DIGITAL 360
EMPOWERING INNOVATION

Consolidated Financial Report as at 31.12.2019

Parent Company
DIGITAL360 S.p.A.

Registered office: Via Copernico 38, Milan
Share Capital 1,625,820 euros (fully paid up)
Tax Code 08053820968
Business Register (REA) no. MI 2000431

INDEX

Directors and officers of Digital360 S.p.A.

Board of Directors

Chairman of the Board of Directors

UMBERTO BERTELE'

Chief Executive Officer

ANDREA RANGONE

Independent Director

GIOVANNI CROSTAROSA GUICCIARDI

Director

GABRIELE FAGGIOLI

Director

CARLO MOCHI SISMONDI

Board of Statutory Auditors

Chairman of the Board of Statutory Auditors

CARLO PAGLIUGHI

Serving Auditor

VINCENZO MARIA MARZUILLO

Serving Auditor

MARCO GIUSEPPE ZANOBIO

Independent Auditors

BDO Italia S.p.A.

The three-year mandates of the Board of Directors and the Board of Statutory Auditors, appointed at the Shareholders’ Meeting held on 10 April 2017, will expire at the Shareholders’ Meeting held to approve the separate financial statements for 2019.

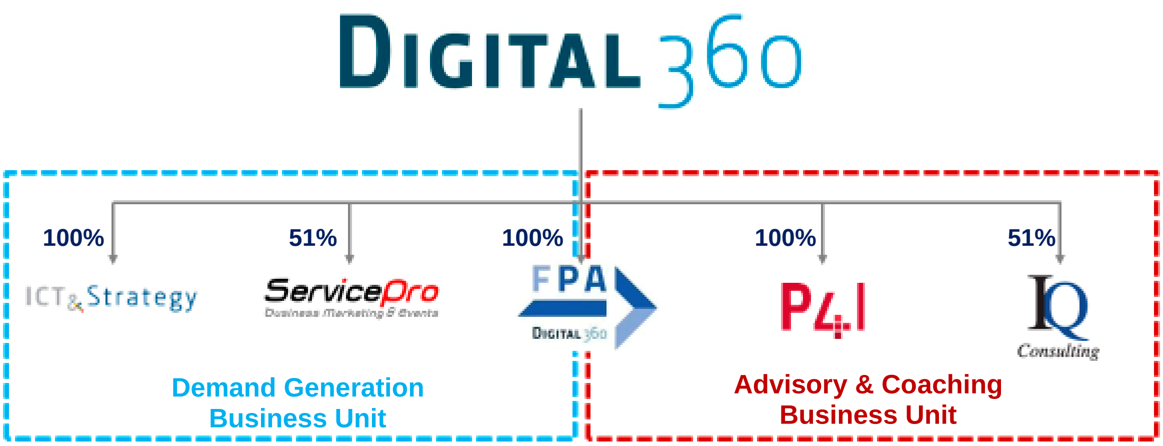
Introduction

DIGITAL360 S.p.A., an innovative SME listed on the AIM Market of Borsa Italiana since June 2017, emerged from University research - by a group of teachers at Politecnico di Milano driven by their enthusiasm for technology and innovation - and has grown with the arrival of several leaders in the Italian world of digital innovation (entrepreneurs, managers, sector experts).

The mission of DIGITAL360 is to partner with businesses and public administrations, assisting them to understand and implement digital innovation, while bringing them together with the best providers of technology. This mission is pursued by two business units:

- the first, Demand Generation, helps the providers of digital services and solutions (tech companies) to communicate more effectively and reach new clients;
- the second, Advisory&Coaching, assists businesses and public administrations with their digital transformations.

The following chart outlines the structure of the DIGITAL360 Group at 31 December 2019, aggregating its subsidiary companies by Business Unit:



A detailed description of Group Activities is provided in a later section of this report.

At the time of preparing this report, the share capital of DIGITAL360 S.p.A. amounts to 1,625,820.50 euros represented by 16,258,205 ordinary shares, 22.3% are traded freely on the secondary AIM Market of Borsa Italiana.

As the Group has not yet adopted international accounting standards (IAS-IFRS), the consolidation differences arising from the acquisitions carried out are amortised in the consolidated financial statements of DIGITAL360. The purpose of the adjusted data presented in this report is to show the economic results achieved without the effect of that amortisation.

In order to improve the consistency of comparison with the prior year, a second adjustment has also been made to show the results for 2019 net of the one-time non-recurring costs, 380 thousand euros, incurred during the year to implement the reorganisation and restructuring plan for certain Group companies approved at the end of 2018. This concerned ICT&Strategy in particular, with the departure of personnel whose profiles were no longer consistent with the new business model.

Key economic-financial data

Total revenues as at 31 December 2019 amounted to 25.2 million euros, up 12% compared to the 22.5 million in the corresponding period in 2018.

Total value of production amounted to 26.7 million, also up 12% compared with the previous year.

EBITDA amounted to 2.5 million euros, essentially in line with the value reported at 31 December 2018. Adjusted EBITDA, net of the one-time non-recurring costs incurred in 2019 for the reorganisation of certain Group companies, amounted to 2.9 million euros, up by 0.3 million euros or 13% compared with the previous financial year.

EBIT was positive at 0.1 million euros, whereas the corresponding adjusted value, net of depreciation/ amortisation of consolidation differences and extraordinary charges, was 1.2 million euros, up 9% compared with the value at 31 December 2018.

There was a consolidated net loss of 0.44 million euros but an adjusted net profit of 0.72 million euros, up 23% compared to the corresponding period in 2018.

With reference to the Group's main balance sheet and financial data, it should be noted that the Group's (negative) net financial position increased from 4.6 million euros as at 31 December 2018 to 6.3 million as at 31 December 2019. The change over the 12 month period reflects, on the one hand, the positive cash flows generated from operations and, on the other, the expenditures pertaining to investments made, including the payment made at the beginning of 2019 of 1.15 million euros for vendor loans arising out of the acquisitions completed in 2018.

In particular, non-current spending on investments and the settlement of vendor loans totalled 3.05 million euros, while current operations generated cash flows of about 1.3 million euros.

The actual data for certain indicators has exceeded the expectations of analysts, whose reports estimated a Group EBITDA of 2.6 million euros at year end, with a net financial position of 7.5 million euros.

The results in terms of revenues, operating margins and cash flow are due to the company's strategic decision, made at the end of 2018, to accelerate the growth of recurring revenues, resulting from more innovative and scalable services (Digital-as-a-Service model), and consequently to make major investments in this direction.

The effects of accelerating the new offering can already be seen in this year's results. In 2019, the more innovative services were sold to 113 clients. Specifically, in the Demand Generation Business Unit, the innovative offering of the As-A-Service (subscription) model generated sales to 67 clients totalling over 3 million euros on an annualised basis; while in the Advisory & Coaching Business Unit, 46 clients bought subscription services (especially in the audit and compliance area), with a contract value of 1.3 million euros on an annualised basis.

The move and acceleration towards a model focused on more innovative services has at the moment limited the effects of margin growth, as a partial consequence was a reduction in revenues from more traditional services and, at the same time, a partial duplication of expenses on both service areas (innovative and traditional), with costs temporarily increasing in order to adapt the structure. These effects were also heightened by excess spending in 2019 (of 380 thousand euros). This is attributable to one-off extraordinary costs incurred to implement the reorganisation and restructuring plan approved at the end of 2018, in particular for the ICT&Strategy subsidiary, which included stopping the use of resources no longer consistent with the new business model. The positive effects will be fully visible in 2020, given the absence of one-time non-recurring costs and the full contribution made by the revenues from subscription services.

The following table summarises key data at 31 December 2019 on a comparative basis. See the introduction for information about the adjusted data presented in the table.

