31/12/2019**	**Change 2020 Vs 2019**
Software projects for third parties	971	760	211
Total	**971**	**760**	**211**

The change in inventories and work in progress refers to project activities for customers carried out in particular by SIA and the subsidiary Perago FSE, as reported in the comment on the corresponding balance sheet item.

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

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Goods and products	(12,676)	(14,206)	1,530
Total	**(12,676)**	**(14,206)**	**1,530**

The cost of raw materials, linked to card production and to POS and hardware purchased for resale mainly by the subsidiaries P4cards and SIApay, fell due to lower business volumes.

31. Costs for services

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Rental	(23,513)	(24,228)	715
Maintenance	(45,480)	(36,922)	(8,558)
Network	(16,660)	(16,249)	(411)
Outsourcing	(33,206)	(34,280)	1,074
Building	(8,360)	(7,876)	(484)
Professional Services	(72,110)	(66,531)	(5,579)
Royalties	(30,136)	(19,527)	(10,609)
General expenses	(6,633)	(10,184)	3,551
Insurance	(1,430)	(1,392)	(38)
Total	**(237,528)**	**(217,189)**	**(20,339)**

The main changes in costs for services compared to the previous year are shown below:

- maintenance costs increased as a result of the increased level of investment in upgrading the existing technological infrastructure, including strengthening cyber security;
- professional services increased mainly as a result of higher non-recurring activities related to intra-group reorganization transactions, potential acquisitions on the market and extraordinary transactions that involved the Group during the year;
- general expenses decreased due to lower structural costs as a result of the revision of some expenses induced by the effects of the COVID-19 pandemic;
- royalties increased significantly due to the full operation, from the second half of the previous year, of the acquiring services of the company SIApay.

Specifically, professional services include non-recurring costs incurred for M&A projects of approximately 1.5 million euro, costs related to the Parent Company's listing project initiated of approximately 1.9 million euro, costs related to the extraordinary integration transaction with Nexi of approximately 5.8 million euro, costs for corporate reorganization transactions within the Group of approximately 1.2 million euro, and costs for technological integration for Group companies of approximately 1.8 million euro. It should also be noted that:

- rental costs include 63 thousand euro relating to corporate reorganization costs within the Group, and maintenance costs include 19 thousand euro in technology integration costs incurred by Group companies;
- general expenses include, inter alia, non-recurring expenses incurred to deal with the COVID-19 emergency (approximately 639 thousand euro, part of which is recognized in payroll costs).

The following table shows the amount of fees due to the independent auditors for the audit of the financial statements, attestation services and other services other than the audit provided to the Group in 2020:

The fees for auditing the statutory and consolidated financial statements of the Group, for verifying that the company accounts are properly kept, including the signing of tax returns, and for other non-audit services provided to the Group by the independent auditors Deloitte & Touche S.p.A. during the year are shown below (excluding VAT):

Type of service	Amount
Audit	**275**
SIA	150
P4cards	82
SIApay	27
SIAadvisor	16
Attestation services	**352**
SIA	344
SIApay	8
Other services	**215**
SIA	175
SIApay	40
Total	**842**

32. Payroll costs

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Wages and salaries	(154,258)	(154,736)	478
Social charges	(37,872)	(39,944)	2,072
Post-employment and termination benefits	(6,033)	(5,848)	(185)
Payments to pension funds	(5,037)	(4,326)	(711)
Charges for restructuring	(2,451)	(4,796)	2,345
Other costs	(6,644)	(9,039)	2,395
Travel	(945)	(4,020)	3,075
Other staff	(451)	(422)	(29)
Directors and Auditors	(1,689)	(1,491)	(198)
Recoveries seconded staff	-	(43)	43
Refunds seconded staff	(115)	(150)	35
Capex internal staff costs	7,613	9,795	(2,182)
Total	**(207,882)**	**(215,020)**	**7,138**

The overall reduction in payroll costs is explained by the following components:

- the decrease in wages and salaries and social charges due to the use, in the first half of 2020, of income support services during the period of generalized closure in Italy due to the COVID-19 pandemic for an amount of 2.5 million euro (considered as a non-recurring expense and having an impact of approximately 1.6 million euro on the item "Wages and salaries" and of approximately 800 thousand euro on the item "Social charges");
- the decrease in non-recurring monetary incentives to management linked to the achievement of long-term results; in 2020, in fact, contingent assets of 1.5 million euro were recognized due to the absence of part of the allocation made in 2019, while in the previous year, an allocation of 5.7 euro million was made;
- the decrease in charges for restructuring compared with the previous year, which was marked by the numerous accessions of employees to the industry solidarity fund as a result of the "quota 100";
- the decrease in other staff costs and travel expenses, due to the lower cost of the provision for accrued and unused holidays and travel expenses, as an effect of the widespread adoption of smart working from March 2020; other staff costs also include an amount of approximately 66 thousand euro relating to non-recurring expenses incurred to deal with the COVID-19 pandemic;
- the decrease in capex internal staff costs.

The following table shows the average and point-in-time number of employees of the Group at December 31, 2020, broken down by category, as well as a comparison with the situation at December 31, 2019:

Workforce (year-end)	31/12/2020		31/12/2019		31/12/2020	31/12/2019
	Non Executives	Executives	Non Executives	Executives	Total	Total
SIA	1,512	35	1,491	34	1,547	1,525
SIApay	38	-	28	-	38	28
SIAadvisor	31	-	29	-	31	29
Ubiq (i)	-	-	-	-	-	-
Emmecom (ii)	-	-	10	-	-	10
P4cards	504	4	464	4	508	468
PforCards	23	1	24	1	24	25
SIA Central Europe (iii)	-	-	35	-	-	35
Perago FSE	80	-	79	-	80	79
SIA Greece	994	1	965	1	995	966
SIA Central Europe (iv)	354	1	289	1	355	290
SIA Romania	1	-	1	-	1	1
SIA Hungary (v)	-	-	15	-	-	15
SIA Czech Republic	2	-	-	-	2	-
SIA Croatia	5	-	5	-	5	5
SIA Serbia	74	-	75	-	74	75
Total	**3,618**	**42**	**3,510**	**41**	**3,660**	**3,551**

Workforce (average)	31/12/2020		31/12/2019		31/12/2020	31/12/2019
	Non Executives	Executives	Non Executives	Executives	Total	Total
SIA	1,505	35	1,476	35	1,540	1,511
SIApay	40	-	27	-	40	27
SIAadvisor	30	-	27	-	30	27
Ubiq (i)	-	-	6	-	-	6
Emmecom (ii)	-	-	11	-	-	11
P4cards	491	4	429	4	495	433
PforCards	24	1	22	1	25	23
SIA Central Europe (iii)	-	-	40	-	-	40
Perago FSE	78	-	76	-	78	76
SIA Greece	983	1	970	1	984	971
SIA Central Europe (iv)	346	1	281	1	347	282
SIA Romania	1	-	1	-	1	1
SIA Hungary (v)	-	-	16	-	-	16
SIA Czech Republic	1	-	-	-	1	-
SIA Croatia	5	-	5	-	5	5
SIA Serbia	74	-	75	-	74	75
Total	**3,577**	**42**	**3,462**	**42**	**3,619**	**3,504**

(i) Ubiq S.r.l. was merged by incorporation into P4cards effective July 1, 2019.
(ii) Emmecom S.r.l. was merged by incorporation into SIApay effective January 1, 2020.
(iii) SIA Central Europe Zrt. was merged by incorporation into SIA Slovakia (now SIA Central Europe, a.s.) effective January 1, 2020.
(iv) SIA Central Europe, a.s. changed its name on January 1, 2020, following the merger of SIA Central Europe Zrt. and SIA Hungary Kft. from SIA Slovakia a.s. to SIA Central Europe, a.s..
(v) SIA Hungary Kft. was merged by incorporation into SIA Slovakia (now SIA Central Europe, a.s.) effective January 1, 2020 and was subsequently transformed into its own branch called SIA Central Europe, a.s. – Hungarian branch.

33. Other operating expenses

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Non-deductible VAT	(27,288)	(28,537)	1,249
Tax expenses	(666)	(761)	95
Losses on disposal of assets	(385)	(241)	(144)
Other charges	(2,864)	(3,461)	597
Total	**(31,203)**	**(33,000)**	**1,797**

This item mainly comprises non-deductible VAT, which decreased compared to the previous year due to a different composition of revenues (whether subject to VAT or not) of SIA, P4cards and SIA CE compared to the previous year, and other operating expenses relating to fines, penalties, negative exchange rate differences and contingent liabilities, with the latter component explaining most of the change in other charges.

The item includes non-recurring charges of 103 thousand euro relating to losses on disposal of assets by the subsidiary P4cards and approximately 203 thousand euro relating to other charges, mainly represented by exchange rate differences arising from the reorganization of the Group and penalties.

34. Depreciation, amortization and adjustments

Thousands of euro	Depreciation at 31/12/2020	Write-off	Total
Tangible assets	(19,325)	(1)	(19,326)
Leased tangible assets	(18,129)	-	(18,129)
Total tangible assets	**(37,454)**	**(1)**	**(37,455)**

Thousands of euro	Amortization at 31/12/2020	Write-off	Total
Goodwill	-	(48,119)	(48,119)
Software licences	(21,813)	-	(21,813)
Internally developed software	(16,414)	(1,205)	(17,619)
Intangible assets others	(39,536)	-	(39,536)
Intangible assets in progress	-	-	-
Total intangible assets	**(77,763)**	**(49,324)**	**(127,087)**
Total depreciation, amortization and write-off	**(115,217)**	**(49,325)**	**(164,542)**

Thousands of euro	Depreciation at 31/12/2019	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 at 31/12/2019	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)**

Impairment of intangible assets for the year include the write-off carried out during the year on the consolidated goodwill of the subsidiary SIA Greece, amounting to 48.1 million euro, as already highlighted in the specific section of the balance sheet; other impairment refers to the write-off of SIA and SIA CE software projects, which have exhausted their economic benefits before the expected amortization end date, as well as to projects developed by the company Perago FSE, whose carrying amount was adjusted to the fair value determined by an independent third-party expert.

Excluding the above components, depreciation and amortization of tangible and intangible assets do not change significantly.

35. Adjustments to trade receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Bad debt provision	(1,089)	(1,966)	877
Write-off on receivables	-	(1,704)	1,704
Total	**(1,089)**	**(3,670)**	**2,581**

For further information on the changes in the bad debt provision, reference should be made to the comment on the asset item "Current trade receivables from customers" in the consolidated balance sheet. It is recalled that the previous year was characterized by losses on receivables by the subsidiary SIA Slovakia (now SIA Central Europe) in relation to a trade receivable position with the previous shareholder First Data.

36. Provision for risks

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Provision fund risk	(52,863)	(1,678)	(51,185)
Total	**(52,863)**	**(1,678)**	**(51,185)**

For further information on the changes in the provisions for risks, reference should be made to the comment on the liability item "Provisions for risks" in the consolidated balance sheet.

37. Income/(charges) from investments

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Equity investments result	(67)	-	(67)
Adjustments to investments	(6)	-	(6)
Total	**(73)**	**-**	**(73)**

This item includes the impairment of the carrying amount of the investment in the associate ATS S.p.A. and the full write-off of the investment held by the subsidiary P4cards in Consorzio QuenIT, as already described in the comment on the corresponding item in the balance sheet.

38. Management/trading of financial assets and liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Profit/(loss) on financial assets and liabilities management	(1,933)	-	(1,933)
Total	**(1,933)**	**-**	**(1,933)**

This item includes the impact deriving from the impairment of the financial liability allocated for the purchase of minority interests in the company SIAadvisor for 1.9 million euro, determined on the basis of contractual agreements between shareholders.

39. Financial income

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Interest income	452	442	10
Other financial income	-	2,175	(2,175)
Total	**452**	**2,617**	**(2,165)**

This item, which includes interest income from cash held, decreases significantly compared to fiscal year 2019, as it included amounts collected by SIA for 2.6 million euro (subsequent to the *measurement period* of twelve months) from First Data, as price adjustment of the acquisition transaction of the companies SIA Greece and SIA Slovakia in accordance with the Sale&Purchase Agreement concluded in 2018; this amount had been reduced by 398 thousand euro following the partial write-off made in June 2019 of the financial receivable allocated at December 31, 2018 for the price adjustment of the extraordinary transaction.

40. Financial expenses

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Interest expenses	(8,845)	(12,727)	3,882
Interest expenses on hedging derivatives	(2,411)	(2,682)	271
Interest expenses IFRS 16	(2,474)	(2,075)	(399)
Bank charges	(551)	(629)	78
Total	**(14,281)**	**(18,113)**	**3,832**

Interest expenses decrease by approximately 3.8 million euro compared to the previous year following the reduction in the Group's bank debt, in particular that of the parent company SIA, and the related hedging derivatives. Correspondingly, interest expenses on cash flow hedging derivatives for the variability of interest rates on the bank loan decrease to 2.4 million euro and includes the negative change in the fair value of derivatives for the ineffective portion, amounting to approximately 298 thousand euro.

41. Income taxes

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Current taxes	(47,311)	(38,392)	(8,919)
Prepaid/deferred taxes	25,291	11,271	14,020
Taxes from previous years	(327)	(222)	(105)
Total	**(22,347)**	**(27,343)**	**4,996**

The overall tax burden is lower than in the previous year due to changes in taxable income and, in particular, the impact of impairment of equity investments held by the Parent Company. It is recalled that the Group benefits from the tax amortization of the consolidated goodwill recognized following the business combination of P4cards, with step-up in 2017 by the Parent Company SIA through the payment of a substitute tax, while the Parent Company, unlike in the previous year, did not benefit from the reduction in taxable income associated with the Patent Box, as a result of as described in the commentary on the liability item of the balance sheet "Current tax liabilities".

As shown in the comment on the asset item of the balance sheet "Deferred tax assets", the increase in deferred tax assets was significantly affected by the provisions made during the year to provisions for risks.

Below is a reconciliation of the theoretical tax charge with the actual tax charge, specifying that the theoretical rate considered is that in force for the Parent Company in the year of reference:

Thousands of euro	Taxes
Aggregated earnings before taxes	**102,188**
Earnings before taxes	**39,176**
Theoretical tax rate	**24.00%**
Aggregated theoretical taxes	**24,525**
Increasing/decreasing variations	
Non-taxable revenues	(10,228)
Costs not deductible for tax purposes	19,778
Amortization of goodwill	(6,115)
IRAP effect	8,558
Other differences	(2,973)
Aggregated income taxes	**33,545**
Tax effects of consolidation entries	(11,198)
Income taxes recorded in the P&L	**22,347**
Effective tax rate	**57.04%**

Non-taxable revenues consist mainly of dividends received by the Parent Company from its subsidiaries, while costs that are not tax deductible refer mainly to the impact of leases, provisions for risks, bad debts and bonuses for the year that will be paid in future years to employees. The other differences are essentially related to the different tax incidence of the Group's foreign companies. The tax effects of the consolidation entries consist almost entirely of the balance of deferred taxes recorded against the amortization of the intangible assets identified in the consolidated financial statements following the business combination transactions.