Operating results	31.12.18	31.12.19	Δ
values in million euros			
Total revenues	***22.5***	***25.2***	**12%**
EBITDA	*2.6*	*2.5*	-1%
Adjusted EBITDA	***2.6***	***2.9***	**13%**
% Ebitda / Total revenues	11.4%	11.5%	
EBIT	*0.4*	*0.1*	-79%
% EBIT / Total revenues	1.7%	0.3%	
Adjusted EBIT	***1.1***	***1.2***	**9%**
% Adjusted EBIT / Total revenues	5.1%	4.9%	
Net profit	*-0.2*	*-0.4*	165%
% Net profit / Total revenues	-0.7%	-1.8%	
Adjusted net profit	***0.59***	***0.72***	**23%**
% Adjusted net profit / Total revenues	2.6%	2.9%	

** the adjusted data has been reclassified without taking into account the amortisation of the consolidation differences and the one-off non-recurring costs incurred in 2019 for the restructuring of certain Group companies*

Balance Sheet indicators	31.12.18	31.12.19	Δ
Shareholders' Equity	***8.6***	***8.1***	**-5%**
Net Financial Position	***4.6***	***6.3***	**38%**

Activities and reference market

The activities of DIGITAL360 are founded on an awareness that digital innovation represents the principal driver of economic growth and modernisation for businesses and public administrations. In this context, the mission of DIGITAL360 is to help businesses and public administrations to understand and implementation digital innovation, while bringing them together with the best providers of technology.

DIGITAL360 pursues this mission via an innovative business model focused on an eco-system that involves all leading players in the Italian world of innovation: first and foremost, the businesses and public administrations that must invest increasingly in digital transformation (tech buyers) and the suppliers of technologies, solutions and digital services (tech companies and start-ups), but also the policy makers, institutions, academics and politicians that, increasingly, are understanding the strategic importance of digital innovation.

Overall, this eco-system addresses the enormous and growing market for digital innovation, which in Italy alone exceed 31 billion euros accordingly to recent research by Assintel 2020.

This market is generally characterised by permanently asymmetric information, given that businesses and public administrations have, and will continue to have, less knowledge and information about the progress of new technologies than those that develop and sell them.

DIGITAL360 seeks to reduce this information asymmetry by deploying its strategic assets: the network of on-line titles dedicated to digital innovation topics (currently 56 portals and newsletters with over 1.8 million unique visitors every month); integrated technological platforms capable of understanding the specific information needs of on-line users and providing them with the most suitable content (using a data-driven approach); a mix of multi-disciplinary skills, capable of covering all aspects of the digital transformation arena.

The activities of the Group comprise two Business Units that are introducing major innovations to their respective reference markets:

the Demand Generation Business Unit helps the digital innovation providers to make themselves known to and reach new clients;

The Advisory & Coaching Business Unit assists businesses and public administrations with their digital transformations.

Demand Generation Business Unit

The Demand Generation Business Unit supports all digital innovation suppliers (over 90,000 in Italy, counting vendors, software houses, system integrators, start-ups etc.), helping them with their marketing and lead generation activities.

The Demand Generation Business Unit offers three lines of service:

- Custom Services;
- Marketing & Sales Engine;
- Catalogue Services.

Custom Services

This category includes ad hoc and customised projects tailored to the specific needs of clients, which are generally medium-large enterprises. These projects, sometimes especially complex, combine:

- communication services, such as storytelling, content marketing, digital advertising plans, social media plans etc.
- the organisation of physical or digital events, such as round tables and workshops, summits, major conventions, webinars etc.
- lead generation services, such as profiling, generation of business meetings etc.
- open innovation projects, such as Call4ideas, Hackathons etc.

The commercial strategy within this area is strongly oriented towards client accounting, with the objective of positioning the Unit as the sole point of reference for all client marketing and lead generation activities, thus maximising the up-selling and cross-selling opportunities.

Marketing & Sales Engine

The *Digital Marketing & Sales Engine* approach was launched at the end of 2018 and is based on the *Demand Generation As-A-Service* offer, which combines the publishing and technological assets of DIGITAL360 with the various multi-disciplinary skills, in order to manage end-to-end all the on-line marketing and lead generation activities of customers. More specifically, the Engine can:

- generate an effective and constant flow of communications, that combine storytelling, SEO positioning, social media amplification and digital PR activities for clients, leveraging the content marketing driven by the portals of the DIGITAL360 Network (outbound) and the web properties of clients (inbound);

- generate - constantly - profiled contacts and concrete sales opportunities, leveraging both marketing automation and gated content, such as white papers, reports, infographics and webinars, that are only available to registered users.

This approach guarantees more recurring income, greater scalability and, looking ahead, wider margins.

Thanks to the Engine, the strategy of this Business Unit is to implement a “Demand Generation As-A-Service” model that seeks to manage constantly the on-line marketing and lead generation activities of clients (both outbound and inbound), positioning DIGITAL360 as a veritable strategic partner by making available a multi-disciplinary team (comprising experts in the areas of content, digital communications, SEO, social media, marketing automation and lead generation) to work as an “extension” of the marketing department of the client business. This strategy, which strives to deliver a service to clients that generates recurring revenues on a subscription basis, is particularly scalable for the many small and medium-sized technology providers that cannot afford internally the specialist human resources needed to carry out on-line marketing and lead generation activities.

Catalogue Services

These are standard services in terms of the packages available and the results achievable and, as such, can be offered from an actual catalogue. Services of this kind are purchased occasionally by clients, often with limited growth potential.

This category includes:

- standard communication services, such as digital advertising packages (e.g. banners, buttons, direct e-mailing etc.) or content packages (e.g. on-line infommercials, videos etc.);
- physical or digital events with predetermined formats and targets, such as webinars, round tables, inclusion in multi-sponsor events etc.;
- lead generation packages with predetermined targets and results, both on-line and based on telephone marketing.

The catalogue services strategy seeks, on the one hand, to minimise commercial effort by leveraging marketing campaigns to push specific services and generate sales opportunities while, on the other, paying close attention in the pre-sales phase to the true “standardisation” of the service requested and, therefore, to its profitability.

The Demand Generation Business Unit combines the services of three Group companies: ICT&Strategy, ServicePro and, to the extent relevant, FPA.

Advisory & Coaching Business Unit

The Advisory & Coaching Business Unit offers businesses and Public Administrations a unique service model that is strongly based on engineered methodologies, data and knowledge-based assets that strive to overcome the scalability and cost limitations of classic advisory models. In particular, three types of service are offered:

- *Custom Projects,* that draw on distinctive skills to offer clients, typically medium/large businesses and Public Administrations, highly tailored projects designed to meet their implementation needs in the area of digital processes; additionally, these projects make it possible to develop methodologies and data than can be reused with smaller or less innovative businesses;
- *Engineered Services,* that involve a high degree of standardisation based on the structured methodologies, tools and data. Given their contained costs and limited complexity, these services can also be made accessible to small and medium-sized clients;
- *Subscription Services* (*Advisory As-A-Service*), that make it possible to carry out highly specialised digital activities for clients on an ongoing basis. These services are provided under long-term or renewable annual contracts and generate recurring revenues with periodic billing.

The decision was made during 2019 to accelerate the provision of Engineering Services and Subscription Services in particular, accepting as a consequence a reduction in the focus on and revenues from Custom Services.

More specifically, this strategy has been developed in two main directions:

- acceleration of the development of Engineered Services, with particular reference to certain core competencies (e.g. GDPR, Audit & Compliance, Cyber Security, Smart Working, Industry 4.0, Digital Capability etc.), partly by engineering the know-how developed on Custom Projects of major clients and also by drawing on the close collaboration with university teachers, which has made it possible to standardise working methods and support tools;
- the market launch of the first Subscription Services (Advisory As-A-Service) under long-term or annual contracts with periodic billing (especially the DPO - *Data Protection Officer* – and GDPR “As-A-Service” modules) and the first software support for Advisory services (GRC360, simple and

complete software meeting data protection needs that is deliverable As-A-Service and suitable for all types of organisation).

The Advisory & Coaching Business Unit combines the services of three Group companies: Partners4Innovation, IQ Consulting and, to the extent relevant, FPA.

Synergies between the two Business Units

The two-way synergies between the two Business Units are important:

- on the one hand, Demand Generation can count on the Advisory & Coaching experts to produce more specialist content (articles, white papers, videos etc.) and animate events and workshops;
- on the other, Advisory & Coaching can use the Digital Marketing & Sales Engine to generate a constant stream of new prospects (especially among SMEs) and key personnel can obtain significant exposure on the portals and during Group events, thus positioning themselves as opinion leaders.

The revenues of the two Business Units for the years ended 31.12.2018 and 31.12.2019 are analysed below:

Analysis of Group Revenues

values in million euros	**31.12.18**	**31.12.19**	**Δ 19 -18**
TOTAL REVENUES	**22.5**	**25.2**	12%
Demand Generation Revenues	**12.9** *57%*	**13.8** *55%*	7%
Advisory Revenues	**9.6** *43%*	**11.4** *45%*	19%

The 12% increase in revenues was solely due to organic growth of the Group's activities.

At Business Unit level, the significant growth of Advisory & Coaching has continued, with revenues up 19% compared with 2018. This reflects, on the one hand, acceleration along the two growth paths described above (Engineered Services and Subscription Services) and, on the other, deliberate containment of the more traditional custom services.

Healthy growth by the Demand Generation Business Unit (+7%) also reflects two different dynamics: strong acceleration of both Demand Generation As-A-Service and Engine clients, which generated sales to 67 clients worth about 3.0 million euros in 2019, and the controlled containment of custom services.

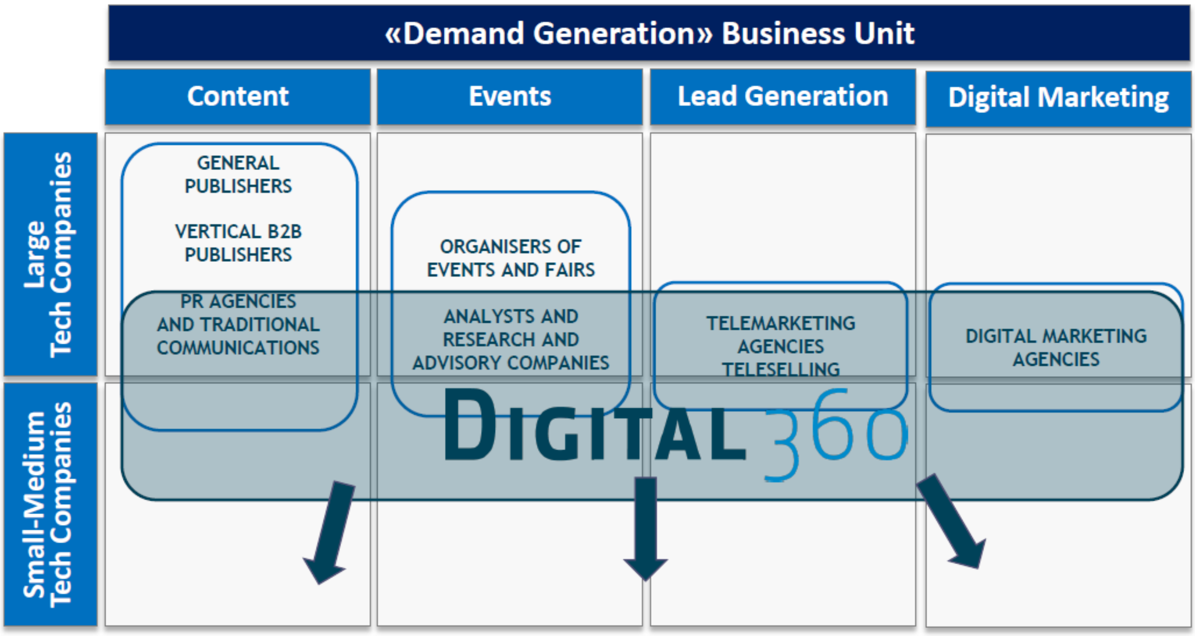
Competitive positioning

The competitive positioning of DIGITAL360 is summarised by Business Unit below, indicating the current trend.

Demand Generation Business Unit

The competitors of the Demand Generation Business Unit can be classified with reference to two main variables (see the figure below):

- the type of client served, distinguishing between major providers of digital innovations and smaller tech companies;
- the services offered, i.e. content (publishing and communication services), events (conferences, workshops, webinars, trade fairs etc.), lead generation (contact centre, marketing automation) and digital marketing (SEO, social media, on-line PR etc.).



In this scenario, three main elements distinguishing the Group can be identified:

- digital publishing assets, comprising the largest on-line network focused on the topics of digital transformation and entrepreneurial innovation: 56 portals and newsletters, with more than 1.8 million unique visitors/month, 45,000 first-page key words on Google and over 490,000 social media followers;
- technological assets developed with years of investment, comprising an integrated technological platform capable of combining multiple solutions within a single environment (content management system, marketing automation, customer relationship management etc.);
- integrated positioning across the entire range of services, leveraging a critical mass capable of supporting specialist teams for each line of services (editorial content, events, lead generation and digital marketing).

These distinctive element not only underpin the competitive advantage of Digital360, but also allow the Group to extend its capabilities towards ever smaller clients (including start-ups), thus penetrating a much larger market than that represented by the major providers, which are targeted by most competitors.

Advisory & Coaching Business Unit

The competitors of the Advisory & Coaching Business Unit can also be analysed with reference to two main variables (see the figure below):

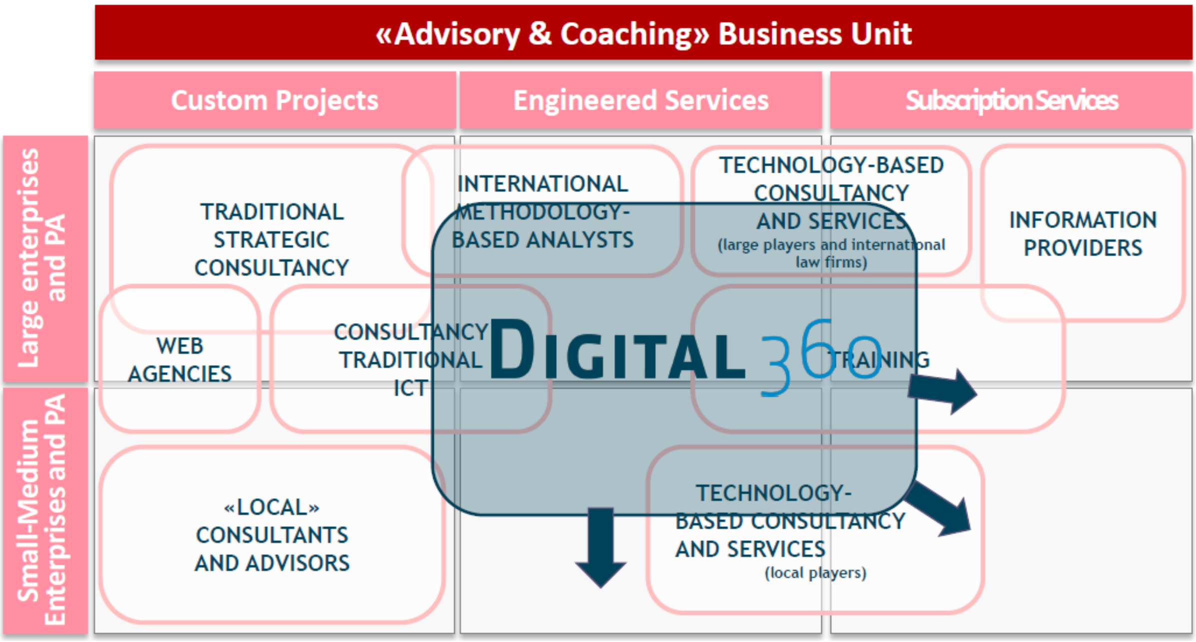
- types of advisory service offered;
- types of client served.

In turn, the types of advisory service offered can be analysed into:

- *custom projects*, heavily dependent on the efforts of the individuals involved and marked by a high level of customisation associated with specific requests from the client;
- *engineered services*, characterised by a greater level of standardisation and based on the use of methodologies and data that, in certain cases, can be delivered remotely using digital technologies and channels in the form of recurring services with monthly billings;
- *subscription services* that make it possible to carry out highly specialised digital activities for clients on an ongoing basis. These services are provided under long-term or renewable annual contracts and generate recurring revenues with periodic billing.