42. Earnings per share

Basic earnings per share at December 31, 2020 amount to 0.10 euro and has been determined by dividing the Group's economic result of approximately 16.8 million euro by the weighted average number of outstanding shares for the year (171,343,227). At December 31, 2019, basic earnings per share were 0.56 euro.

The Group has no potential dilutive shares and, therefore, diluted earnings per share is equal to the basic earnings per share shown above.

Segment information

Segment information prepared in accordance with IFRS 8 is provided below. The allocation of the economic results to the various operating segments is based on the accounting standards used in the preparation and presentation of the consolidated financial statements; common costs have been allocated in proportion to the turnover of the individual operating segments, in continuity with the previous year.

The tables below provide a breakdown of the statement of profit or loss by operating segment for the 2020 financial year and for the comparative year, as the current management structure does not require specific allocations by service line to the balance sheet.

INCOME STATEMENT BY OPERATING SEGMENT AT 31/12/2020

Thousands of euro	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions	Total 31/12/2020
Revenues from sales and services	511,888	155,339	91,393	758,620
Other revenues and income	1,761	231	1,211	3,203
Changes in inventories third parties	-	874	97	971
Costs for raw materials, supplies, consumables and goods	(11,623)	(500)	(553)	(12,677)
Costs for services	(161,072)	(45,127)	(31,331)	(237,530)
Payroll costs	(132,376)	(51,076)	(24,430)	(207,882)
Other operating expenses	(24,437)	(2,500)	(4,265)	(31,204)
Adjusted operating margin	**184,140**	**57,241**	**32,123**	**273,505**
Depreciation and amortization				(115,217)
Adjustments to tangible and intangible assets				(49,325)
Adjustments to trade receivables				(1,089)
Provision for risks				(52,863)
Operating Income				**55,011**
Equity investments result				(67)
Adjustments to investments				(6)
Income/(charges) from investments				**(73)**
Profit/(loss) on financial assets and liabilities management				(1,933)
Adjustments to financial assets and financial receivables				-
Management/trading of financial assets and liabilities				**(1,933)**
Interest income				452
Other financial income				-
Financial income				**452**
Interest expenses				(13,730)
Bank charges				(551)
Financial expenses				**(14,281)**
Net income before taxes				**39,176**
Income taxes				**(22,347)**
Net income from continuing operations				16,829
Profit/(loss) for the year				**16,829**
Net income attributable to the Group				**16,829**
Net Income to minority interests				**-**

INCOME STATEMENT BY OPERATING SEGMENT AT 31/12/2019

Thousands of euro	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions	Total 31/12/2019
Revenues from sales and services	490,474	150,761	92,001	733,236
Other revenues and income	2,198	665	453	3,317
Changes in inventories third parties	-	760	-	760
Costs for raw materials, supplies, consumables and goods	(12,860)	(983)	(363)	(14,206)
Costs for services	(147,071)	(41,720)	(28,391)	(217,182)
Payroll costs	(134,779)	(54,961)	(25,286)	(215,026)
Other operating expenses	(25,593)	(2,187)	(5,220)	(33,000)
Adjusted operating margin	**172,371**	**52,336**	**33,193**	**257,899**
Depreciation and amortization				(110,824)
Adjustments to tangible and intangible assets				(3,607)
Adjustments to trade receivables				(3,670)
Provision for risks				(1,678)
Operating Income				**138,120**
Equity investments result				-
Adjustments to investments				-
Income/(charges) from investments				**-**
Profit/(loss) on financial assets and liabilities management				-
Adjustments to financial assets and financial receivables				-
Management/trading of financial assets and liabilities				**-**
Interest income				442
Other financial income				2,175
Financial income				**2,617**
Interest expenses				(17,484)
Bank charges				(629)
Financial expenses				**(18,113)**
Net income before taxes				**122,624**
Income taxes				**(27,343)**
Net income from continuing operations				95,281
Profit/(loss) for the year				**95,281**
Net income attributable to the Group				**95,281**
Net Income to minority interests				**-**

Disclosure on fair value

The table below shows the assets and liabilities measured at fair value, divided on the basis of the levels envisaged by the fair value hierarchy. For financial assets and liabilities at amortized cost, represented by transactions with a maturity of less than three months, the carrying amount is considered an adequate approximation of fair value, which results in 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**: includes quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the valuation date;
- **level 2**: includes inputs other than quoted prices included in level 1 that are directly or indirectly observable for the asset or liability;
- **level 3**: includes unobservable input data for the asset or liability.

Financial assets

Thousands of euro	Carrying amount	L1	L2	L3
Financial assets - non current				
Financial assets at Fair value through other comprehensive income - non current	12			12
Total	**12**			**12**

Change in financial assets

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**12**	**50**
Purchases/increases	-	-
Sales/settlements	-	(38)
Fair value adjustment	-	-
Reclassifications	-	-
Other changes	-	-
Closing balance	**12**	**12**

The amount of 12 thousand euro relates to the shares held by the Parent Company in MIP Politecnico di Milano, whose estimated fair value is in line with the previous year's valuation.

Financial liabilities

Thousands of euro	Carrying amount	L1	L2	L3
Financial liabilities - non current				
Other financial liabilities - non current	-			
Hedging derivatives - non current	3,614		3,614	
Financial liabilities - current				
Other financial liabilities - current	300			300
Hedging derivatives - current	2,892		2,892	
Total	**6,806**		**6,506**	**300**

Other current financial liabilities refer to the debt recognized for the finalization of the purchase of the minority shares of the subsidiary SIAadvisor, as shown in the comment on the relative liability item in the balance sheet. At December 31, 2019, there were no level 3 financial liabilities.

Change in financial liabilities

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**8,442**	**5,231**
Purchases/increases	-	-
Sales/settlements	-	-
Fair value adjustment	(1,636)	3,211
Reclassifications	-	-
Other changes	-	-
Closing balance	**6,806**	**8,442**

The change in the year is due to the increase in the negative fair value of hedging derivatives, following the decrease in the Euribor curve (the hedge is a cash flow hedge, the derivative instruments exchange the floating 3-month Euribor rate with a fixed market rate determined on the date the contracts were entered into, which occurred in December 2018).

Transactions with related parties

Information on the remuneration of key management

At December 31, 2020, compensation for key management amounted to 3,048 thousand euro. The remuneration due to the Directors and Statutory Auditors for the 2020 financial year amounted to 975 thousand euro, including expenses and social security charges. There are no receivables or guarantees in favor of Directors and Statutory Auditors.

Other transactions with related parties

Transactions with related parties form part of the ordinary business activities of Group companies and are carried out in accordance with the criteria of substantial and procedural fairness, at conditions similar to those applied to transactions with independent third parties. For the purposes of this report, a related party is defined in IAS 24 as a person or entity that is related to the entity preparing the financial statements. A person or close family member of that person is related to the reporting entity if that person:

- has control or joint control of the company preparing the financial statements;
- has a significant influence on the company preparing the financial statements;
- is one of the key managers of the company preparing the financial statements, one of its parent companies or subsidiaries.

An entity is related to the company preparing the financial statements if any of the following conditions applies:

- 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 associate or joint venture of the other entity (or an associate or joint venture that is part of a group of which the other entity is part);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is represented by a post-employment benefit plan for employees of the company preparing the financial statements or a related company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the entity preparing 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 a member of the key management of the entity (or of a parent).

Related party transactions also include transactions with the company ATS, in which SIA holds a 30% stake. These values for both the statement of profit or loss and the statement of financial position are not considered significant.

The impact of the above transactions on the items in the statement of financial position and statement of profit or loss at December 31, 2020 is considered marginal. The financial and economic relations with companies identified as related parties are mainly attributable to commercial contracts for payment services stipulated at market conditions.

The table below provides a summary of transactions with related parties identified by the Group:

Thousands of euro	**Receivables 31/12/2020**	**Debts 31/12/2020**	**Revenues 2020**	**Costs 2020**
ATS S.p.A.				
Trade	-	461	-	2,996
POSTE ITALIANE S.p.A.				
Trade	4,075	12	7,341	10
ENI S.p.A.				
Trade	3,016	4	6,658	-
TERNA S.p.A. RETE ELETTRICA NAZIONALE				
Trade	1	-	9	-
CASSA DEPOSITI E PRESTITI S.p.A.				
Trade	361	-	582	-
SACE BT S.p.A.				
Trade	9	-	15	-
SACE S.p.A.				
Trade	9	-	15	-
FINCANTIERI S.p.A.				
Trade	1	-	1	-
CDP EQUITY S.p.A.				
Trade	-	13	-	13

Transactions with other related parties generated costs in 2020 of 232 thousand euro and payables at December 31, 2020 of 23 thousand euro.

Capital management policy

The Group's objective is to maximize the return on net 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, as well as pursuing satisfactory earnings results and generating cash flows, the Company may adjust its policy regarding dividends and the configuration of the Company's capital.

The main indicators used by the Company to manage its capital are as follows:

- R.O.E. (Return on equity): this is calculated as the ratio between the Group's share of net income and the Group's shareholders' equity. It is an indicator representing the Group's ability to remunerate shareholders. The objective is for this indicator to be higher than the rate of return on a risk-free investment, correlated with the nature of the operated businesses. At December 31, 2020, this ratio was 5.1% (30.0% at December 31, 2019).
- R.O.I. (Return on Investment): it is calculated as the ratio between operating profit and net invested capital; the indicator represents the ability of the company's results to remunerate invested capital. At December 31, 2020, this ratio was 5.4% (12.2% at December 31, 2019).

Financial risk management policy

The main 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, the Group has implemented procedures 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 also at past years, the phenomenon of losses on receivables was in any case negligible; furthermore, during the 2020 financial year, the Group did not experience significant difficulties in collecting receivables from customers and past due amounts were substantially in line with the previous year.

The Group is marginally exposed to credit risk in its day-to-day operations and in the management of financial and cash resources. For quantitative information, reference should be made to the comment on the asset item "Current trade receivables from customers" in the consolidated balance sheet.

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 2020, the Group generated substantial positive operating cash flows, as shown in the consolidated cash flow statement, and the Parent Company suspended the distribution of dividends to shareholders, allocating the profit for 2019 to reserves, following the approval by the Shareholders' Meeting on May 11, 2020 of the Board of Directors' proposal made on April 9, 2020. 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) because of the loan obtained from a syndicate of banks to cope with the strategic acquisitions concluded in previous years.

The medium/long-term loan agreement entered into in July 2018 by SIA with a syndicate of banks to acquire the investments in SIA Greece and SIA Slovakia (which, with effective date January 1, 2020 changed its name to SIA CE and incorporated SIA Central Europe), 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 and were complied with at December 31, 2020.

Based on the best estimates available to date and on periodic analyses of variances between actual and forecast data and the strategic objectives defined, it is reasonable to believe that, in the twelve months following the reference date of these financial statements, there are no significant liquidity risks, i.e., risks inherent in the ability to repay debt and comply with financial covenants, also in view of the reshaping of its operating requirements and the completion of additional credit lines during the year.

The tables below show the quantitative information relating to the liquidity reserves in place at the reporting date and the breakdown by maturity of payables and other financial liabilities.

Liquidity reserves

Thousands of euro	31/12/2020	31/12/2019
Cash	161,390	97,435
Financial assets - current	111	127
Financial receivables - current	11,016	5,456
Committed lines not used	100,100	20,114
Uncommitted lines not used	104,577	27,600
Total	**377,194**	**150,732**

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	216,511	86,268	449,484		752,263
Leases	22,582	13,322	27,842	18,744	82,490
Other financial debts	19,567				19,567
Trade payables	85,595				85,595
Total	**344,255**	**99,590**	**477,326**	**18,744**	**939,915**

Exchange rate risk

The Group operates mainly in the euro area, and therefore it is not significantly exposed to exchange rate risks. The parent company SIA monitors the strategic plans, the 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 CE), also with reference to the exchange rate trend, to prevent unexpected fluctuations from affecting the results and carrying amounts of the investments, which, if they occurred, would give rise to indicators that would have to be considered in an impairment test. In addition, contracts receivable and payable in foreign currencies are of insignificant amounts and therefore do not have a material impact on the values recorded. The exchange differences realized by Group companies are recognized in the consolidated statement of profit or loss under the items "Other revenues and income" and "Other operating expenses".

As the Group is only marginally exposed to exchange rate risk, sensitivity analyses are omitted.

Interest rate risk

The SIA Group invests the liquid assets available in current bank accounts and bank deposits, with fixed or floating rate returns. 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 CE and some short-term lines used for operational needs, are connected to finance lease contracts, normally at floating rates.

As regards the aforementioned bank loan granted by a pool of banks in favor of the Parent Company SIA, 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 425 million euro on December 31, 2020 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 exchanges 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.

The tables below show the breakdown of financial assets and liabilities between fixed-rate and floating-rate components:

Financial assets

Thousands of euro	31/12/2020		31/12/2019	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash on hand	-	12	-	14
Bank accounts and deposits	-	161,375	-	97,388
Other cash and cash equivalents	-	3	-	33
Postal accounts and deposits	-	-	-	-
Non current financial assets (*)	-	-	-	-
Current financial receivables	-	11,016	-	5,456
Current financial assets (*)	-	111	-	127
Total	**-**	**172,517**	**-**	**103,018**

(*) Amounts relating to non-controlling interests and derivatives on share are excluded due to their nature.

The amounts relating to current financial receivables mainly refer to receivables connected to the acquiring activities carried out by the subsidiary SIApay.

Financial liabilities

Thousands of euro	31/12/2020		31/12/2019	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Hedging derivatives - non current	-	3,614	-	3,738
Other financial liabilities - non current	-	-	-	2,117
Non current financial liabilities	**-**	**3,614**	**-**	**5,855**
Hedging derivatives - current	-	2,892	-	2,587
Other financial liabilities - current	-	300	-	-
Current financial liabilities	**-**	**3,192**	**-**	**2,587**
Bank loans - non current	-	535,752	-	617,750
Other financial payables - non current	-	-	-	-
Financial payables IFRS 16 - non current	59,908	-	61,400	-
Non current financial payables	**59,908**	**535,752**	**61,400**	**617,750**
Bank loans - current	-	216,511	-	199,424
Other financial payables - current	-	19,567	-	19,790
Financial payables IFRS 16 - current	22,582	-	8,593	-
Current financial payables	**22,582**	**236,078**	**8,593**	**219,214**
Total	**82,490**	**778,636**	**69,993**	**845,406**

The sensitivity analysis on floating-rate bank loans not hedged by derivative financial instruments shows that a 1% change in the interest rate at December 31, 2020 would, up to the maturity date of the loans not hedged by derivative financial instruments, result in an increase in interest expenses of 2.9 million euro, of which 1.2 euro million within twelve months.

Significant non-recurring events and transactions

During the year, there were no significant non-recurring events and/or transactions that were not disclosed in these consolidated financial statements.

Positions or transactions deriving from atypical and/or unusual operations

No positions or transactions deriving from atypical and/or unusual operations were recorded during the year.

Significant events subsequent to the end of the financial year

No events occurred after the reporting date that would adjust the results presented in these Consolidated Financial Statements at December 31, 2020.

In accordance with IAS 10, the date on which the financial statements were authorized for publication by the Board of Directors, was March 4, 2021.

With reference to significant events occurring after the end of the year, the following is reported.

- On January 1, 2021, the merger by incorporation of the company P4cards S.r.l. into SIA S.p.A. became effective for accounting, statutory and fiscal purposes, following the signing of the merger deed on December 28, 2020. In light of the fact that the entire share capital of the merged company was wholly owned by the merging company, the rules set forth in article 2505 of the Italian Civil Code were applied and, therefore, as of January 1, 2021, the shares representing the entire share capital of the merged company were canceled, without exchange, without issuing new shares and without a capital increase. The merger is part of a wider project to rationalize the activities of SIA Group companies, with a view to achieving greater operational and corporate efficiency, increasing effectiveness and favoring the achievement of economies of scale and synergies in the performance of operational and commercial activities.
- On January 18, 2021, SIA fully subscribed to a bond issue by its subsidiary SIA Greece, amounting to 30 million euro and maturing on December 31, 2025, in connection with its operating needs.
- On January 20, 2021, SIA signed a partnership with Finleap Connect, the open banking platform of the leading European fintech ecosystem Finleap, to offer new open banking services to European banks, financial institutions and fintechs. The agreement will enable the integration of their respective PSD2-compliant solutions, enabling the international adoption of innovative use cases based on Accounting Information Services (AIS) and Payment Initiation Services (PIS) and thus boosting the development of new applications for digital payments across various channels.

- On January 26, 2021, SIA signed a partnership with WizKey, a fintech active in offering innovative solutions for the credit market, to launch an innovative platform available to banks, funds and financial operators to negotiate credits on blockchain and encourage greater liquidity for the benefit of SMEs. The initiative aims at the creation of an ecosystem that will make it possible to manage, through SIA's technological infrastructure, the entire process of negotiating and assigning loans, also as part of NPL (Non-Performing Loans) securitization transactions.
- On February 4, 2021, fintech ZEN selected SIA as its technology partner for its new online payment card platform. Thanks to the agreement, SIA's digital infrastructure will manage the processing of transactions made with physical and virtual payment cards issued by ZEN for online and offline payments in over 150 currencies. ZEN allows managing money and making payments with complete peace of mind and, in addition to a multi-currency current account associated with Mastercard payment cards, it offers exclusive benefits to consumers, including a moneyback option or a one-year extended manufacturer's warranty, and to businesses such as chargeback and instant availability of payments to their account following their customers' online purchases.
- On February 9, 2021, SIA signed a loan agreement called "Facility Agreement" ("Bridge Loan Agreement") with Unicredit Bank Austria AG, as mandated lead arranger and original lending bank, and UniCredit S.p.A. as mandated lead arranger, original lending bank and agent bank, for a total principal amount of approximately 400 million euro, aimed at meeting the working capital requirements and financing the general business activities of the Parent Company. On the same date, SIA and Pforcards GMBH entered into an intercompany loan agreement for an amount of 4.3 million euro, in order to allow the Austrian subsidiary to fulfill the obligations associated with the agreements with the UniCredit Group, of which information is provided below.
- On February 11, 2021, following approval by the Boards of Directors of Cassa Depositi e Prestiti, CDP Equity, Mercury UK, SIA and Nexi, the final agreement relating to the merger by incorporation of SIA into Nexi was signed, in line with the terms and conditions of the memorandum of understanding signed and announced on October 5, 2020. The closing of the merger is subject to the fulfillment of certain standard conditions precedent for transactions of this type, including the obtaining of the relevant authorizations, also from the relevant Antitrust Authority. The transaction is also subject to a whitewash vote at Nexi's Extraordinary Shareholders' Meeting called to approve the merger. The agreement provides that, if the closing of the planned merger by incorporation of Nets into Nexi (hereinafter the "Nets Transaction") occurs, as expected, prior to the closing of the transaction with SIA, CDP Equity will be entitled to approve a capital increase in SIA, aimed at offsetting the dilutive effect on its prospective investment in the capital of Nexi as a result of the closing of the Nets Transaction. Also in the expected event that the merger occurs after completion of the Nets Transaction, a shareholders' agreement will be entered into between Mercury UK, CDP Equity and FSIA and the existing shareholders of Nets.

- On February 12, 2021, the SIA Group entered into two different agreements with the UniCredit Group.

The first agreement is aimed at defining the requests received from the UniCredit Group with reference to certain profiles relating to the services provided, including the performance levels contributed, as part of the processing agreement in place for the period 2016-2020; this agreement entailed, at the time it was signed, the payment by SIA (as the merging company of P4Cards S.r.l. as from January 1, 2021) of 48.2 million euro, fully accounted for in the provisions for risks in the consolidated financial statements at December 31, 2020 in relation to the evidence already emerged at the date of preparation thereof and insofar as pertaining to previous years.

The second agreement gives SIA the right to extend the same processing agreement, which expires in 2026, for the period 2027-2036, including the extension of the potential content of the services that can be provided by the SIA Group to the Unicredit Group as Preferred Provider and cooperation for the development of new outsourcing services. As a result of this agreement, and at the same time as it was signed, SIA (as the parent company of P4cards S.r.l.) and PforCards Austria GmbH made a total upfront payment of 180 million euro to the legal entities of the UniCredit Group to acquire the aforementioned extension option to be exercised between 2021 and 2025. In particular, at each intermediate annual expiry date between 2021 and 2025, SIA is required to communicate any waiver of the aforementioned option, while the absence of any communication is considered as confirmation of the maintenance of the option, in 2026, to extend the contract for the duration indicated above. If, during the 2021-2024 period, SIA notifies UniCredit that it has waived the right to extend the contract, it will obtain the repayment of a portion of the amount paid in line with the residual annuities in relation to which, as a result of the express waiver, the right to extend the contract no longer applies.

The agreement to extend the duration of the contract, in the presence of the explicit scope out of IAS 38, was qualified by the SIA Group as amount paid to the customer as part of a contractual amendment, in accordance with IFRS 15.70 and IFRS 15.20, with recognition thereof, in 2021, as non current asset classified in other assets and recognized in the statement of profit or loss as a reduction in revenues from the service covered by the contract over the period of the extension of the performance obligation in which the corresponding benefits are expected, i.e. the period 2027-2036, in direct correlation with the expected revenue volume curve.

The aforementioned amounts were paid by the SIA Group to the UniCredit Group entities on February 15, 2021, using the aforementioned Bridge Loan for a principal amount of approximately 274 million euro.

Report of the Independent Auditors on consolidated financial statements

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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, 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement 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, 2020, 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.

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.

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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;

Deloitte.

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

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

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, 2020, 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, 2020 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, 2020 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
March 22, 2021

This report has been translated into the English language solely for the convenience of international readers.

Financial statements of SIA S.p.A. at December 31, 2020

Parent Company's Management Report at December 31, 2020

The 2020 financial year closed with a profit for the period of 60.3 million euro compared to a profit in 2019 of 105.6 million euro. Shareholders' equity amounts to 375.9 million euro, including the result for the 2020 financial year, compared to 316.2 million euro at December 31, 2019.

Relations with other Group companies

Pursuant to articles 2497 *et seq.* of the Italian Civil Code, the Company performs Management and Coordination activities for all the Italian companies in the Group and, therefore, more specifically for P4cards S.r.l. (merged by incorporation into SIA S.p.A. as from January 1, 2021), SIApay S.r.l. and SIAadvisor S.r.l..

Relations with the Group's Italian and foreign companies and with the parent company, as more fully described in the notes, are based on a climate of profitable collaboration and, in compliance with current legislation on transactions with related parties, the related contractual and economic terms are all regulated in line with the practices and values in use in the market for similar services.

With regard to the evolution of the Group's structure during the 2020 financial year, please refer to the Group Management Report.

Human resources and organization

Please refer to the analogous section of the Group Management Report.

Operating performance

The profit for the year was significantly influenced by the adjustments during the year, mainly of the investments held in SIA Greece and SIA CE, for a total of 66.5 million euro; without these extraordinary items, the result for the year would have been in line with the previous year.

With reference to the main statement of financial position items, the following is noted:

- tangible and intangible assets total 166.4 million euro, up from the previous year (156.2 million euro) mainly due to significant investments in intangible assets and, in particular, in relation to internal projects associated with technological integration with Group companies;
- investments amount to 844.6 million euro, down compared to 2019 (908.3 million euro), mainly due to the outcome of the impairment tests on the recoverability of carrying amounts during the year with reference to the subsidiaries SIA Greece and SIA CE, which resulted in adjustments of 63.5 million euro and 2.8 million euro, respectively;

- current trade receivables amount to 163.3 million euro, an increase compared to 2019 (149.1 million euro) in relation to the increase in the level of revenues in the reporting year;
- cash and cash equivalents amount to 97.4 million euro, an increase compared to 2019 (44.6 million euro), due primarily to the opening, on December 16, 2020, of a 62.8 million euro restricted bank deposit in favor of the Company's creditors, related to the merger of P4cards into SIA;
- shareholders' equity, including the profit for the year, amounts to 375.9 million euro, an increase compared to December 31, 2019 (316.2 million), essentially due to the allocation of the previous year's profit entirely to reserves;
- current and non current financial payables amount to 844.8 million euro, down compared to December 31, 2019 (916.6 million euro), thanks to the repayment of principal of 80 million euro of the medium/long-term loan signed in previous years;
- provisions for risks amount to 5.9 million euro, an increase compared to 2019 (1.9 million euro), due to developments in legal and tax disputes that involved the Company during the year.

With reference to the main statement of profit or loss items, the following is noted:

- revenues from sales and services amount to 468.7 million euro, up compared to 2019 (443.8 million euro) due to higher volumes of Issuing and Acquiring services in the Card & Merchant Solutions and Digital Payment Solutions segments;
- costs for services amount to 149.9 million euro, an increase compared to 2019 (141.5 million euro), mainly due to the increase in costs related to maintenance for the modernization of the existing technological infrastructure and the development of the Group's integration projects and the increase in consultancy linked to extraordinary operations;
- payroll costs amount to 127.7 million euro, a decrease compared to 2019 (136.3 million euro), thanks to lower charges for restructuring, lower costs for accrued and unused holidays by personnel and the substantial elimination of travel expenses, as well as the release, due to non-payment, of part of the previous year's bonus allocated to Top Management;
- depreciation and amortization amount to euro 40.1 million, an increase compared to 2019 (33.1 million euro), as a result of the increase in other intangible assets, as specified above;
- provisions for risks amount to 4.6 million euro, an increase compared to 2019 (1.3 million euro) as a result of as already reported above;
- adjustments to investments amount to 66.5 million euro, an increase compared to 2019 (2.7 million euro), as a result of as described above mainly with reference to the investments in the subsidiaries SIA Greece and SIA CE;
- dividends amount to 44.3 million euro, an increase compared to 2019 (32 million euro), and reflect the amount of dividends distributed by subsidiaries;
- during the year, adjustments were made to financial receivables from the subsidiary Perago FSE for 4.1 million euro, due to the prospects of recoverability related to the company's development;
- interest expenses amount to 13.1 million euro, a decrease compared to 2019 (16.9 million euro),

mainly as a result of the reduction in the Company's bank debt;
- income taxes for the year amount to 28.7 million euro, an increase compared to 2019 (20.2 million euro), as the Company, unlike in the previous year, did not benefit from the reduction in taxable income associated with the Patent Box and due to the tax effect resulting from the adjustments to investments during the year.

Going concern

The Directors consider the going concern basis on which the Company's financial statements were prepared to be appropriate because, in their opinion, despite the current context characterized by uncertainty about the effects of the COVID-19 pandemic and the associated measures to contain it on the real economy, given the Company's economic and financial position, there are no events or circumstances giving rise to uncertainties which, considered individually or as a whole, might cast doubt on the Company's ability to continue as a going concern for the foreseeable future.

Risk management

For the exposure to risks, please refer to the analogous section of the consolidated financial statements.

Business Outlook

Please refer to the analogous section of the Group Management Report.

Significant events subsequent to the end of the financial year

Please refer to the analogous section of the Group Management Report.

Other information

In relation to the provisions of article 2497-bis *et seq.* of the Italian Civil Code, it should be noted that SIA S.p.A. is not subject to management and coordination by another company or entity.

SIA S.p.A. did not carry out any research and development activities in 2020.

Treasury shares

The Company does not hold, nor has it held during the year, either directly or indirectly through third parties or trust companies, any of its treasury shares or those of its parent company.

Proposed allocation of the net result for the year

After explaining the financial statements of SIA S.p.A. for the year ended December 31, 2020, we would like to submit to the shareholders our proposal for the allocation of the net profit made by SIA S.p.A. of 60,264,157 euro.

It is proposed not to distribute any ordinary dividend for the 2020 financial year and not to allocate any amount to the legal reserve as the legal limits have already been reached, as provided for by article 2430 of the Italian Civil Code, and therefore, to allocate the amount of the net profit for the 2020 financial year, equal to 60,264,157 euro, to the equity reserves of "Retained earnings" (amounts in euro).

If the distribution of the 2020 result is resolved as above, the Shareholders' Equity of SIA S.p.A. will be as follows (amounts in euro):

Share capital	22,274,620
Legal reserve	4,454,924
Share premium reserve	5,316,654
Other reserves	79,408,535
Valuation reserve	-9,387,362
Retained earnings	273,806,913
SIA S.p.A.'s Equity	**375,874,284**

SIA S.p.A.