The types of client served can be classified as follows:

- small and medium-sized enterprises and public administrations;
- large enterprises and public administrations.



The advisory model adopted by DIGITAL360 is founded on three distinctive pillars that enable the scalability and cost limitations of traditional models to be overcome:

- the methodological assets and «engineered» knowledge derived from the University backgrounds of several founders of Digital360;
- software tools that allow certain advisory services to be delivered as-a-service from a technological platform;

- the Group's network of on-line portals and events that represent a privileged channel in terms of market positioning and access.

Given these elements, the Group has already established access to the market of medium-sized enterprises and public administrations and may further expand its positioning in that vast market, while also increasing the penetration of smaller operators that, currently, do not purchase - or purchase only minimally - advisory services for their digital transformations.

Main events during the year

This section provides information about:

- the major investments made that define the growth paths of the Group;
- the buyback operations;
- share price performance;
- other transactions.

Investments

Investment spending during 2019 totalled 1.9 million euros, primarily in the form of intangible fixed assets. The principal expenditure focused on investment in technological innovation and development of the new services needed to implement the new model for the two Business Units. More specifically and in line with the current strategic plan, these investments were made in the following main directions.

For the Demand Generation business unit:

- Enhancement of the new digital marketing & sales engine services model, which is modernising marketing and lead generation service from a one-off contract model to an ongoing "as-a-Service" model;
- Development and integration of the technology platforms underpinning the demand generation and engine model (Content Management System, Customer Relationship Management, Marketing Automation, etc.);

- Renovation of existing sites and portals and launch of new portals (BankingUp, RetailUp, AutomotiveUp, SmartMobilityUp), to strengthen the on-line positioning of the Network, including with regard to SEO and social media;
- Launch of a new machine learning project for analysing user behaviour within the network portals in order to provide them with content that is relevant to their interests ("smart recommendations").

For the Advisory & Coaching business unit:

- Start of new practices (Sports, eHealth, MarTech) and services (Blockchain, QHSE-Quality, Health, Safety and Environment, Cloud Transformation, Agile Organisation, etc.);
- Design and launch on the market of the first recurring services (annual or multi-year) using the Advisory-as-a-Service model, aimed at subscriptions with periodic pricing (such as DPO-GDPR-as-a-Service or CISO-Security-as-a-Service);
- Development and launch on the market of the first automated tools, using the Software as-a-Service model, to support the advisory activity (*GRC360*);
- Development of micro-learning platforms and offers (360DigitalSkill, FPA Digital School) to help businesses and public authorities efficiently disseminate to their employees a digital culture and basic knowledge of digital innovation.

The investments made in each direction are described in more detail below.

The principal investments of the Demand Generation Business Unit were made in the following areas:

- *Digital Marketing & Sales Engine*: the new model for Digital Marketing & Sales Engine services was strengthened during the year. Specifically, the service delivery methodology was finalised; the pre-sale, sales and delivery processes were designed and engineered, and specific tools were developed to support the various phases of the services sold (e.g. offer configuration, dashboard for monitoring project KPIs etc.).
- *Content Management System – CMS*: development of the CMS continued during 2019 with a view to optimising access to the content (especially when browsing on a smartphone) and improving its integration with marketing automation systems. A number of functions were also developed to monitor better the production of content, thus making publishing activities more effective. Lastly, improvements were made to the application that classifies portal content, with better profiling for information that leads to revenue generation.
- *Customer Relationship Management – CRM*: work on data quality continued during 2019, updating the details held about businesses and the related databases of contact persons, completing important mapping work and starting the customisations that will support the commercial phase.
- *Marketing Automation*: development of this platform means that a single tool now handles newsletter registration, automated e-mail marketing, the creation of landing pages and the planning

of social network campaigns. As an integral part of all Group portals, this platform profiles users while they browse, recording behaviour and creating behavioural clusters that can be used for targeted marketing. The development work carried out, especially during the first half of 2019, will also make it possible to present new and more relevant content to users, both free (unrestricted access) and gated (registration required), thus improving the registered user conversion rates. Additionally, the database of "hot" contacts (those particularly active on Group websites) has been updated, as has the database of users registered for Group newsletters, in order to monitor their interests and improve their profiles.

- *DIGITAL360Hub* (www.digital360hub.it): this portal for digital solution providers (tech companies) has been upgraded, adding new analytical and educational content (articles, white papers, infographics, videoclips etc.) on the "new" B2B marketing, in order to support their positioning and lead generation strategies.
- *On-line portals:* 4 new vertical sites have been developed within the EconomyUP portal: BankingUp (for the world of finance and Fintech companies), RetailUp (for retailing and distribution), AutomotiveUp (for the automotive world) and SmartMobilityUp (for the mobility market). Improvements were also made to the EconomyUp, ZeroUno, ForumPA, ScegliFornitore (supplier selection) and CorCom portals during 2019.
- *Smart Recommendation Project:* this new solution developed in 2019 comprises a technological "engine" that, by applying sophisticated machine learning and AI algorithms, helps to predict and suggest additional content to readers of a given article found on Digital360 portals. This technology is used to generate more relevant reading suggestions, with the automatic presentation of content customised to match the specific interests of users, thus improving their browsing experience. Subsequently, a new "Call To Action" platform was also developed. Using the same algorithms, this will offer group events, webinars, white papers etc. to users based on their interests, with a view to increasing the conversion rate and thus expanding the database owned by the Group.

The principal investments of the Advisory & Coaching Business Unit were made in the following areas:

- *New practice - Sport Innovation:* this practice - started to benefit from opportunities deriving from the digital transformation of a market with extraordinary potential - offers a new line of services for Clubs, Sports Companies, Sports Institutions, Public Administrations and Sponsors. These services range from defining revenue growth strategies thanks to the new opportunities of the digital realm, to studies of the fan experience through the analysis of the very large amount of data available, all the way to the definition of marketing activities to engage customers and fans.

- *New practice - eHealth Innovation:* this practice combines the specific competencies in the healthcare sector of two Group companies - P4I and FPA - with the mission to assist operators in the Healthcare System with their digital innovation programmes; in particular, this includes the definition of innovation strategies, the assessment and revision of models for the organisation and governance of innovation, and the implementation of digital transformation plans.
- *New practice - MarTech*: this practice combines a marketing solution for firms in the B2B sector with an annual subscription offered with monthly billings. This practice is already active in a number of sectors, including energy&utility, automation&manufacturing and logistics. The combination of marketing automation with effective communications (content marketing, storytelling, SEO positioning and social media actions) and support from the technological and publishing assets of the Digital360 Network, makes it possible to develop market positioning strategies for brands, thus facilitating the commercial development of clients and, via lead generation activity, the identification of new customers and prospects.
- *New blockchain services*: a number of specific blockchain services were launched during the year in order to make the Group's organisational, legal and technological skills available to clients, helping them to identify potential blockchain investments and related benefits in the context of their business objectives. The advisory support provided ranges from legal compliance (preparation of smart contracts, compatibility with the privacy regulations) to IT security.