The Chairman of the Board of Directors

Federico Lovadina

Statement of financial position

Assets

Euro	Note	31/12/2020	31/12/2019	Change	%
Plant and machinery	1	36,264,641	29,987,645	6,276,996	20.9%
Industrial and commercial equipment	1	6,707	4,960	1,747	35.2%
Land and buildings	1	37,283,345	43,586,557	(6,303,212)	-14.5%
Other assets	1	2,913,267	2,393,772	519,495	21.7%
Leasehold improvements	1	3,136,072	3,485,271	(349,199)	-10.0%
Tangible assets		**79,604,032**	**79,458,205**	**145,827**	**0.2%**
Goodwill	2	3,853,616	3,853,616	-	
Other intangible assets	2	51,540,627	37,880,171	13,660,456	36.1%
Intangible assets in progress and advances	2	31,377,375	35,000,039	(3,622,664)	-10.4%
Intangible assets		**86,771,618**	**76,733,826**	**10,037,792**	**13.1%**
Investments	3	844,562,061	908,324,950	(63,762,889)	-7.0%
Non current financial assets	4	12,000	12,000	-	
Deferred tax assets	5	6,915,426	5,940,744	974,682	16.4%
Total non current assets		**1,017,865,137**	**1,070,469,725**	**(52,604,588)**	**-4.9%**
Inventories and contract work-in-progress	6	1,717,225	193,973	1,523,252	n.s.
Current financial receivables	7	1,149,917	1,126,511	23,406	2.1%
Current tax assets	8	65,057,408	82,548,070	(17,490,662)	-21.2%
Current trade receivables	9	163,334,260	149,142,041	14,192,219	9.5%
Other current assets	10	29,893,331	29,774,400	118,931	0.4%
Cash and cash equivalents	11	97,420,678	44,646,025	52,774,653	n.s.
Total current assets		**358,572,819**	**307,431,020**	**51,141,799**	**16.6%**
TOTAL ASSETS		**1,376,437,956**	**1,377,900,745**	**(1,462,789)**	**-0.1%**

Liabilities and Shareholders' Equity

Euro	Note	31/12/2020	31/12/2019	Change	%
Share capital	12	22,274,620	22,274,620	-	
Share premium reserve	12	5,316,654	5,316,654	-	
Reserves	12	297,406,215	191,830,895	105,575,320	55.0%
Valuation reserve	12	(9,387,362)	(8,759,350)	(628,012)	7.2%
Profit/(loss) for the year	12	60,264,157	105,575,320	(45,311,163)	-42.9%
TOTAL NET EQUITY		**375,874,284**	**316,238,139**	**59,636,145**	**18.9%**
Non current financial payables	13	583,536,991	663,356,074	(79,819,083)	-12.0%
Non current financial liabilities	14	3,613,780	3,738,042	(124,262)	-3.3%
Provisions for employee benefits	15	20,286,825	19,963,678	323,147	1.6%
Deferred tax liabilities	16	31,824	31,824	-	
Provisions for risks	17	5,886,693	1,938,012	3,948,681	203.7%
Other non current liabilities	18	846,138	1,722,717	(876,579)	-50.9%
Total non current liabilities		**614,202,251**	**690,750,347**	**(76,548,096)**	**-11.1%**
Current financial payables	19	261,278,909	253,244,193	8,034,716	3.2%
Current financial liabilities	20	3,192,197	2,586,807	605,390	23.4%
Current tax liabilities	21	12,890,269	-	12,890,269	
Current trade payables	22	54,303,573	58,349,853	(4,046,280)	-6.9%
Other current liabilities	23	54,696,473	56,731,406	(2,034,933)	-3.6%
Total current liabilities		**386,361,421**	**370,912,259**	**15,449,162**	**4.2%**
TOTAL LIABILITIES		**1,000,563,672**	**1,061,662,606**	**(61,098,934)**	**-5.8%**
TOTAL LIABILITIES AND EQUITY		**1,376,437,956**	**1,377,900,745**	**(1,462,789)**	**-0.1%**

Statement of profit or loss

Euro	Note	31/12/2020	31/12/2019	Change	%
Revenues from sales and services	24	468,671,457	443,836,062	24,835,395	5.6%
Other revenues and income	25	1,609,484	2,631,159	(1,021,675)	-38.8%
Changes in inventories third parties	26	173,066	193,973	(20,907)	-10.8%
Costs for raw materials, supplies, consumables and goods	27	(1,182,405)	(1,600,073)	417,668	-26.1%
Costs for services	28	(149,896,038)	(141,476,218)	(8,419,820)	6.0%
Payroll costs	29	(127,693,845)	(136,336,234)	8,642,389	-6.3%
Other operating expenses	30	(17,591,247)	(19,933,051)	2,341,804	-11.7%
Adjusted operating margin		**174,090,472**	**147,315,618**	**26,774,854**	**18.2%**
Depreciation and amortization	31	(40,107,363)	(33,126,800)	(6,980,563)	21.1%
Adjustments to tangible and intangible assets	31	(163,484)	-	(163,484)	
Adjustments to trade receivables	32	(867,310)	(1,927,845)	1,060,535	-55.0%
Provision for risks	33	(4,607,887)	(1,343,772)	(3,264,115)	n.s.
Operating Income		**128,344,428**	**110,917,201**	**17,427,227**	**15.7%**
Adjustments to investments	34	(66,539,324)	(2,745,000)	(63,794,324)	n.s.
Dividends	34	44,326,000	32,029,940	12,296,060	38.4%
Income/(charges) from investments	**34**	**(22,213,324)**	**29,284,940**	**(51,498,264)**	**-175.9%**
Adjustments to financial assets and financial receivables	35	(4,100,000)	-	(4,100,000)	
Management/trading of financial assets and liabilities	**35**	**(4,100,000)**	-	**(4,100,000)**	
Interest income	36	507,646	410,982	96,664	23.5%
Other financial income	36	-	2,572,000	(2,572,000)	-100.0%
Financial income	**36**	**507,646**	**2,982,982**	**(2,475,336)**	**-83.0%**
Interest expenses	37	(13,162,844)	(16,877,241)	3,714,397	-22.0%
Bank charges	37	(433,972)	(469,902)	35,930	-7.6%
Financial expenses	**37**	**(13,596,816)**	**(17,347,143)**	**3,750,327**	**-21.6%**
Net income before taxes		**88,941,934**	**125,837,980**	**(36,896,046)**	**-29.3%**
Current taxes	38	(29,127,322)	(20,070,640)	(9,056,682)	45.1%
Prepaid/deferred taxes	38	776,362	144,737	631,625	n.s.
Taxes from previous years	38	(326,817)	(336,757)	9,940	-3.0%
Income taxes	**38**	**(28,677,777)**	**(20,262,660)**	**(8,415,117)**	**41.5%**
Net income from continuing operations		60,264,157	105,575,320	(45,311,163)	-42.9%
Profit/(loss) for the year		**60,264,157**	**105,575,320**	**(45,311,163)**	**-42.9%**

Statement of comprehensive income

Euro	Note	31/12/2020	31/12/2019	Change 2020 vs 2019	%
Profit/(loss) for the year		**60,264,157**	**105,575,320**	**(45,311,163)**	**-42.9%**
Remeasurement of net defined benefit liability		(521,362)	(2,083,280)	1,561,918	
Income taxes relating to items that will not be reclassified subsequently to profit and loss		125,127	499,987	(374,860)	
Items that will not be reclassified subsequently to profit and loss	***12***	***(396,235)***	***(1,583,293)***	***1,187,058***	
Foreign exchange differences on translation of foreign operations		-	-	-	
Cash flow hedges		(304,970)	(2,267,439)	1,962,469	
fair value gain (loss) on hedging instruments during the period		*(6,525)*	*(3,210,447)*	*3,203,922*	
less cumulative (gain)/loss arising on hedging instruments reclassified to profit and loss		*(298,445)*	*943,008*	*(1,241,453)*	
Income taxes relating to items that may be reclassified subsequently to profit and loss		73,193	544,186	(470,993)	
Items that may be reclassified subsequently to profit and loss	***12***	***(231,777)***	***(1,723,253)***	**1,491,476**	
Other comprehensive income for the year, net of tax		**(628,012)**	**(3,306,546)**	**2,678,534**	
Total comprehensive income		**59,636,145**	**102,268,774**	**(42,632,629)**	**-41.7%**

Statement of changes in shareholders' equity

Changes in shareholders' equity during 2020:

Euro	Share capital	Share premium reserve	Reserves	Valuation reserve	Profit/(loss) for the year	Total Net Equity
Balance at 1 January 2020	**22,274,620**	**5,316,654**	**191,830,895**	**(8,759,350)**	**105,575,320**	**316,238,139**
Allocation of profit			105,575,320		(105,575,320)	-
Distribution of dividends			-			-
Total net comprehensive income			-	(628,012)	60,264,157	59,636,145
Exchange rate differences				-		-
Cash flow hedging				*(231,777)*		*(231,777)*
Actuarial gain/(losses)				*(396,235)*		*(396,235)*
Result of the year					*60,264,157*	*60,264,157*
Balance at 31 December 2020	**22,274,620**	**5,316,654**	**297,406,215**	**(9,387,362)**	**60,264,157**	**375,874,284**

On May 11, 2020, the Shareholders' Meeting of SIA S.p.A. resolved to allocate the entire amount of the 2019 profit to the equity reserves of "Retained earnings" and therefore not to distribute dividends.

Changes in shareholders' equity during 2019:

Euro	Share capital	Share premium reserve	Reserves	Valuation reserve	Profit/(loss) for the year	Total Net Equity
Balance at 1 January 2019	**22,274,620**	**5,316,654**	**167,159,773**	**(5,452,804)**	**84,641,251**	**273,939,494**
Allocation of profit			84,641,251		(84,641,251)	-
Distribution of dividends			(59,970,129)			(59,970,129)
Total net comprehensive income				(3,306,546)	105,575,320	102,268,774
Exchange rate differences				-		-
Cash flow hedging				*(1,723,253)*		*(1,723,253)*
Actuarial gain/(losses)				*(1,583,293)*		*(1,583,293)*
Result of the year					*105,575,320*	*105,575,320*
Balance at 31 December 2019	**22,274,620**	**5,316,654**	**191,830,895**	**(8,759,350)**	**105,575,320**	**316,238,139**

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

Euro	31/12/2020	31/12/2019
Profit/(loss) for the year	**60,264,157**	**105,575,320**
Income taxes	28,677,777	20,262,660
Financial income	(507,646)	(2,982,982)
Financial expenses	13,596,816	17,347,143
Dividends collected	(44,326,000)	(32,029,940)
Result of financial assets and liabilities management	4,100,000	-
Adjustments to investments	66,539,324	2,745,000
Depreciations and write-off of tangible assets	19,371,068	19,169,468
Amortizations and write-off of intangible assets	20,899,779	13,957,332
Adjustments to trade receivables	867,310	1,927,845
Provision for risks	4,607,887	1,343,772
Operating cash flow before movements in working capital	*174,090,472*	*147,315,618*
Income taxes paid	926,792	(27,975,511)
Witholding tax paid to recognize goodwill for tax purpose	-	(40,000,000)
Change in trade receivables	(15,059,529)	(26,258,759)
Change in trade payables	(4,046,280)	14,919,228
Change in non current contract work-in-progress	-	-
Change in inventories and current contract work-in-progress	(1,523,252)	(193,973)
Change in provisions for employees	(198,215)	(325,025)
Change in provisions for risks	(659,206)	(883,363)
Change in other assets	(118,931)	(2,435,121)
Change in other liabilities	(2,911,512)	2,010,212
Change in operating financial receivables	(23,406)	-
Change in operating financial payables	(3,398,909)	(825,226)
Net cash from operating activities	**147,078,024**	**65,348,080**
(Investments) in owned tangible assets	*(5,455,722)*	*(6,985,518)*
Divestments in owned tangible assets	*311,721*	-
Purchases of owned tangible assets	(5,144,001)	(6,985,518)
(Investments) in intangible assets	*(34,560,235)*	*(37,859,227)*
Divestments in intangible assets	*3,622,664*	-
Purchases of intangible assets	(30,937,571)	(37,859,227)
Change in investments	(2,476,435)	1,885,307
Net cash (used in) from investing activities	**(38,558,007)**	**(42,959,438)**
Dividends paid	-	(59,970,129)
Dividends collected	44,326,000	32,029,940
Repayments of non current term loans	(80,000,000)	(70,000,000)
Proceed from non current term loans	100,000,000	-
Repayments of credit lines	(115,000,000)	-
Proceed from credit lines	25,000,000	105,000,000
Interest paid on non current financial liabilities	(7,942,849)	(10,380,491)
Differentials paid for hedging derivatives	(2,534,956)	(2,682,179)
Change in financial payables	(15,369,717)	(14,212,267)
Change in financial liabilities	(4,223,842)	943,009
Change in financial assets	-	38,146
Net cash (used in) from financing activities	**(55,745,364)**	**(19,233,971)**
Net increase/(decrease) in cash and cash equivalents	**52,774,653**	**3,154,671**
Cash and cash equivalents at beginning of year	44,646,025	41,491,354
Change in cash and cash equivalents	52,774,653	3,154,671
Cash and cash equivalents at end of year	**97,420,678**	**44,646,025**

Notes

Statement of compliance with international accounting standards

The financial statements of SIA S.p.A. at December 31, 2020 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 Parent Company SIA S.p.A..

The financial statements of SIA S.p.A. at December 31, 2020 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 and applicable to financial statements beginning on January 1, 2020. IFRS include all the International Financial Reporting Standards, 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 financial statements of 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

The valuation criteria are adopted on a going-concern basis and comply with the principles of accrual, relevance and significance of the accounting information and prevalence of economic substance over legal form. In addition, costs and revenues or assets and liabilities are not offset, except in cases expressly provided for or permitted by the accounting standards in force.

The accounts also include comparative information for the year ended December 31, 2019. The financial statements have been drawn up using the euro as the accounting currency and the accounting statements are expressed in euro, while the figures in the notes are expressed in thousands of euro.

The accounting standards and preparation criteria used to prepare the financial statements are the same as those used, where applicable, to prepare the SIA Group's consolidated financial statements, to which reference should be made for details.

Content of the financial statements and notes

The Company 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 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 using the indirect method.

The notes include the information required by international accounting standards.

Use of estimates

Please refer to the analogous section of the SIA Group's Consolidated Financial Statements.

Going concern

The Directors consider the going concern basis on which the Company's financial statements were prepared to be appropriate because, in their opinion, despite the current context characterized by uncertainty about the effects of the COVID-19 pandemic and the associated measures to contain it on the real economy, given the Company's economic and financial position, there are no events or circumstances giving rise to uncertainties which, considered individually or as a whole, might cast doubt on the Company's ability to continue as a going concern for the foreseeable future.

Notes to the statement of financial position

Assets

Non current assets

1. Tangible assets

Thousands of euro	31/12/2020			31/12/2019			Change
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	2020 Vs 2019
Plant and machinery	163,579	(127,314)	36,265	173,589	(143,601)	29,988	6,277
Industrial and commercial equipment	1,029	(1,022)	7	1,025	(1,020)	5	2
Land and buildings	47,480	(10,197)	37,283	48,753	(5,166)	43,587	(6,304)
Other assets	11,659	(8,746)	2,913	10,407	(8,013)	2,394	519
Construction in progress and advances	-	-	-	-	-	-	-
Leasehold improvements	14,170	(11,034)	3,136	14,154	(10,669)	3,485	(349)
Total	**237,917**	**(158,313)**	**79,604**	**247,928**	**(168,469)**	**79,459**	**145**

Changes in tangible assets in 2020 are shown below:

Gross amount	31/12/2019	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2020
Plant and machinery - Gross	121,979	-	5,432	-	-	(68)	127,343
Leased plant and machinery - Gross	51,611	-	17,339	(32,714)	-	-	36,236
Equipment - Gross	1,025	-	-	-	-	4	1,029
Land	-	-	-	-	-	-	-
Buildings - Gross	-	-	-	-	-	-	-
Other assets - Gross	8,646	-	24	-	-	64	8,734
Construction in progress and advances	-	-	-	-	-	-	-
Leased buildings - Gross	48,752	-	171	(1,443)	-	-	47,480
Leased other assets - Gross	1,761	-	1,396	(232)	-	-	2,925
Leasehold improvements - Gross	14,154	-	16	-	-	-	14,170
Total	**247,928**	**-**	**24,378**	**(34,389)**	**-**	**-**	**237,917**

Depreciation fund	31/12/2019	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2020
Plant and machinery - Fund	(102,050)	-	(6,971)	-	-	1	(109,020)
Leased plant and machinery - Fund	(41,551)	-	(5,780)	29,038	-	(1)	(18,294)
Equipment - Fund	(1,020)	-	-	-	-	(2)	(1,022)
Buildings - Fund	-	-	-	-	-	-	-
Other assets - Fund	(7,380)	-	(238)	-	-	-	(7,618)
Leased buildings - Fund	(5,166)	-	(5,618)	259	-	328	(10,197)
Leased other assets - Fund	(633)	-	(727)	232	-	-	(1,128)
Leasehold improvements - Fund	(10,669)	-	(37)	-	-	(328)	(11,034)
Total	**(168,469)**	**-**	**(19,371)**	**29,529**	**-**	**(2)**	**(158,313)**
Total net amount	**79,459**						**79,604**

Total investments are substantially in line with the previous year, mainly due to the effect of purchases made by the Company for the modernization of the technological infrastructure and against the regular depreciation of properties leased of the Company's registered office and other offices.

2. Intangible assets

Thousands of euro	31/12/2020			31/12/2019			Change
	Gross amount	Amort. Fund	Net amount	Gross amount	Amort. Fund	Net amount	2020 Vs 2019
Goodwill	**3,854**	**-**	**3,854**	**3,854**	**-**	**3,854**	-
Internally generated asset	278,641	(243,061)	35,580	257,101	(239,020)	18,081	17,499
Software Licences	112,442	(96,482)	15,960	118,735	(98,936)	19,799	(3,839)
Intangible assets others	90	(90)	-	90	(90)	-	-
Other intangible assets	**391,173**	**(339,633)**	**51,540**	**375,926**	**(338,046)**	**37,880**	**13,660**
Intangible assets in progress and advances	**31,377**	**-**	**31,377**	**35,000**	**-**	**35,000**	**(3,623)**
Total	**426,404**	**(339,633)**	**86,771**	**414,780**	**(338,046)**	**76,734**	**10,037**

Changes in intangible assets in 2020 are shown below:

Gross amount	31/12/2019	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2020
Goodwill	3,854	-	-	-	-	-	3,854
Internally generated asset	257,101	-	29,701	(7,998)	(163)	-	278,641
Software Licences	118,735	-	4,859	(11,152)	-	-	112,442
Intangible assets others	90	-	-	-	-	-	90
Intangible assets in progress and advances	35,000	-	26,932	(30,555)	-	-	31,377
Total	**414,780**	**-**	**61,492**	**(49,705)**	**(163)**	**-**	**426,404**

Amortization fund	31/12/2019	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2020
Internally generated asset	(239,020)	-	(12,038)	7,997	-	-	(243,061)
Software Licences	(98,936)	-	(8,699)	11,154	-	-	(96,482)
Intangible assets others	(90)	-	-	-	-	-	(90)
Total	**(338,046)**	**-**	**(20,737)**	**19,151**	**-**	**-**	**(339,633)**
Total net amount	**76,734**						**86,771**

Significant investments in intangible assets were made during the year, also with reference to the technological integration projects with Group companies. These higher investments were related in particular to the development of internal projects, a large part of which are still under development and therefore included in "Intangible assets in progress". It should be noted that a significant portion of the projects in progress consists of activities developed for important banking customers.

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). On the basis of the Company's forecast flows included in the strategic plan for the three-year period 2020-2022 approved by the SIA Board of Directors in February 2020, the value of the CGU (which corresponds to SIA as a whole) is well above the carrying amount of the goodwill in question.

During the year, adjustments of 163 thousand euro were made to internally generated assets that did not show the capacity to generate future economic benefits.

Summary of changes in tangible and intangible assets

Changes in tangible assets

Net amount	31/12/2019	Exchange differences	Increase	Decrease	Depreciation	Impairment	Other changes	31/12/2020
Plant and machinery	29,988	-	22,771	(3,676)	(12,751)	-	(68)	36,264
Industrial and commercial equipment	5	-	-	-	-	-	2	7
Land and buildings	43,587	-	171	(1,184)	(5,618)	-	328	37,284
Other assets	2,394	-	1,420	-	(965)	-	64	2,913
Construction in progress and advances	-	-	-	-	-	-	-	-
Leasehold improvements	3,485	-	16	-	(37)	-	(328)	3,136
Total	**79,459**	**-**	**24,378**	**(4,860)**	**(19,371)**	**-**	**(2)**	**79,604**

Changes in intangible assets

Net amount	31/12/2019	Exchange differences	Increase	Decrease	Amortization	Impairment	Other changes	31/12/2020
Goodwill	3,854	-	-	-	-	-	-	3,854
Internally generated asset	18,081	-	29,701	(1)	(12,038)	(163)	-	35,580
Software Licences	19,799	-	4,859	2	(8,699)	-	-	15,961
Intangible assets others	-	-	-	-	-	-	-	-
Intangible assets in progress and advances	35,000	-	26,932	(30,555)	-	-	-	31,377
Total	**76,734**	**-**	**61,492**	**(30,554)**	**(20,737)**	**(163)**	**-**	**86,772**

Tangible and intangible assets are initially recognized at cost and subsequently depreciated and amortized over their residual useful life (with the exception of goodwill and intangible assets in progress and advances). Management believes that the net carrying amount is a reasonable approximation of their fair value. In addition, there are no restrictions on the holding and ownership of fixed assets pledged to guarantee liabilities.

3. Investments

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Subsidiaries	843,909	907,393	(63,484)
Associates	653	932	(279)
Total	**844,562**	**908,325**	**(63,763)**

During the year, the company completed the purchase of minority interests in SIAadvisor for 2,775 thousand euro. In addition, investments in the subsidiaries SIA Greece and SIA CE were subject to adjustments of 63.5 million euro and 2.8 million euro, respectively, following the outcome of the relative impairment tests, as described in greater detail below.

The following table shows information on investments:

	Country	Head office	Ownership interest	Ownership
SIA	**Italy**	**Milan**		
Subsidiaries				
Perago FSE	South Africa	Centurion	100%	Direct
P4cards	Italy	Verona	100%	Direct
PforCards	Austria	Vienna	100%	Direct
SIApay	Italy	Milan	100%	Direct
SIA Central Europe	Slovakia	Bratislava	100%	Direct
SIA Croatia	Croatia	Zagreb	100%	Indirect
SIA Czech Republic	Czech Republic	Prague	100%	Indirect
SIA Romania	Romania	Bucharest	100%	Indirect
SIA Serbia	Serbia	Belgrade	100%	Indirect
SIA Greece	Greece	Athens	100%	Direct
SIAadvisor	Italy	Rome	100%	Direct
QuenIT in liquidation (*)	Italy	Verona	55%	Indirect
DMAN in liquidation	Greece	Athens	100%	Indirect
Associates				
ATS	Italy	Milan	30%	Direct

(*) On December 15, 2020, the Shareholders' Meeting of the company in liquidation QuenIT approved the final liquidation financial statements of the company. The application for cancellation from the Companies' Register was submitted on December 23, 2020 and was processed by the Chamber of Commerce of Verona on January 4, 2021.

The following table shows the changes in investments during the year:

Thousands of euro	31/12/2019	Increase	Business Combination	Impairment	Decrease	31/12/2020
Perago FSE	-	-	-	-	-	-
SIApay	5,716	-	7,490	-	-	13,206
SIA Central Europe (i)	15,200	-	(15,200)	-	-	-
Emmecom (ii)	7,490	-	(7,490)	-	-	-
SIAadvisor	969	2,776	-	-	-	3,745
P4cards	487,588	-	-	-	-	487,588
PforCards	5,100	-	-	-	-	5,100
SIA Central Europe (iii)	236,897	-	15,200	(2,775)	-	249,322
SIA Greece	148,433	-	-	(63,485)	-	84,948
Subsidiaries	**907,393**	**2,776**	-	**(66,260)**	-	**843,909**
ATS	932	-	-	(279)	-	653
Associates and joint ventures	**932**	-	-	**(279)**	-	**653**
Other investments	-	-	-	-	-	-
Total	**908,325**	**2,776**	-	**(66,539)**	-	**844,562**

(i) SIA Central Europe Zrt. was merged by incorporation into SIA Slovakia (now SIA Central Europe, a.s.) effective January 1, 2020.
(ii) Emmecom S.r.l. was merged by incorporation into SIApay effective January 1, 2020.
(iii) SIA Central Europe, a.s. changed its name (from SIA Slovakia a.s. to SIA Central Europe a.s.) on January 1, 2020, following the merger of SIA Central Europe Zrt. and SIA Hungary Kft.

Impairment test on investments

The results of the impairment tests of investments carried out at December 31, 2020 are summarized below, while details of the guidelines, methodology, key parameters applied by the SIA Group to carry out the impairment tests and the related results, including sensitivity analyses, are summarized in the specific section of the notes to the consolidated financial statements.

SIA Greece

The impairment test carried out resulted in an overall adjustment to the investment of 63,485 thousand euro at December 31, 2020, due to both the effect on the profitability of the company's business resulting from the spread of the COVID-19 pandemic in the Greek market and the estimated impact related to the forecasts of the reference market, also in light of the tender called by an important customer of the company for the renewal of the related contract.

SIA CE

The impairment test carried out resulted in an adjustment of 2,775 thousand euro due to uncertainties related to the COVID-19 pandemic.

P4cards CGU (P4cards and PforCards)

An impairment test showed that the value in use of the CGU was substantially above the carrying amount. Therefore, there was no need for any adjustment in 2020.

Perago FSE Ltd

Taking into account the protracted negative economic results of the past years, as well as the presence of a negative book equity at December 31, 2019, the value of the investment had been written off in the previous year, with an impact on the statement of profit or loss of approximately 263 thousand euro. During the financial year and in execution of the resolution of the Board of Directors of June 30, 2020, the Group initiated a transaction to reorganize its activities in the Republic of South Africa, which resulted in the transfer of the intellectual property rights on software and customer contracts to the Parent Company SIA in December 2020, based on a fair value determined by an independent expert, and which envisages, by the first quarter of 2021, the transfer of the remaining assets and liabilities to a newly established branch of the Parent Company, which will act as a competence center in RGTS and technology infrastructure to the Central Banks.

SIApay

Based on impairment tests, there is no need for any adjustment for 2020.

SIAadvisor

Based on impairment tests, there is no need for any adjustment for 2020.

4. Non current financial assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Financial asset at fair value through other comprehensive income - non current	12	12	-
Total	**12**	**12**	**-**

Non current financial assets amount to 12 thousand euro and correspond to the carrying amount of the shares held in MIP Politecnico di Milano.

5. Deferred tax assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Deferred tax assets	6,915	5,941	974
Total	**6,915**	**5,941**	**974**

Deferred tax assets amount to 6,915 thousand euro (5,941 thousand euro at December 31, 2019) and mainly refer to the following:

- deferred tax assets recognized on adjustments to tangible and intangible assets;
- deferred tax assets recorded on provisions for risks;
- deferred tax assets recognized on the actuarial components of defined benefit plans for employees and on the change in the fair value of hedging derivatives, recognized with a balancing entry in equity;
- deferred tax assets on other temporary differences found in the calculation of current taxes between carrying amounts and tax amounts.

A breakdown of temporary differences and related deferred tax assets at December 31, 2020 and a comparison with the previous year is provided below:

Thousands of euro	2020 Temporary difference amounts	2020 Fiscal effect	2019 Temporary difference amounts	2019 Fiscal effect
Deferred tax assets:				
Provisions for risks	4,073	1,205	548	157
Bad debt provision	1,268	304	1,268	304
Payroll expenses to be paid	2,060	494	4,768	1,144
Write-off of tangible assets	7,425	1,782	5,840	1,402
Write-off of intangible assets	230	63	246	67
Long-term employee benefits	5,691	1,366	5,170	1,241
Hedging derivatives	5,687	1,365	5,382	1,292
Others	1,341	336	1,332	334
Total	**27,775**	**6,915**	**24,553**	**5,941**

The main increase is explained by the consequent effect of the provisions for risks in 2020; on the other hand, deferred tax assets relating to short-term employee benefits decreased significantly as a result of the release of part of the bonus for top management allocated in the previous year.

Changes in deferred tax assets in 2020 and a comparison with the previous year are shown below:

Thousands of euro	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**5,941**	**4,752**
of which:		
- in return for the Net Equity	*2,637*	*1,593*
- in return for the P&L	*3,304*	*3,159*
2. Increases	**4,205**	**3,767**
2.1 Deferred tax assets recognized during the year	**4,205**	**3,767**
a) changes with return for the P&L	2,714	1,973
b) changes with return for the Net Equity	1,491	1,794
2.2 Other increases	-	-
3. Decreases	**(3,231)**	**(2,578)**
3.1 Deferred tax assets reversed during the year	**(3,231)**	**(1,831)**
a) changes with return for the P&L	(1,938)	(1,828)
b) changes with return for the Net Equity	(1,293)	(3)
3.2 Other decreases	-	**(747)**
4. Closing balance	**6,915**	**5,941**
of which:		
- in return for the Net Equity	*2,835*	*2,637*
- in return for the P&L	*4,080*	*3,304*

Current assets

6. Inventories and contract work-in-progress

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Work in progress - current	1,717	194	1,523
Total	**1,717**	**194**	**1,523**

The increase is due to the suspension of third-party project activities started during the year and which are expected to be completed during the first half of 2021.

7. Current financial receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Financial receivables from subsidiaries	1,150	1,127	23
Total	**1,150**	**1,127**	**23**

The amount relates to the financial receivable at market conditions (represented by the intragroup current account within the scope of centralized treasury management) from the subsidiary PforCards GmbH, which, as a result of a specific board resolution, in January 2020 was transformed into a medium/long-term credit line (5 years).

8. Current tax assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other tax assets	63,328	71,672	(8,344)
Current tax assets - IRES	-	7,273	(7,273)
Current tax assets - IRAP	-	2,007	(2,007)
Foreign tax assets	1,730	1,596	134
Total	**65,058**	**82,548**	**(17,490)**

Tax credits amount to 63,328 thousand euro at December 31, 2020 (71,672 thousand euro at December 31, 2019) and refer to the following:

- the remainder of the payment made in 2017 of the substitute tax for the redemption of a portion of the goodwill recognized in the Group's consolidated financial statements, generated in the acquisition of P4cards (21.4 million euro, reduced by approximately 14.4 million euro compared to the original 35.8 million euro and by approximately 7.2 million euro compared to the previous year); a portion of the amortization of this step-up goodwill was deducted for tax purposes in 2020 (it should be noted that the amortization period is 5 years), reducing current taxes by approximately 6.1 million euro;

- the payment of a substitute tax for 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 refund application submitted in 2013, for the non-deduction of IRAP on employee and assimilated payroll costs for the years 2007-2011, originally amounting to 3.0 million euro, reduced to 1.9 million euro as a result of refunds received during the year with reference to the tax years 2010 and 2011.

The tax position relating to income taxes for the year 2020, unlike the previous year, is a debt. Please refer to the commentary on current tax liabilities for further information.