- *New QHSE services:* new compliance services in the areas of *Quality, Health, Safety and the Environment* were introduced during the year. These new services address a rapidly expanding market, stimulated by ever more demanding regulations and the growing awareness of businesses and citizens about sustainability in all its forms: from the quality of processes to protection of the environment and occupational safety.
- *New Cloud Transformation services*: these services seek to establish an "all-encompassing" view of the Cloud phenomenon and, above all, draw a map that businesses can consult easily for orientation during the transformation process. The new model offers support to clients making the strategic decision to move to the Cloud.
- *New Agile Organisation service*: this service, currently under development, will evaluate the strategic objectives of organisations and guide them towards cultural change and different ways of working based on Agile principles. Development of the underlying model involves collaboration among the various practices and competencies within P4I, ensuring that all aspects of change are covered, both soft (culture oriented) and hard (IT oriented).
- *Data Protection Officer (DPO) As-A-Service:* this new service intends to provide an innovative solution to public and private organisations needing to identify suitable persons for the role of Data Protection Officer ("DPO") - introduced by Regulation (EU) 2016/679 of 27 April 2016 on personal data protection (the General Data Protection Regulation or GDPR) - a role that necessarily calls for multidisciplinary competencies. In view of the difficulties faced by organisations in recruiting staff or creating in-house teams with the multiple competencies required by the DPO role, this ability to make it available as-a-service supported by a multidisciplinary team enables organisations to draw on a mix of resources specialised in the action areas concerned. As a result, clients can benefit from services that are mostly engineered and provided remotely, many of which draw on our existing tools, thus obtaining on a subscription basis the specialist skills needed to comply with current regulations on a standardised basis.
- *GRC360 Data Protection:* Working together with Keisdata, Partners4Innovation has developed a simple and complete software solution known as *GRC360 Data Protection,* which is deliverable as-a-service to all types of organisation - regardless of size, ownership, business sector or territorial coverage - enabling them to tackle the complexities associated with administering the processing register required by the GDPR. This lowers their business operating costs and improves considerably their ability to evidence compliance with the principles embodied in the Regulation.
- *Security as a service (CISO)*: this service is dedicated to all firms, regardless of size, that have understood the importance of managing their Information & Cyber Security risks and wish to analyse and tackle them properly. Outsourcing to an external team means that SMEs have access to the most appropriate professionals whenever necessary and at the level required, even though they would

not be able to afford their own dedicated personnel. For larger firms, outsourcing means access to an updated team of experts, with considerable experience, for support in tackling all the challenges, strategic and otherwise, that they face. Here too, clients can benefit from services that are mostly engineered and provided remotely, thus obtaining on a subscription basis the specialist help needed to implement both preventive and reactive measures in the area of cyber security.

- *360 Digital School and FPA Digital School*: two micro-learning platforms with original and innovative offers have been developed to help businesses and public administrations, respectively, disseminate digital culture and digital skills among their employees. The offers are based on short, immediate and easily consumed ("snackable") content – such as video clips, expert witnesses, news feeds etc. - covering the principal aspects of digital transformation. These offers leverage the content generated daily on the publishing network.
- *New offers for Digital Transaction Managers (DTM) in the P.A*: this service helps the DTMs envisaged in the Digital Administration Code to (i) understand the issues faced by their organisations when adopting digital innovations, (ii) define a roadmap for alignment with the principles embodied in the regulation and (iii) obtain training for themselves and their teams, in order to develop the skills needed to unleash the real digital transformation of their organisation.
- *Continuous Feedback App:* an App has been developed for the exchange of feedback among all users within businesses and public administrations of any size. This App seeks to support innovations in HR performance management processes, facilitating the move towards an organisational and managerial culture more focused on the development of personnel than merely their appraisal.

Buy back

DIGITAL360 S.p.A. has signed an agreement with Corporate Family Office SIM S.p.A. ("CFO") to execute the programme for the purchase of treasury shares (the "buy back" programme) approved at the Shareholders' Meeting held on 19 December 2017.

Consistent with the shareholders' resolution, the objectives of the buy back programme are to:

- support the liquidity of the shares, in order to facilitate regular trading conditions and avoid price movements not in line with market trends, in accordance with common market practices identified by Supervisory Authorities at the time;

- use the shares as compensation in extraordinary corporate transactions conducted with other subjects, including the exchange of shares, with respect to operations of interest to the Company, in accordance with common market practices identified by Supervisory Authorities at the time.

At 31 December 2019, the Company holds 29,000 treasury shares, representing 0.18% of the share capital, at a weighted-average cost of 1.199 euro each, totalling 34,765 euros.

Share price performance

Despite the satisfactory results reported in the 2018 financial statements and the 2019 half-year report, the share price fell by 24% during the period, closing the last session on 30 December at 0.90 euro compared with 1.19 euro at the start of the year.

Performance of DIGITAL360 shares between 01.01.19 and 31.12.19, prices and volumes. Source: Borsa Italiana

Other transactions

Change to stock option plan

In November, the company approved a proposal to amend the terms and conditions of the DIGITAL360 Stock Option Plan ("Plan") presented by the Board of Directors.

The approved change stems from the Company's desire to strengthen the Group's two business units from an organisational point of view, providing for an ad-hoc remuneration plan for the relevant managers based on the assignment of options, to be exercised under different conditions from those initially provided for in the Plan, linked to the performance of the security's average market price.

In particular, the exception to the conditions for exercising the options is linked to the continued employment of the managers or to the achievement of specified profitability targets by the Business Units that they manage. This change only applies to those options not yet granted at the resolution date (500,000 options) and, in addition to strengthening the loyalty and incentives typically associated with the Plan objectives, the change also makes it possible to contain the fixed costs related to the remuneration of specific managerial positions.

All the other features of the Plan remained unchanged, including those relating to the conditions and terms for implementation.

Key balance sheet data

The key balance sheet data is summarised below at 31 December 2019 and 2018. The explanatory notes provide information useful for understanding better the dynamics of the balance sheet indicators presented below.

Reclassified balance sheet		31.12.2018	31.12.2019	Change	Change %
values in million euros					
Fixed assets					
Tangible assets		***0.5***	***0.5***	***0.0***	***n. s.***
Intangible assets		***9.8***	***9.3***	***-0.5***	***-6%***
Financial assets		***0.1***	***0.1***	***0.0***	***n.s.***
Total fixed assets	***A***	***10.4***	***9.9***	***-0.5***	***-5%***
Operating capital					
Trade receivables		***8.3***	***9.4***	***1.1***	***13%***
Trade payables		***-3.4***	***-3.1***	***0.3***	***-8%***
Other current assets/liabilities		***-1.1***	***-0.7***	***0.4***	***-33%***
Total operating capital	***B***	***3.8***	***5.6***	***1.8***	***46%***
Net capital invested	***A+B***	***14.2***	***15.5***	***1.2***	***9%***
Own and third-party funds					
Shareholders' Equity		***8.6***	***8.1***	***-0.5***	***-5%***
Net Financial Position		***4.6***	***6.3***	***1.7***	***38%***
Other funds		***1.0***	***1.0***	***0.0***	***1%***
Total own and third-party funds		***14.2***	***15.5***	***1.3***	***9%***

The 5% reduction in the carrying amount of fixed assets was mainly due to the related depreciation and amortisation charges. Slightly less than half the total value of fixed assets, about 4.9 million euros, is represented by the consolidation differences recorded in prior years as a result of acquisitions. The remainder largely reflects the investments made in R&D, technological development and the market launch of new services that are already available or under development, as discussed earlier.

In particular, the overall change in fixed assets during the year is summarised below:

Values in million euros	
Fixed assets at 31/12/2018	**10.4**
Investments during 2019	1.9
Amortisation of merger differences	-0.7
Amortisation/depreciation of other fixed assets	-1.7
Fixed assets at 31/12/2019	**9.9**

Specific note on financial fixed assets: these essentially comprise the minority interests held in other companies, following prior investment in start-up businesses in the digital arena. A number of the above companies are involved in special transactions that will result in capital increases and/or the arrival of new industrial partners. Although information about these transactions is not yet public, it is believed that their current carrying amounts, determined at historical cost, may not reflect significant “reserves of value”.

An initial assessment of the fair value of these assets, determined by the Company solely with reference to those investments that are expected to complete the above capital transactions soon, indicates that the value of the portfolio may exceed 800 thousand euros, compared with the current carrying amount of about 130 thousand euros. The minority interests held are detailed in the explanatory notes presented later in this report.

Trade receivables have increase by 13% since 31/12/2018: this rise closely reflects the growth in revenues (up by 12%).

The change in operating capital by 1.8 million euros was largely due to the settlement of vendor loans totalling 1.15 million euros, as mentioned earlier. Excluding this non-recurring outflow, operating capital would have risen by 17%, which is consistent with the growth of the Group.

The change in other current assets and liabilities was mainly due to the reduction in tax credits: in particular, the R&D tax credits earned in the prior year were offset against taxable income in 2019, as allowed by the regulations.

Further details about individual captions and their changes are provided in the explanatory notes.