9. Current trade receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Trade receivables - current	142,148	138,078	4,070
Trade receivables from Group entities	24,236	13,505	10,731
Bad debt provision - current	(3,050)	(2,441)	(609)
Total	**163,334**	**149,142**	**14,192**

Trade receivables show an increase compared to December 31, 2019 in relation to the rise in sales volumes; in particular, the increase in receivables from Group companies relates to the increased level of transactions with the most recently acquired companies, associated with the related integration.

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

Changes in the bad debt provision in 2020 and the comparison with the previous year are shown below:

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Opening balance	**(2,441)**	**(3,766)**	**1,325**
Increase	(867)	(1,928)	1,061
Decrease	258	3,253	(2,995)
Closing balance	**(3,050)**	**(2,441)**	**(609)**

In 2020, the bad debt provision recorded a net increase of 609 thousand euro, as a result of updating the historical series of loss rates and forward-looking parameters used to estimate expected losses, carried out in accordance with IFRS 9. In the previous year, the bad debt provision was used, above all to write off some receivables of about 2.5 million euro for which a specific provision had been made in 2018.

The exposure to credit risk and the expected losses relating to trade receivables and other receivables (classified according to criteria defined internally) have been processed by the Company as follows:

Thousands of euro	Bonis	Past due			Unlikely to pay		Dispute	Legal	Default	Total
		1 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	> 180 days				
Customers	129,923	4,729	1,913	134	2,219	4,265	1,751	204	-	145,138
Intercompany	15,824	1,680	969	158	1,042	1,573	-	-	-	21,246
Gross amount	**145,747**	**6,409**	**2,882**	**292**	**3,261**	**5,838**	**1,751**	**204**	-	**166,384**
Bad debt provision	699	180	104	9	179	621	1,054	204	-	3,050
Net Value	**145,048**	**6,229**	**2,778**	**283**	**3,082**	**5,217**	**697**	-	-	**163,334**

10. Other current assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Security deposits	146	110	36
Receivables from subsidiaries/parent for tax consolidation	3,653	1,703	1,950
Prepayments to suppliers	3,124	130	2,994
Receivables from employees	216	228	(12)
Other activities	2,098	1,333	765
Tax receivables	8	8	-
Prepayments and accrued expenses	20,649	26,262	(5,613)
Total	**29,894**	**29,774**	**120**

The item increases compared to the previous year following the changes related to the tax consolidation items and an increase in advances to suppliers, as a result of the transfer of the contracts and the relative balances of the customers of the subsidiary Perago FSE, following the reorganization of the relative activities previously mentioned. There was a decrease, during the year, in accrued expenses recorded as a contra-entry to payments to suppliers of services accruing in the future, made on the basis of contractual commitments undertaken.

11. Cash and cash equivalents

Thousands of euro	**31/12/2020**	**31/12/2019**	**Change 2020 Vs 2019**
Cash on hand	5	6	(1)
Bank accounts and deposits	97,416	44,640	52,776
Total	**97,421**	**44,646**	**52,775**

The Company's cash and cash equivalents are represented by current accounts and deposits held with leading banks. The significant change in this item compared to the previous year is due to the stipulation, on December 16, 2020, of a bank deposit of 62.8 million euro restricted in favor of the Company's creditors, pursuant to and for the purposes of article 2503 of the Italian Civil Code. This deposit, restricted for 60 days from the date of registration of the resolution to merge P4cards S.r.l. into SIA S.p.A. at the Milan Companies' Register, has the characteristics of cash and cash equivalents as envisaged by IAS 7.

An analysis of the cash flow statement shows that the Company generated operating cash flow of approximately 147.1 million euro during the period, which fully covered investing and financing activities. In 2020, the Company did not distribute dividends to its shareholders and repaid the principal of the medium/long-term loan for 80 million euro (in addition to interest and differentials on derivative instruments to hedge cash flows connected with the variability of the interest rate on the aforementioned loan). It is recalled that the previous year was also characterized by the payment of substitute tax relating to the step-up of consolidated goodwill associated with the acquisition of SIA Greece and SIA Slovakia, for an amount of 40 million euro.

Liabilities and Shareholders' Equity

12. Shareholders' equity

Share capital

The fully paid-up share capital of SIA S.p.A. amounts to 22,274,620 euro, divided into 171,343,227 ordinary shares with a nominal value of 0.13 euro each, unchanged compared to the previous year. The total number of shares without voting rights is 1,410,253 (0.82305734% of total shares).

Share premium reserve

Share premium reserve amounts to 5,316,654 euro and does not change during the year.

Legal reserve

The legal 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

The reserve for merger surplus, unchanged from the previous year, is recorded at a total value of 77,048,710 euro and represents the differences generated by the mergers by incorporation of SSB S.p.A. and Ra Computer S.p.A., which took place in 2007 and 2015 respectively.

Reserve for spin-off surplus

The reserve for spin-off surplus, unchanged from the previous year, is 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.

Retained earnings

The "Retained earnings" reserve amount to 213,542,756 euro and increased compared to the previous year following the allocation of the entire 2019 profit for the year, amounting to 105,575,320 euro, in execution of the shareholders' resolution of May 11, 2020.

First-Time Adoption Reserve

The reserve recognized following the first-time adoption of IAS/IFRS as of January 1, 2014, shows a negative balance of 6,053,628 euro and has not changed compared to the previous year.

Reserve for revaluation of investments

The reserve for revaluations of investments, unchanged from the previous year, is recorded at a total value of 2,714,625 euro and represents revaluations carried out in previous years in respect of TSP for 1,271,884 euro and SiNSYS for 1,442,741 euro.

Valuation reserve

The valuation reserve is recorded at a negative value of 9,387,363 euro and represents the effects on equity arising from items whose valuation requires a contra-entry in the balance sheet in accordance with IAS/IFRS. Changes during the year were generated by the actuarial component of the employee severance indemnity and long-service bonuses, as well as by the income effects of accounting coverage of cash flows using bank debt, net of the related tax effect.

Other information

As required by article 2427, paragraph 1, point 7-bis of the Italian Civil Code, the following table analyzes the items in shareholders' equity other than the profit for the year and retained earnings, with an indication of their origin and nature, possibility of use and distribution, as well as any uses during the year and in previous years.

Euro	Amount	Availability 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	213,542,756	A,B,C	213,542,756	
FTA Reserve	(6,053,628)	-	-	-
Reserve for revaluation of investments	2,714,625	A,B	2,714,625	-
Valuation reserve	(9,387,363)	-	-	-
TOTAL	**315,610,126**		**308,776,497**	-
Non distributable portion			**7,169,549**	-
Residual portion available for distribution			**301,606,948**	-

(*) A: for capital increases; B: to cover losses; C: to distribution to shareholders.

Non current liabilities

13. Non current financial payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Bank loans - non current	535,752	617,750	(81,998)
Other financial payables - non current	47,785	45,606	2,179
Total	**583,537**	**663,356**	**(79,819)**

The change in non current bank loans is explained by the repayment of principal of 80 million euro of the medium/long-term loan (plus interest and differentials related to derivative contracts that exchange the floating rate of the loan for a fixed rate) originally taken out in 2017 and renegotiated in 2018 by the Company in connection with the acquisitions of subsidiaries.

The increase in other non current financial payables is directly related to the new lease investments made by the Parent Company SIA for the modernization of the technology infrastructure.

14. Non current financial liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Hedging derivatives - non current	3,614	3,738	(124)
Total	**3,614**	**3,738**	**(124)**

The negative mark-to-market of hedging instruments is substantially stable compared to the previous year. In 2020, following the repayment of the principal amount of 80 million euro of the Parent Company's medium/long-term loan, the residual notional value of the derivatives in question is down to 425 million euro (compared with the original 575 million euro at the initial date of January 2019); the differentials accruing in the period amount to 2.4 million euro.

It is recalled that the hedging derivatives stipulated by the Company 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	31/12/2020	31/12/2019	Change 2020 Vs 2019
Employee benefits	20,287	19,964	323
Total	**20,287**	**19,964**	**323**

Provisions for employee benefits refer to the provision for employees severance indemnity of the Company.

The following table shows the changes during the year in provisions for employee benefits, which include actuarial losses recognized in the statement of comprehensive income amounting to 521 thousand euro.

Thousands of euro	TFR Fund
Opening balance	**19,964**
Increase	
Provision	4,964
Decrease	
Liquidation	(5,162)
Actuarial effects	
Actuarial effects	521
Closing balance	**20,287**

The actuarial assumptions used to determine the provisions for employee benefits are shown below:

Financial and economic assumptions:

Discount rate	***Curve Eur Composite AA at 30.11.2020***

Maturities (years)	*Rates*
1	*-0.426%*
2	*-0.373%*
3	*-0.339%*
4	*-0.295%*
5	*-0.234%*
7	*-0.113%*
8	*-0.048%*
9	*0.024%*
10	*0.107%*
15	*0.328%*

Inflation rate	***European curve Zero-Coupon Inflation-Indexed Swap at 30.11.2020***

Maturities (years)	*Rates*
1	*1.099%*
2	*0.883%*
3	*0.864%*
4	*0.890%*
5	*0.915%*
6	*0.945%*
7	*0.978%*
8	*1.010%*
9	*1.039%*
10	*1.071%*
12	*1.130%*
15	*1.224%*
20	*1.331%*
25	*1.406%*
30	*1.453%*

Expected rate of pay increase (including inflation)	N.A.
Percentage of employees severance indemnity requested in advance	100.00%

Demographic assumptions:

Minimum requirements for retirement	*According to latest legal provisions*
Mortality tables	SI 2019
Average annual percentage of personnel exit *	3.68%
Annual probability of request for an advance	1.00%

* calculated for any cause of termination, in the first ten years after the assessment year.

16. Deferred tax liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Deferred tax liabilities	32	32	-
Total	**32**	**32**	**-**

Deferred tax liabilities have been recorded as a contra-entry in the statement of profit or loss and have not changed compared to the previous year.

17. Provisions for risks

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Provisions for risks	5,887	1,938	3,949
Total	**5,887**	**1,938**	**3,949**

Provisions for risks include provisions for:

- seniority bonuses to be paid to employees in relation to the agreements provided for in the supplementary company contract, adjusted in relation to the payments made during the year and the impact of the actuarial valuation, the assumptions of which are the same as those given above in the comment on provisions for employee benefits;
- certain legal disputes related to the Company's normal operations, including an estimate of the related legal expenses;
- tax litigation, which concerns disputes relating to tax periods from 2006 to 2011;
- expenses that cannot be determined with a sufficient degree of certainty for risks of damage compensation to customers.

The increase compared to the previous year is mainly explained by the provisions made in relation to some legal disputes, as a result of developments during the year on disputes relating to the supply of licenses and software development services for a new payment system for an international customer; in addition, during the year, the Company adjusted the provision for risks relating to tax disputes following an unfavorable ruling.

Changes in provisions for risks during the year are shown below:

Thousands of euro	Charges for employees	Tax disputes	Other provisions	Total
Balances at 31/12/2019	149	204	1,585	**1,938**
Increase				
Provisions of the period	-	1,083	3,866	**4,949**
Decrease				
Utilisation of the period	(64)	(86)	(509)	**(659)**
Releases	-	-	(341)	**(341)**
Balances at 31/12/2020	**85**	**1,201**	**4,601**	**5,887**

18. Other non current liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other non current liabilities	846	1,723	(877)
Total	**846**	**1,723**	**(877)**

This item consists of the payable to employees and to INPS relating to the early retirement incentive plans launched in previous years, for the portion due beyond 12 months.

Current liabilities

19. Current financial payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Bank loans - current	210,915	199,209	11,706
Financial payables to subsidiaries	38,907	44,121	(5,214)
Other current financial payables	11,457	9,914	1,543
Total	**261,279**	**253,244**	**8,035**

The item increases following the activation, during the fourth quarter of the year, of a short-term credit line with a leading Italian bank for ordinary operations. The increase in other current financial payables is directly correlated with new investments in leased assets made by the Company to upgrade its technological infrastructure, while the decrease in financial payables to subsidiaries reflects the change in intercompany transactions connected with the centralized treasury management.

20. Current financial liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other current financial liabilities	300	-	300
Hedging derivatives - current	2,892	2,587	305
Total	**3,192**	**2,587**	**605**

Other current financial liabilities refer to the amount due to the previous minority shareholder of the subsidiary SIAadvisor (as well as its Chief Executive Officer), as provided for in the contractual agreements related to the acquisition of the relevant minority interests, which took place during the fourth quarter of 2020.

21. Current tax liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Current tax liabilities - IRES	11,526	-	11,526
Current tax liabilities - IRAP	1,364	-	1,364
Total	**12,890**	**-**	**12,890**

At December 31, 2020, the Company has a liability to the tax authorities in relation to tax due on lower tax advances paid on the basis of the previous year's taxable result. It should also be noted that this amount benefits, in terms of lower taxes, from the tax amortization of the consolidated goodwill relating to the acquisition of P4cards. However, unlike the previous year, it does not include the benefits relating to the Patent Box, since at the end of the year, the agreement with the Tax Authorities for the five-year period 2020-2024 had not yet been renewed, according to the application submitted in September 2019. In the previous year, on the other hand, the tax relief resulting from the Patent Box had led to a benefit of approximately 3.8 million euro in lower taxes.

22. Current trade payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Trade payables - current	47,699	53,519	(5,820)
Trade payables to subsidiaries - current	6,605	4,831	1,774
Total	**54,304**	**58,350**	**(4,046)**

Trade payables show a change related to the decrease, especially in the fourth quarter of 2020, in the volume of operating costs. Given the short-term characteristics of trade payables, the Company believes that the nominal amounts represent a good approximation of the fair value.

23. Other current liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Customer advance payments	4,321	1,708	2,613
Social security debts	14,156	18,973	(4,817)
Amounts due to Directors and Auditors	256	219	37
Payables to employees	21,341	22,771	(1,430)
Deferred income and accrued liabilities	1,369	256	1,113
Tax liabilities	5,563	6,799	(1,236)
Other liabilities	7,689	6,005	1,684
Total	**54,695**	**56,731**	**(2,036)**

The change in the item is mainly attributable to the decrease in social security debts and payables to employees, due to the payment during the year of variable compensation (MBO and VAP) and the release of part of the variable remuneration provided for Top Management, relating to 2019. On the other hand, customer advance payments increase in relation to the invoicing times foreseen by some contracts for multi-year project activities.

Notes to the statement of profit or loss

24. Revenues from sales and services

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Revenues from sales and services	468,671	443,836	24,835
Total	**468,671**	**443,836**	**24,835**

The increase in revenues results primarily from higher volumes of Issuing and Acquiring services in the Card & Merchant Solutions and Digital Payment Solutions segments. In particular, revenues from volumes managed showed strong growth in the first two months of the year, but then felt the effects of the economic contraction generated by the COVID-19 pandemic, especially in March and April, settling at the end of the year at values slightly higher than the previous year; revenues from services invoiced on a fee basis showed significant growth compared to the previous year; finally, revenues from project activities were substantially stable.

25. Other revenues and income

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other revenues	1,257	730	527
Contingent income	237	1,901	(1,664)
Gains	116	-	116
Total	**1,610**	**2,631**	**(1,021)**

Other revenues include non-operating income, such as insurance reimbursements, grants on innovation projects and exchange rate differences.