The Net Financial Position is summarised in the following table:

Consolidated net financial position as at 31.12.18 and 31.12.19

values in million euros	**31.12.18**	**31.12.19**
Net bank debt	2.2	4.1
Other financial debts/vendor loans (*)	0.4	0.2
Liabilities to bondholders	2.0	2.0
TOTAL NET FINANCIAL POSITION	**4.6**	**6.3**

(*) Item included in “Other payables"

The change in the Net Financial Position during the year reflects, on the one hand, the positive cash flows generated from operations and, on the other, the funds absorbed by investing activities, including the settlement in early 2019 of vendor loans totalling 1.15 million euros in relation to the acquisitions completed in 2018.

As already mentioned above, excluding the payments for investments and acquisitions, current operations generated cash flows of about 1.3 million euros.

No dividends were paid during the year.

Relations with related parties

Transactions with related parties during the year were governed on arm's-length terms and took place in the interests of the Company and the Group.

The economic operations were mostly commercial in nature and arranged on market terms and conditions similar to those agreed for transactions with third parties; in particular, they principally related to the provision of technological, administrative, financial and commercial services.

DIGITAL360 S.p.A. controls the following companies at 31 December 2019:

- ICTandStrategy S.r.l. ("**ICT**"), 100% held;
- Partners4Innovation S.r.l. ("**P4I**"), 100% held;
- FPA S.r.l. ("**FPA**"), 100% held;
- IQ Consulting S.r.l. ("**Iqc**"), 51% held;
- ServicePro S.r.l. ("**Spro**"), 51% held;
- Pinevent S.r.l. ("**Pinevent**"), 80% held.

The following table, prepared from accounting data held by the Parent Company, shows the principal intercompany balance sheet relationships existing between DIGITAL360 and Group companies at 31 December 2019.

Balance sheet relationships - Digital360 S.p.a.							
Description	**P4I**	**ICT**	**Spro**	**Iqc**	**Pin**	**FPA**	**Total**
Financial receivables due from subsidiaries	-	-	-	-	73	-	**73**
Commercial receivables due from subsidiaries	(39,519)	608,512	-	-	-	119,560	**688,553**
Group VAT due from subsidiaries	277,721	523,278	-	-	-	69,933	**870,932**
Tax group credits due from subsidiaries			165,083	31,800		4,311	**201,195**
Dividends due from subsidiaries	-	-	-	-	-	-	-
Intercompany invoices to be issued	-	266,000	8,333	65,000	-	96,000	**435,333**
Financial payables due to subsidiaries	(56,660)	-	(915,770)	-	-	-	**(972,430)**
Commercial payables due to subsidiaries	-	-	-	-	-	-	-
Group VAT due to subsidiaries	-	-	-	-	-	(93,882)	**(93,882)**
Tax group debits due to subsidiaries	(24,529)	(93,234)	-	-	(2,597)	-	**(120,360)**
Intercompany invoices to be received	(177,000)	-	-	-	-	-	**(177,000)**
TOTAL	**(19,987)**	**1,304,556**	**(742,354)**	**96,800**	**(2,524)**	**195,923**	**832,414**

The following example is provided solely to facilitate understanding of the above table: at 31.12.2019, the financial payables of DIGITAL360 to P4I amounted to 56,660 euros.

The following table, also prepared from accounting data held by the Parent Company, summarises the principal intercompany economic relations between DIGITAL360 and Group companies during 2019.

Economic relations - Digital360 S.p.a.							
Description	**P4I**	**ICT**	**Spro**	**Iqc**	**Pin**	**FPA**	**Total**
Revenues from intercompany services	1,302,000	1,540,544	20,000	110,000	15,000	390,000	**3,377,544**
Cost of intercompany services/purchases	(179,884)	-	-	-	-	-	**(179,884)**
Interest charged to Group companies	-	1,438	-	-	73	-	**1,511**
Interest charged by Group companies	(25,365)	-	(12,186)	-	-	-	**(37,551)**
TOTAL	**1,096,751**	**1,541,982**	**7,814**	**110,000**	**15,073**	**390,000**	**3,161,620**

The revenues earned by DIGITAL360 from the provision of services to its subsidiary companies related, almost entirely, to services rendered in its role as an operational parent company: 1) strategic and market analyses needed to define development plans for subsidiary companies and launch of new services; 2) technological support for the development of on-line portals, technological platforms and software for the digitalisation of internal processes; 3) general services for the Administration, Finance and Control, HR Management and Legal Affairs functions etc.

The interest income and expense relates to intercompany loans between the Parent Company and its subsidiaries, which are governed on arm's-length terms.

Lastly, relations with related parties include a loan from shareholder Andrea Rangone of 199,596 euros.

Information about the environment and personnel

There are no significant matters to report, given the specific activities of the Company. No damage has been caused to the environment and no penalties or other related charges have been incurred. No workplace incidents have caused injuries of any kind to employees and, more generally, there are no particular issues involving relations with personnel. The following table summarises the number of employees at the end of each year:

Category	31.12.2018	31.12.2019
Executives	2	2
Managers	14	15
Staff	123	119
Others (under fixed-term contracts)	49	56
TOTAL	**188**	**192**

The change during the year was essentially due to opposite but essentially equal phenomena: on the one hand, the reorganisation and restructuring plan - involving ICT&Strategy in particular, as mentioned earlier - which resulted in the departure of personnel with profiles no longer consistent with the more innovative business development model. On the other, the strengthening of the team at P4I following the growth in business volume during the year, as well as the recruitment of new professional profiles with digital specialisations in the Engine area of ICT%Strategy.

The modest increase in the number of employees, compared with the jump in personnel costs (+28%), was due to the fact that a significant part of the recruitment needed to support the new business model was completed at the end of 2018; accordingly, the full effect of the related payroll costs only became evident in 2019.

Principal risks and uncertainties to which the company is exposed

Risks associated with the sector in which the Company operates

The Digital Innovation market is very large and developing strongly. However, operating in a highly innovative environment exposes the Group to the risk that innovations and the development of new technologies might not be as rapid as forecast, not least because of the general uncertainties that mark the political situation in Italy and the recent healthcare emergency caused by the spread of COVID-19.

The pandemic, in particular, could have an adverse impact on the reference market, causing a slowdown in decisions to purchase services offered by the Group.

Given the current situation, the economic and financial position of the Group might well be influenced by various factors affecting domestic and international macro-economic conditions, such as increases or decreases in GDP and the level of confidence evidenced by business investment and household spending.

As stressed by the European Central Bank following the Executive Council meeting held on 12 March 2020, "the spread of COVID-19 represents a significant shock for the growth prospects of the global and Euro-area economies, increasing market volatility. Even if the problem only turns out to be temporary, it will have a significant impact on economic activity. In particular, production will be slowed due to supply chain interruptions and both domestic and foreign demand will be reduced, not least due to adverse impact of the necessary containment measures. In addition, heightened uncertainty will impact on spending plans and the related financing arrangements."

At the time of approving this report, the national healthcare authorities are unable to forecast the duration of the emergency: accordingly, it is difficult at this time to foresee the consequences for the environment in which the Company operates and, therefore, the effects that the business will have to endure. In the meantime, in addition to adopting all the measures recommended by the authorities to safeguard the health of employees and collaborators, the Company and its subsidiaries have prepared on a timely basis the technology needed to work remotely, in order to allow business activity to continue as much as possible. The Group has also significantly expanded its range of digital services because - considering the current lockdown - they are the only services that allow businesses to carry on working and continue to reach their reference markets.

In conclusion therefore, against this background and with the possibility of an ongoing recession facing the country, adverse impacts on the activities and growth prospects of the Company and on its economic and financial position cannot be excluded.

Credit risk in relation to commercial transactions with clients

The Group has a sound portfolio represented by leading clients that do not give rise to solvency concerns. The carrying amount of receivables takes account of collection risks via an appropriate allowance for doubtful accounts.

Nevertheless, the deterioration of economic and financial conditions in Italy, not least due the recent healthcare emergency caused by the spread of COVID-19, could significantly increase the difficulty of collecting receivables with the same timing as in the past.

Interest-rate risks

Group policy does not envisage speculative investment in financial products.

Current financial market conditions, characterised by very low interest rates due, in part, to the creditworthiness of Group companies, do not give rise to concerns about changes in interest rates.