26. Changes in inventories for third parties

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Software projects for third parties	172	194	(22)
Total	**172**	**194**	**(22)**

The change in inventories and work in progress refers to project activities for customers, as reported in the comment on the corresponding balance sheet item.

27. Costs for raw materials, supplies, consumables and goods

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Goods and products	(1,182)	(1,600)	418
Total	**(1,182)**	**(1,600)**	**418**

The item decreases because of lower purchases of products for resale.

28. Costs for services

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Rental	(20,160)	(21,714)	1,554
Maintenance	(29,140)	(23,436)	(5,704)
Network	(9,575)	(9,423)	(152)
Outsourcing	(13,164)	(13,460)	296
Building	(4,321)	(4,370)	49
Professional Services	(57,488)	(52,001)	(5,487)
Royalties	(10,661)	(10,640)	(21)
General expenses	(4,178)	(5,346)	1,168
Insurance	(1,210)	(1,086)	(124)
Total	**(149,897)**	**(141,476)**	**(8,421)**

The main changes in costs for services compared to the previous year are shown below:

- maintenance costs increase as a result of the increased level of investment in upgrading the existing technological infrastructure, including strengthening cyber security and for the development of SIA Group integration projects;
- professional services increase mainly as a result of higher non-recurring activities related to intra-group reorganization transactions, potential acquisitions on the market and extraordinary transactions that involved the Company during the year;
- general expenses decrease due to lower structural costs as a result of the revision of some expenses induced by the effects of the COVID-19 pandemic.

The fees for auditing the statutory and consolidated financial statements of the Group, for verifying that the company accounts are properly kept, including the signing of tax returns, and for other non-audit services accrued to the Group by the independent auditors Deloitte & Touche S.p.A. are shown in the notes to the consolidated financial statements.

29. Payroll costs

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Wages and salaries	(92,363)	(95,616)	3,253
Social charges	(23,330)	(25,639)	2,309
Post-employment and termination benefits	(4,964)	(4,642)	(322)
Payments to pension funds	(4,297)	(3,820)	(477)
Charges for restructuring	(1,667)	(4,332)	2,665
Other costs	(3,914)	(6,168)	2,254
Travel	(575)	(2,458)	1,883
Other staff	(348)	(319)	(29)
Directors and Auditors	(975)	(838)	(137)
Recoveries seconded staff	1,922	2,278	(356)
Refunds seconded staff	(931)	(598)	(333)
Capex internal staff costs	3,749	5,816	(2,067)
Total	**(127,693)**	**(136,336)**	**8,643**

The overall reduction in payroll costs is explained by the following components:

- the decrease in wages and salaries and related social charges, due to the release of part of the bonus, for the previous year, destined to Top Management, as well as to the benefit deriving from the use of social shock absorbers linked to the COVID-19 pandemic crisis during the period of general closure in Italy;
- the decrease in charges for restructuring compared with the previous year, which was marked by the numerous accessions of employees to the industry solidarity fund as a result of the "quota 100";
- the decrease in other payroll costs and travel expenses, due to the lower cost associated with the provision for accrued and unused holidays and the substantial elimination of travel expenses, as an effect of the adoption of smart working widespread from March 2020;
- the decrease in capex internal staff costs.

The following table shows the average and point-in-time number of employees at December 31, 2020, broken down by category, as well as a comparison with the situation at December 31, 2019.

Workforce (year-end)	31/12/2020		31/12/2019		31/12/2020	31/12/2019
	Non Executives	Executives	Non Executives	Executives	Total	Total
SIA	1,512	35	1,491	34	1,547	1,525
Total	**1,512**	**35**	**1,491**	**34**	**1,547**	**1,525**

Workforce (average)	31/12/2020		31/12/2019		31/12/2020	31/12/2019
	Non Executives	Executives	Non Executives	Executives	Total	Total
SIA	1,505	35	1,476	35	1,540	1,511
Total	**1,505**	**35**	**1,476**	**35**	**1,540**	**1,511**

30. Other operating expenses

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Non-deductible VAT	(16,271)	(17,021)	750
Tax expenses	(216)	(233)	17
Losses on disposal of assets	(1)	(3)	2
Other charges	(1,103)	(2,676)	1,573
Total	**(17,591)**	**(19,933)**	**2,342**

The item mainly consists of non-deductible VAT, which shows a decrease compared to the previous year related to a different composition of the Company's revenues (whether subject to VAT or not) compared to the previous year, such as to result in a change in the non-deductible percentage from 40% for 2019 to 38% for 2020.

31. Depreciation, amortization and adjustments

Thousands of euro	Depreciation at 31/12/2020	Write-off	Total
Tangible assets	(7,209)	-	(7,209)
Leased tangible assets	(12,162)	-	(12,162)
Total tangible assets	**(19,371)**	**-**	**(19,371)**

Thousands of euro	Amortization at 31/12/2020	Write-off	Total
Software licences	(8,699)	-	(8,699)
Internally developed software	(12,038)	(163)	(12,201)
Total intangible assets	**(20,737)**	**(163)**	**(20,900)**
Total depreciation, amortization and write-off	**(40,108)**	**(163)**	**(40,271)**

Thousands of euro	Depreciation at 31/12/2019	Write-off	Total
Tangible assets	(7,173)	-	(7,173)
Leased tangible assets	(11,997)	-	(11,997)
Total tangible assets	**(19,170)**	**-**	**(19,170)**

Thousands of euro	Amortization at 31/12/2019	Write-off	Total
Software licences	(6,743)	-	(6,743)
Internally developed software	(7,214)	-	(7,214)
Total intangible assets	**(13,957)**	**-**	**(13,957)**
Total depreciation, amortization and write-off	**(33,127)**	**-**	**(33,127)**

32. Adjustments to trade receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Provision for bad debts	(867)	(1,928)	1,061
Total	**(867)**	**(1,928)**	**1,061**

For further information on the changes in the bad debt provision, reference should be made to the comment on the asset item "Current trade receivables from customers" in the balance sheet.

33. Provision for risks

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Provision fund risk	(4,608)	(1,344)	(3,264)
Total	**(4,608)**	**(1,344)**	**(3,264)**

For further information on the changes in the provisions for risks, reference should be made to the comment on the liability item "Provisions for risks" in the balance sheet.

34. Income/(charges) from investments

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Adjustments to investments	(66,539)	(2,745)	(63,794)
Dividends	44,326	32,030	12,296
Total	**(22,213)**	**29,285**	**(51,498)**

Adjustments to investments is entirely attributable to the outcome of the impairment tests carried out during the year, together with the impairment tests of the goodwill associated with said investments, which led to an adjustment of the subsidiaries SIA Greece and SIA CE for 63.5 million euro and 2.8 million euro respectively, in addition to adjustments of the carrying amount of the associate ATS, as already reported in the comment on the asset item "Investments".

During the year, the Company received dividends of 32 million euro from the subsidiary P4cards and 11 million euro from the subsidiary SIA Central Europe on the profits earned by them in 2019, as well as 1.3 million euro from the subsidiary SIAadvisor as extraordinary distribution of reserves.

35. Management/trading of financial assets and liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Adjustments to financial assets and financial receivables	(4,100)	-	(4,100)
Total	**(4,100)**	**-**	**(4,100)**

The item refers to the write-off of the financial receivable from the subsidiary Perago FSE, which became necessary following the deterioration of the company's results and pending its transformation into a branch, as mentioned above.

36. Financial income

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Interest income	508	411	97
Other financial income	-	2,572	(2,572)
Total	**508**	**2,983**	**(2,475)**

At December 31, 2020, the item includes interest income from cash and cash equivalents held and decreases significantly compared to 2019, which also included net amounts received of approximately 2.6 million euro in December 2019 from First Data, as price adjustment of the acquisition transaction of SIA Greece and SIA Slovakia in accordance with the Sale&Purchase Agreement concluded in 2018.

37. Financial expenses

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Interest expenses	(8,814)	(12,519)	3,705
Interest expenses on hedging derivatives	(2,411)	(2,682)	271
Interest expenses IFRS 16	(1,938)	(1,676)	(262)
Bank charges	(434)	(470)	36
Total	**(13,597)**	**(17,347)**	**3,750**

Interest expenses decrease by approximately 3.7 million euro compared to the previous year following the reduction in the Company's bank debt and the related hedging derivatives. Correspondingly, interest expenses on cash flow hedging derivatives for the variability of interest rates on the bank loan decrease to 2.4 million euro and includes the negative change in the fair value of derivatives for the ineffective portion, amounting to approximately 298 thousand euro.

38. Income taxes

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Current taxes	(29,127)	(20,071)	(9,056)
Prepaid/deferred taxes	776	145	631
Taxes from previous years	(327)	(337)	10
Total	**(28,678)**	**(20,263)**	**(8,415)**

The overall tax burden is higher than the previous year because the Company, unlike the previous year, did not benefit from the reduction in taxable income connected with the Patent Box, as a result of as already described in the comment on the liability item of the balance sheet "Current tax liabilities".

The following is the reconciliation statement between the theoretical tax charge and actual tax charge:

Thousands of euro	Taxes
Earnings before taxes	**88,942**
Theoretical tax rate	**29.57%**
Theoretical taxes	**26,300**
Increasing/decreasing variations	
Non-taxable revenues	(10,106)
Costs not deductible for tax purposes	1,069
Provisions for risks	194
Write-off	16,953
Amortization of goodwill	(6,088)
Other differences	356
Income taxes recorded in the P&L	**28,678**
Effective tax rate	**32.24%**

Non-taxable revenues consist mainly of dividends received by the subsidiaries, while costs that are not tax deductible refer mainly to the impact of leases, provisions for risks, bad debts and bonuses for the year that will be paid in future years to employees.

Disclosure on fair value

The table below shows the assets and liabilities measured at fair value, divided on the basis of the levels envisaged by the fair value hierarchy. For financial assets and liabilities at amortized cost, represented by transactions with a maturity of less than three months, the carrying amount is considered an adequate approximation of fair value, which results in 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**: includes quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the valuation date;
- **level 2**: includes inputs other than quoted prices included in level 1 that are directly or indirectly observable for the asset or liability;
- **level 3**: includes unobservable input data for the asset or liability.

Financial assets

Thousands of euro	Carrying amount	L1	L2	L3
Financial assets - non current				
Financial assets at Fair value through other comprehensive income - non current	12			12
Total	**12**			**12**

Change in financial assets

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**12**	**50**
Purchases/increases	-	-
Sales/settlements	-	(38)
Fair value adjustment	-	-
Reclassifications	-	-
Other changes	-	-
Closing balance	**12**	**12**

The amount of 12 thousand euro relates to the shares held MIP Politecnico di Milano, whose estimated fair value is in line with the previous year's valuation.

Financial liabilities

Thousands of euro	Carrying amount	L1	L2	L3
Financial liabilities - non current				
Other financial liabilities - non current	-			
Hedging derivatives - non current	3,614		3,614	
Financial liabilities - current				
Other financial liabilities - current	300			300
Hedging derivatives - current	2,892		2,892	
Total	**6,806**		**6,506**	**300**

Other current financial liabilities refer to the debt recognized for the finalization of the purchase of the minority shares of the subsidiary SIAadvisor, as shown in the comment on the relative liability item in the balance sheet. At December 31, 2019, there were no level 3 financial liabilities.

Change in financial liabilities

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**6,325**	**3,114**
Purchases/increases	-	-
Sales/settlements	-	-
Fair value adjustment	481	3,211
Reclassifications	-	-
Other changes	-	-
Closing balance	**6,806**	**6,325**

The change in the year is due to the increase in the negative fair value of hedging derivatives, following the decrease in the Euribor curve (the hedge is a cash flow hedge, the derivative instruments exchange the floating 3-month Euribor rate with a fixed market rate determined on the date the contracts were entered into, which occurred in December 2018).

Transactions with related parties

Information on the remuneration of key management

At December 31, 2020, compensation for key management amount to 2,870 thousand euro. The remuneration due to the Directors and Statutory Auditors for the 2020 financial year amounts to 975 thousand euro, including expenses and social security charges. All of the above remuneration has been recognized in "Payroll costs".

Other transactions with related parties

Transactions with related parties form part of the ordinary business activities of Group companies and are carried out in accordance with the criteria of substantial and procedural fairness, at conditions similar to those applied to transactions with independent third parties. For the purposes of this report, a related party is defined in IAS 24 as a person or entity that is related to the entity preparing the financial statements. A person or close family member of that person is related to the reporting entity if that person:

- has control or joint control of the company preparing the financial statements;
- has a significant influence on the company preparing the financial statements;
- is one of the key managers of the company preparing the financial statements, one of its parent companies or one of its subsidiaries.

An entity is related to the company preparing the financial statements if any of the following conditions applies:

- 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 associate or joint venture of the other entity (or an associate or joint venture that is part of a group of which the other entity is part);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is represented by a post-employment benefit plan for employees of the company preparing the financial statements or a related company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the entity preparing 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 a member of the

key management of the entity (or of a parent).

Related party transactions also include transactions with the company ATS, in which SIA holds a 30% stake.

The impact of the above transactions on the items in the statement of financial position and statement of profit or loss at December 31, 2020 is considered marginal. The financial and economic relations with companies identified as related parties are mainly attributable to commercial contracts for payment services stipulated at market conditions.

The following table summarizes transactions with related parties, including subsidiaries and associates and companies belonging to the Cassa Depositi e Prestiti Group, which controls the Company:

Thousands of euro	Receivables 31/12/2020	Payables 31/12/2020	Revenues 2020	Costs 2020
Subsidiaries				
P4cards				
Trade	10,535	1,743	10,374	2,282
Financial	-	38,906	-	231
Dividends	-	-	32,000	-
SIApay				
Trade	6,196	1,099	5,022	1,342
Financial	-	1	-	4
SIA Central Europe				
Trade	3,185	728	5,032	2,243
Financial	-	-	-	14
Dividends	-	-	11,000	-
Perago FSE				
Trade	3,299	227	143	2,227
Financial	21	-	58	-
SIAadvisor				
Trade	557	911	412	3,474
Dividends	-	-	1,326	-
PforCards				
Trade	-	228	54	228
Financial	1,129	-	24	-
SIA Greece				
Trade	464	1,658	525	1,808
SIA Serbia				
Trade	-	11	-	11

Associates and others				
ATS S.p.A.				
Trade	-	461	-	2,996
POSTE ITALIANE S.p.A.				
Trade	4,075	-	6,670	3
ENI S.p.A.				
Trade	916	2	997	-
TERNA S.p.A. RETE ELETTRICA NAZIONALE				
Trade	1	-	9	-
CASSA DEPOSITI E PRESTITI S.p.A.				
Trade	361	-	582	-
SACE BT S.p.A.				
Trade	9	-	15	-
SACE S.p.A.				
Trade	9	-	15	-
FINCANTIERI S.p.A.				
Trade	1	-	1	-
CDP EQUITY S.p.A.				
Trade	-	13	-	13

The Company's financial payables are part of the centralized treasury management. The services rendered by SIA to Group companies mainly refer to personnel seconded to meet company operating requirements, facility management of operating systems, corporate services and network services. The subsidiaries provide SIA with processing services, using their specific expertise. ATS provides SIA with technical consultancy.