Exchange-rate risks

The Group operates almost entirely in the Euro area. Transactions settled in currencies other than the Euro are very limited and relate to the sale of services abroad. As a consequence, there are no significant exchange-rate risks.

Liquidity risks

The Group currently has access to several authorised lines of credit that have not been used. These could be drawn down to finance the work needed to finalise the new business model and support the increase in operating capital that follows from the likely growth in turnover.

Nevertheless, given the economic crisis deriving from the healthcare emergency caused by the spread of COVID-19, the flow of payments by clients might be slowed and, consequently, temporary difficulties in the management of liquidity by the Group cannot be excluded.

Outstanding disputes

At 31 December 2019, the Group is party to an employment-related dispute with a former collaborator. Following a careful analysis by our legal advisor of the underlying events and the documentation available, the Company believes that no provisions are required in relation to this risk, having rejected in full the claims made by the former collaborator in the defence filing presented to the court.

Significant events after 31 december 2019 and outlook for the future

In February 2020, DIGITAL360 S.p.A. exercised in full the mandate granted at the Shareholders' Meeting held on 19 December 2017, resolving to increase share capital against payment, in one or more tranches, for a maximum amount of Euro 250,000.00, plus any share premium, by issuing a maximum of 2,500,000 ordinary shares, without indication of the face value, having the same characteristics as those already in circulation, with regular dividend rights, with the exclusion of option rights pursuant to Article 2441, fifth paragraph, of the Italian Civil Code, to reserve for subscription to the beneficiaries of the "Digital360 Stock Option Plan" ("Plan") at a price of Euro 0.50. The shares may be subscribed by the beneficiaries under the terms and conditions set out in the Plan Regulations.

It should be remembered that as of today, 2,500,000 options have been fully assigned. Specifically, the Plan Regulations provide that:

(a) 2,000,000 options may be exercised by each beneficiary, provided that at the time they are exercised, the market price ("Price") of the Shares is higher than Euro 2.00. In the event of a lower Price, the exercisability percentage shall be proportionally reduced, down to a Price of Euro 1.15, representing the minimum threshold for exercising the options ("A Options").

(b) the exercising of the remaining 500.000 options may be linked to the condition of permanence of the Managers with the Company or to the achievement of specific profitability performance targets by the specific Business Units managed ("B Options"). To date, 166,666 B Options have been exercised, entitling their holders to subscribe for 166,666 Digital360 shares; following this exercise, the Company has issued 166,666 ordinary shares. As a consequence, share capital has changed as follows:

	CURRENT SHARE CAPITAL			PREVIOUS SHARE CAPITAL		
	Euros	Number of shares	Nominal value	Euros	Number of shares	Nominal value
TOTAL	1,625,820.50	16,258,205	-	1,609,153.90	16,091,539	-
ORDINARY SHARES:	1,625,820.50	16,258,205	-	1,609,153.90	16,091,539	-

The first two months of 2020 have shown very positive signs of growth in revenues and commercial orders, in line with the forecasts for the current year.

However, the spread around the world and in Italy of the healthcare emergency caused by COVID-19, and the resulting lockdown, cause concerns about the possible adverse effects that may crystallise in the coming months.

The emergency has not yet had a significant impact on Group companies, not least because immediate steps were taken to significantly expand the range of digital services offered. Given the current lockdown, these are the only services that allow businesses to carry on working and continue to reach their reference markets. In particular, the following services have been strengthened: webinars, streamed events, digital communication campaigns, on-line lead generation, fully remote advisory services in the legal, audit & compliance and cyber security fields, emergency kits for the rapid activation of smart working and distance learning services.
Although the current emergency might represent a favourable opportunity for the Group to develop the digital culture, with businesses and public administrations needing to install remote working systems and make greater use of all digital channels in their dealings with users and customers, the Group nevertheless is examining all possible recovery plan actions and manoeuvres, should it become necessary to contain costs or reduce the level of planned investments.

The economic and financial impact of a “worst case” scenario is being simulated in order to assess the consequences of a possible reduction in turnover in the coming months and increase in the average collection period for trade receivables.

At the time of approving this report, as discussed above in relation to the market risks faced by the Company, the national healthcare authorities are unable to forecast the duration of the emergency: accordingly, it is difficult at this time to foresee the consequences for the environment in which the

Company operates and, therefore, the effects that the business will have to endure. In the meantime, in addition to adopting all the measures recommended by the authorities to safeguard the health of employees and collaborators, the Company and its subsidiaries have prepared on a timely basis the technology needed to work remotely, in order to allow business activity to continue as much as possible.

Balance Sheet Assets

DIGITAL360 S.p.A.
Registered office: Via Copernico 38, Milan
Share capital: 1,609,154 euros (fully paid up)
Milan Companies Register no. 08053820968
REA no. 2000431
FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

	BALANCE SHEET - ASSETS	**31.12.2019**	**31.12.2018**
A)	SUBSCRIBED CAPITAL, UNPAID		
B)	FIXED ASSETS		
	I. Intangible Fixed assets:		
	2) development costs	2,994,447	2,640,469
	3) industrial patents and intellectual property rights	611,351	503,139
	4) concessions, licences, trademarks		
	5 bis) consolidation differences	4,887,870	5,671,824
	7) other assets	781,677	1,005,035
	Total intangible fixed assets	9,275,344	9,820,467
	II. Tangible Fixed Assets		
	1) land and buildings	310,264	320,294
	4) other assets	210,341	200,375
	Total	520,605	520,669
	III. Financial Fixed assets		
	1) investments in:		
	b) associated companies	24,005	24,005
	d) other companies	110,354	112,965
	Total investments	134,359	136,971
	Total	134,359	136,971
	TOTAL FIXED ASSETS (B)	9,930,307	10,478,106
C)	CURRENT ASSETS		
	II. Receivables		
	1) trade receivables	9,416,209	8,342,876
	of which due beyond the financial year	0	0
	4 bis) tax receivables	401,366	832,373
	of which due beyond the financial year	0	0
	4 ter) deferred tax assets	383,138	383,961
	of which due beyond the financial year	0	0
	5) other receivables	286,701	306,899
	of which due beyond the financial year	0	0
	Total	10,487,413	9,866,109
	III. Current financial assets not held as fixed assets		
	6) other securities	0	2,861
	Total	0	2,861
	IV. Cash and cash equivalents		
	1) deposit accounts	1,999,739	1,898,285
	3) cash at hand	136	0
	Total	1,999,876	1,898,285
	TOTAL CURRENT ASSETS (C)	12,487,289	11,767,255
D)	ACCRUALS AND DEFERRALS		
	a) prepaid expenses and accrued income	389,911	707,129
	TOTAL ACCRUALS AND DEFERRALS (D)	389,911	707,129
	TOTAL ASSETS (A+B+C+D)	**22,807,507**	**22,952,490**

Balance Sheet Liabilities

DIGITAL360 S.p.A.
Registered office: Via Copernico 38, Milan
Share capital: 1,609,154 euros (fully paid up)
Milan Companies Register no. 08053820968
REA no. 2000431
FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

	BALANCE SHEET - LIABILITIES	31.12.2019	31.12.2018
A)	SHAREHOLDERS' EQUITY		
	I. Group share capital	1,609,154	1,609,154
	II. Share premium reserve	6,680,476	6,680,476
	IV. Legal reserve	7,562	2,382
	V. Treasury shares portfolio reserve	-34,782	-31,481
	Merger surplus reserve	20,964	20,964
	Reserve for hedging expected cash flow operations	-5,230	0
	Other reserves	26,706	26,706
	VIII. Euro rounding reserve	-4	-5
	IX. Reserve for share capital increase	0	0
	X. Group retained earnings (accumulated losses)	-109,101	331,897
	XI. Group profit (loss) for the financial year	-821,014	-435,821
	TOTAL SHAREHOLDERS' EQUITY group share	7,374,731	8,204,272
	Minority share capital and reserves	394,221	134,098
	Profit (loss) for the financial year attributable to minority interests	378,023	260,123
	TOTAL MINORITY INTERESTS	772,244	394,221
	TOTAL SHAREHOLDERS' EQUITY (A)	8,146,974	8,598,493
B)	PROVISIONS FOR LIABILITIES AND CHARGES		
	1) for pensions and similar obligations	24,527	24,527
	3) other	6,882	0
	TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	31,409	24,527
C)	EMPLOYEE SEVERANCE INDEMNITIES (C)	980,043	993,074
D)	PAYABLES		
	2) convertible bonds	2,000,000	2,000,000
	of which due beyond the financial year	2,000,000	2,000,000
	4) due to banks	6,134,769	4,064,733
	of which due beyond the financial year	2,985,791	2,229,316
	6) payments on account	62,577	0
	of which due beyond the financial year	0	0
	7) payables to suppliers	3,098,299	3,434,681
	of which due beyond the financial year	0	0
	12) tax payables	601,776	862,969
	of which due beyond the financial year	0	0
	13) due to social security and welfare institutions	418,964	374,934
	of which due beyond the financial year	0	0
	14) other payables	1,114,542	2,409,778
	of which due beyond the financial year	0	0
	TOTAL PAYABLES (D)	13,430,927	13,147,096
E)	ACCRUALS AND DEFERRALS		
	a) accrued expenses and deferred income	218,155	189,300
	TOTAL ACCRUALS AND DEFERRALS (E)	218,155	189,300
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E)	**22,807,507**	**22,952,490**