Capital management policy

SIA's objective is to maximize the return on net 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, as well as pursuing satisfactory earnings results and generating cash flows, the Company may adjust its policy regarding dividends and the configuration of the Company's capital.

The main indicators used by the Company to manage its capital are as follows:

- R.O.E. (Return on equity): this is calculated as the ratio between the profit for the year and shareholders' equity. It is an indicator representing SIA's ability to remunerate shareholders. The objective is for this indicator to be higher than the rate of return on a risk-free investment, correlated with the nature of the operated businesses. At December 31, 2020, this ratio is 16.0% (33.4% at December 31, 2019).
- R.O.I. (Return on Investment): it is calculated as the ratio between operating profit and net invested capital; the indicator represents the ability of the company's results to remunerate invested capital. At December 31, 2020, this ratio is 11.4% (9.3% at December 31, 2019).

Financial risk management policy

The main qualitative and quantitative information on the Company's financial risks are reported below.

Credit risk

The Company operates primarily with well-known customers of high standing, many of whom from the financial sector. 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, the Company has implemented procedures 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 also at past years, the phenomenon of losses on receivables was in any case insignificant; furthermore, during the 2020 financial year, the Company did not experience significant difficulties in collecting receivables from customers and past due amounts were substantially in line with the previous year.

The Company is marginally exposed to credit risk in its day-to-day operations and in the management of financial and cash resources. For quantitative information, reference should be made to the comment on the asset item "Current trade receivables from customers" in the balance sheet.

Liquidity risk

The business model and the approach to operational management implemented at Company 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 2020, the Company generated substantial positive operating cash flows, as shown in the cash flow statement, and suspended the distribution of dividends to shareholders, allocating the profit for 2019 to reserves, following the approval by the Shareholders' Meeting on May 11, 2020 of the Board of Directors' proposal made on April 9, 2020. The Company has a consistent amount of liquidity (calculated as sum of current financial receivables, cash and cash equivalent and committed credit lines not used) because of the loan obtained from a syndicate of banks to cope with the strategic acquisitions concluded in previous years.

The medium/long-term loan agreement entered into in July 2018 with a syndicate of banks to acquire the investments in SIA Greece and SIA Slovakia (which, with effective date January 1, 2020 changed its name to SIA CE and incorporated SIA Central Europe), 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 and were complied with at December 31, 2020.

Based on the best estimates available to date and on periodic analyses of variances between actual and forecast data and the strategic objectives defined, it is reasonable to believe that, in the twelve months following the reference date of these financial statements, there are no significant liquidity risks, i.e., risks inherent in the ability to repay debt and comply with financial covenants, also in view of the reshaping of its operating requirements and the completion of additional credit lines during the year.

The tables below show the quantitative information relating to the liquidity reserves in place at the reporting date and the breakdown by maturity of payables and other financial liabilities.

Liquidity reserves

Thousands of euro	31/12/2020	31/12/2019
Cash	97,421	44,646
Financial assets - current	-	-
Financial receivables - current	1,150	1,127
Committed lines not used	100,000	20,000
Uncommitted lines not used	101,750	27,300
Total	**300,321**	**93,073**

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	210,915	86,267	449,485		746,667
Leases	11,457	10,277	24,631	12,877	59,242
Other financial debts	-				-
Trade payables	54,304				54,304
Total	**276,676**	**96,544**	**474,116**	**12,877**	**860,213**

Exchange rate risk

The Company operates mainly in the euro area and is therefore not significantly exposed to exchange rate risks; in addition, contracts receivable and payable in foreign currencies are of insignificant amounts and therefore do not have a material impact on the values recorded. Realized exchange rate differences are recognized in the statement of profit or loss under the items "Other revenues and income" and "Other operating expenses". As the Company is only marginally exposed to exchange rate risk, sensitivity analyses are omitted.

Interest rate risk

The Company invests the liquid assets available in current bank accounts and bank deposits, with fixed or floating rate returns. 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 (which, with effective date January 1, 2020, changed its name to SIA CE and incorporated SIA Central Europe), are connected to finance lease contracts, normally at floating rates.

As regards the aforementioned bank loan granted by a pool of banks, 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 425 million euro on December 31, 2020 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 exchanges 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.

The tables below show the breakdown of financial assets and liabilities between fixed-rate and floating-rate components:

Financial assets

Thousands of euro	31/12/2020		31/12/2019	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash on hand	-	5	-	6
Bank accounts and deposits	-	97,416	-	44,640
Other cash and cash equivalents	-	-	-	-
Postal accounts and deposits	-	-	-	-
Non current financial assets (*)	-	-	-	-
Current financial receivables	-	1,150	-	1,127
Current financial assets (*)	-	-	-	-
Total	-	**98,571**	-	**45,773**

(*) Amounts relating to non-controlling interests and derivatives on share are excluded due to their nature.

Financial liabilities

Thousands of euro	31/12/2020		31/12/2019	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Hedging derivatives - non current	-	3,614	-	3,738
Other financial liabilities - non current	-	-	-	-
Non current financial liabilities	**-**	**3,614**	**-**	**3,738**
Hedging derivatives - current	-	2,892	-	2,587
Other financial liabilities - current	-	300	-	-
Current financial liabilities	**-**	**3,192**	**-**	**2,587**
Bank loans - non current	-	535,752	-	617,750
Financial payables IFRS 16 - non current	47,785	-	45,606	-
Non current financial payables	**47,785**	**535,752**	**45,606**	**617,750**
Bank loans - current	-	210,915	-	199,209
Other financial payables - current	-	38,907	-	44,121
Financial payables IFRS 16 - current	11,457	-	9,914	-
Current financial payables	**11,457**	**249,822**	**9,914**	**243,330**
Total	**59,242**	**792,380**	**55,520**	**867,405**

Significant non-recurring events and transactions

During the year, there were no significant non-recurring events and/or transactions that were not disclosed in these financial statements.

Positions or transactions deriving from atypical and/or unusual operations

No positions or transactions deriving from atypical and/or unusual operations were recorded during the year.

Significant events subsequent to the end of the financial year

No events occurred after the reporting date that would adjust the results presented in these financial statements at December 31, 2020. For a description of significant events subsequent to the end of the financial year, reference should be made to the same paragraph of the consolidated financial statements.

Lastly, in accordance with IAS 10, the date on which the financial statements were authorized for publication by the Board of Directors was March 4, 2021.

SIA S.p.A.

The 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-in
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 2020

Shareholders,

during the year, the Board of Statutory Auditors carried out the activities for which it is responsible and 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.

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, as well as the indications contained in the communications issued by ESMA, CONSOB and the National Board of Accountants regarding the impact of Covid-19.

We also acknowledge that the Board of Statutory Auditors is also assigned the role of the Supervisory Body pursuant to Italian Legislative Decree no. 231 of 2001; in relation to this duty, separate disclosure will be provided to the Board of Directors by the members of the Board of Statutory Auditors appointed by resolution of the Board of Directors of April 9, 2020.

2. Results for the financial year

The financial statements for the year ended December 31, 2020 show an Adjusted Operating Margin of 174.1 million euro (compared to 147.3 million euro in the previous year) and an Operating Income of 128.3 million euro (110.9 million euro in 2019).

The profit for the year was 60.3 million euro, compared to 105.6 million euro the previous year.

Shareholders' equity was 375.9 million euro, compared to 316.2 million euro in 2019.

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.

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 auditors, 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 Directors attended all 19 meetings of the Board of Directors, obtaining in compliance with the provisions of article 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.

During the year 2020, the Board of Auditors attended 2 Shareholders' Meetings, held on January 9, 2020 and May 11, 2020.

As part of the supervisory functions entrusted to it, the Board of Statutory Auditors also met 12 times in 2020, in addition to 3 meetings held in 2021 up to the drafting of this report, maintaining constant and adequate liaison with the internal departments concerned and meeting periodically with the appointed independent auditors.

3.2 Consideration 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:

- In February 2020, the Board of Directors approved the new 2020-2022 Business Plan for the SIA Group and resolved to start the process aimed at listing the company's ordinary shares on the Mercato Telematico Azionario (electronic stock market), organized and managed by Borsa Italiana, which was then suspended following the signing of the MoU with Nexi SpA.

- On October 4, 2020, Nexi and SIA announced that they had signed a memorandum of understanding for the integration of the two groups, to be achieved through the merger by incorporation of SIA into Nexi. The merger will result in the creation of an Italian player with a European dimension, a large new technology and digital innovation hub in Italy with a portfolio of best-in-class solutions, technologies and expertise in all areas of digital payments at international level.
- On October 5, 2020, SIA and UniCredit confirmed that they had entered into exclusive negotiations on the current agreement for the outsourcing of certain processing services in Italy, Austria and Germany relating to payment card transactions and the management of POS and ATM terminals, for its renewal until 2036. The binding agreements were finalized between the parties in February 2021.

- At December 31, 2020, the SIA management analyzed, in accordance with the provisions of IAS 36, all the main elements from internal and external sources that could constitute a presumption of impairment, i.e. a presumption of lower recoverable value compared to the carrying amount of the cash generating units (CGUs) to which the goodwill is allocated. In particular, the COVID-19 pandemic, due to its intensity and unpredictability, constituted, in the opinion of management, an external factor of potential impairment and therefore required a preliminary analysis of the impact of the crisis on all CGUs.
  There was no change in the architecture of the impairment procedure compared to the impairment test at December 31, 2019, and the Company referred to an external expert. The results of the impairment test showed that the value in use was lower than the carrying amount in the consolidated financial statements, which led to the need for overall adjustment in the year of 48.1 million euro to the value of goodwill for SIA Greece, while there was no adjustment for the other CGUs subject to impairment.

3.3. Transactions with related parties. Indication of any existence of atypical and/or unusual transactions, including intra-group or with related parties.

The Board of Statutory Auditors 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 of the Italian Civil Code.

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 the context of transactions with related parties, the Board of Statutory Auditors deems it appropriate to recall that the parent company SIA SpA supported in 2020 the South African subsidiary Perago FSE with a loan of 4.1 million euro, at the maximum interest rate permitted by South African legislation and with a duration of two years, to cover cash requirements until December 31, 2020. It should also be noted that on June 30, 2020, the SIA Board of Directors approved a plan to transfer intangible assets and active customer contracts to the parent company SIA and to establish a South African branch. At the time of the financial statements, the company wrote off the financial receivable from Perago FSE of 4.1 million euro.

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 Auditors and opinion on the financial statements.

In compliance with the amendments made to Italian Legislative Decree no. 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 auditors 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 auditors 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 Independent Auditors' report.

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 Auditors 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 auditors received engagements for audit-related and non-audit 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 Auditors 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 auditors, the entities belonging to its network, the partners, directors, members of the control bodies or employees of the independent auditors 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 2020 financial year, the Board of Statutory Auditors provided opinions on the determination of the remuneration to be attributed to Directors holding 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 of the Board of Directors 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.

It should also be noted that during the year 2020, two other internal Board committees were set up in addition to the already existing Development Committee and Remuneration Committee; these are the Advisory Committee and the Operating Committee with a mixed composition (Directors and Managers of SIA) and established with special powers and delegations according to a scheme approved by the Board of Directors.

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 heads of 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. During the year 2020, the Company:

a) strengthened the risk target and risk policy;
b) monitored, including through the Risk Governance function, the risks associated with the most significant business initiatives;
c) implemented the service and product risk profile;
d) monitored IT, technological and security risks;
e) 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;
f) reinforced the risk culture with the appropriate use of training solutions and activities.

The Company continued to develop procedures and monitoring in the field of Cyber Security for the parent company and for all its subsidiaries and branches.

The Data Protection Officer (DPO) appointed within the Risk Governance Department has been appointed also for the other investee companies and Group centralized monitoring procedures were identified.

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 Auditors 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 fulfill 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.

With a view to standardizing accounting and administrative systems and procedures between the parent company and subsidiaries, the Group completed the reorganization and alignment of procedures in 2020.

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.

During 2020, the Board of Statutory Auditors held 3 meetings with the appointed Independent Auditors, in addition to the meetings held in 2021 prior to 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 2020 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 Auditors.

In particular, the Independent Auditors reported to us that on the basis of the audit procedures carried out in the course of the year and on 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 Auditors. 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 Auditors, 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 statement of financial position, statement of profit or loss, 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 through the assistance of an independent advisor and adopting specific procedures approved by the Board of Directors.

The Board of Statutory Auditors notes, in any event, that SIA Group Management is continuing to monitor the ongoing evolution of the health situation relating to the spread of the COVID-19 virus and its impact on the business operations of the companies concerned.

With regard to the COVID-19 health emergency mentioned above, the Board of Statutory Auditors notes that the company promptly implemented all the procedures and corporate plans aimed at ensuring business continuity and the recommendations of the WHO, the Ministry of Health, the ISS and national and regional authorities were followed.

The emergency team headed by the General Manager continues to be active. During the year, smart working was pursued and strengthened for most of the employees and, where possible, recourse was made to the redundancy fund 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 PPE required by law.

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 profit and loss, cash flows and financial position 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.

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5. Observations regarding the Consolidated Financial Statements

The Consolidated Financial Statements as at December 31, 2020 consist of the statement of financial position, the statement of profit or 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 16.8 million euro, entirely attributable to the Group, and total shareholders' equity of 332.3 million euro.

The scope of consolidation has changed compared to the previous period (2019) as a result of the merger by incorporation of the company Emmecom into SIApay and the merger by incorporation of the companies SIA Central Europe Zrt and SIA Hungary Kft into SIA Slovakia a.s., which changed its name to SIA Central Europe a.s.; the latter incorporated the company in Hungary as its branch, naming it SIA Central Europe a.s.-Hungarian branch.

Both of these extraordinary transactions were effective as of January 1, 2020.

It should also be noted that, during the fourth quarter of 2020, the Parent Company SIA completed the acquisition of the shares held by the minority shareholder of SIAadvisor and therefore held 100% of the share capital at December 31, 2020 (the company was already 100% consolidated in the previous year).

At the reporting date, the scope of consolidation included, in addition to the parent company SIA, the direct foreign subsidiaries Perago FSE PforCards, SIA Central Europe and SIA Greece and the direct Italian subsidiaries P4cards, SIAadvisor and SIApay, as well as the subsidiaries of SIA Central Europe, SIA Greece and P4cards.

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, 2020 as approved by the competent Management Bodies;
- 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 Auditors 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 2020 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, 2020 and the proposal put forward by the Board of Directors regarding the allocation of profit.

Milan, March 22, 2021

The Board of Statutory Auditors

Mariangela Brunero

Fabrizio Bianchi

Luigi Soprano

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 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, 2020, the statement of profit or loss, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement 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, 2020, 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.

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.

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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.

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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, 2020, 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, 2020 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, 2020 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
March 22, 2021

This report has been translated into the English language solely for the convenience of international readers.

The Network of Excellence

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