Income Statement

DIGITAL360 S.p.A.
Registered office: Via Copernico 38, Milan
Share capital: 1,609,154 euros (fully paid up)
Milan Companies Register no. 08053820968
REA no. 2000431
FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

	INCOME STATEMENT	31.12.2019	31.12.2018
A)	VALUE OF PRODUCTION		
	1) revenue from sales and services	24,884,197	21,875,821
	4) increases in fixed assets for internal work	1,426,564	1,350,961
	5) other income and revenues	360,815	637,409
	TOTAL VALUE OF PRODUCTION (A)	**26,671,576**	**23,864,191**
B)	PRODUCTION COSTS		
	6) for raw, ancillary and consumable materials and goods	13,743	8,374
	7) for services	14,220,292	12,958,552
	8) for rents and leases	754,751	714,505
	9) personnel costs:		
	a) salaries and wages	6,288,679	5,203,111
	b) social security contributions	1,575,856	1,214,564
	c) employee severance indemnity	405,443	357,563
	e) other personnel costs	347,451	123,332
	Total personnel costs	8,617,429	6,898,571
	10) amortisation, depreciation and write-downs:		
	a) amortisation of intangible assets	2,327,172	2,062,377
	b) depreciation of tangible assets	87,120	73,744
	c) current asset write-downs	34,840	42,732
	Total amortisation, depreciation and write-downs	2,449,132	2,178,853
	14) other operating expenses	535,693	715,666
	TOTAL PRODUCTION COSTS (B)	**26,591,040**	**23,474,521**
	DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	**80,536**	**389,670**
C)	FINANCIAL INCOME AND EXPENSES		
	16) other financial income		
	- other	11,096	2,498
	Total financial income from fixed asset receivables	11,096	2,498
	17) interest expenses and financial charges:		
	- to others	350,424	273,052
	Total interest and other financial charges	350,424	273,052
	17 bis) exchange rate gains and losses	-1,401	-267
	TOTAL FINANCIAL INCOME/EXPENSES	**340,730**	**270,821**
D)	VALUATION ADJUSTMENTS OF FINANCIAL ASSETS		
	18) revaluations (write-ups)	0	0
	Total revaluations (write-ups)	0	0
	19) devaluations (write-downs)		
	a) of investments	0	50,063
	Total devaluations (write-downs)	0	50,063
	Income before taxes (A-B+-C+-D+-E)	**-260,194**	**68,786**
	22) current, deferred and prepaid income taxes for the financial year		
	current taxes	411,596	470,847
	deferred tax assets	2,474	-229,476
	income (expenses) from participation in tax consolidation system	-228,638	0
	tax for previous financial years	-2,634	3,111
	Total current, deferred and prepaid taxes for the financial year	182,798	244,482
	23) profit (loss) for the financial year	**-442,991**	**-175,697**
	Group	-821,014	-435,821
	Minority interests	378,023	260,123

Explanatory notes to the consolidated financial statements at 31 December 2019

Parent Company
DIGITAL360 S.p.A.

Registered office: Via Copernico 38, Milan

Share Capital 1,625,820 euros (fully paid up)

Tax Code 08053820968

Business Register (REA) no. MI 2000431

Explanatory notes to the consolidated financial statements at 31 December 2019

Shareholders,

The consolidated financial statements at 31 December 2019, of which these explanatory are an integral part, have been prepared from accounting records that are kept properly in accordance with Italian legislation and regulations.

Introduction

At 31 December 2019, DIGITAL360 S.p.A., the Parent Company, owns majority equity interests in the following companies:

- ICTandStrategy S.r.l. (or ICT&, wholly owned), which offers communications, marketing and lead generation services, events and webinars, in the digital transformation arena. ICT&Strategy addresses on a B2B basis all providers of digital, technological innovation and business solutions, offering them multiple services for contacting and becoming known to their customers (businesses and the PA). The company merged Effetto Domino S.r.l. at the end of 2018, absorbing its assets.
- Partners4Innovation S.r.l. (or P4I, wholly owned), which uses professionals - highly specialised in all aspects of digital transformation - to provide advisory and coaching services to businesses and public administrations that seek to understand and assess the digital opportunities available for improving their processes, products and services;
- FPA S.r.l. (wholly owned), which facilitates interactions and collaboration among the public administration, business, the world of research and civil society. In particular, FPA helps central and local public administrations to implement technological, institutional and organisational innovations, working with all digital solution and technological innovation providers interested in this dynamic. FPA provides this support by offering multiple services: from the organisation of events and large gatherings to communications, and from research to advice and training;
- ServicePro S.r.l. (51% held), which operates as a “full service” marketing agency, organising complex events and managing demand and lead generation campaigns. It particularly aims its services at large vendors of technological solutions, carrying out the role of preferred agency for a number of these and managing important elements of their marketing budgets;

- IQ Consulting S.r.l. (or IQC, 51% held), which is an academic spin-off active in the Industry 4.0 and supply chain management sectors. IQC supports innovation and the strategic management of supply chains that design, supply, produce and distribute products and services, providing integrated logistical, technological, organisational and IT skills.
- Pinevent S.r.l. (80% held), which develops and maintains a platform for the management of business events that helps to promote networking, facilitate engagement, distribute content and improve the brand awareness of customers.

Scope of consolidation

The companies included within the scope of consolidation at 31 December 2019 and consolidated on a line-by-line basis are listed in the following table:

List of companies included in the consolidated financial statements at 31 December 2019

Name and location	Quota capital	% held
DIGITAL360 S.p.A. Via Copernico 38 - Milan	Euro 1,609,154	
ICTandStrategy S.r.l. Via Copernico 38 - Milan	Euro 19,697	100%
Partners4Innovation S.r.l. Via Copernico 38 - Milan	Euro 14,286	100%
FPA S.r.l. Via Alberico II, 33 – Rome	Euro 58,000	100%
Pinevent S.r.l. Via Copernico 38 - Milan	Euro 35,000	80%
ServicePro S.r.l. Via Mazzini 5 - Cernusco Sul Naviglio (MI)	Euro 50,000	51%
IQ Consulting S.r.l. Via Copernico 38 - Milan	Euro 10,000	51%

Consolidation principles

The consolidated financial statements at 31 December 2019 have been prepared in accordance with the Italian Civil Code.

The main consolidation criteria adopted for the preparation of the consolidated financial statements are described below:

- the carrying amount of investments in consolidated subsidiary companies is eliminated against the corresponding equity interest, while the assets and liabilities reported in their respective financial statements are combined on a line-by-line basis. Any positive differences identified on the acquisition date are allocated to specific assets, where possible, or otherwise to the "Consolidation differences" caption, which is amortised on a straight-line basis over a period deemed reasonable considering the expected future benefits. Any negative differences are allocated to the "Consolidation reserve" reserve caption;
- unrealised profits and losses deriving from transactions between consolidated companies are eliminated, as are all receivables, payables and other transactions between the companies included within the scope of consolidation;
- the capital and reserves of subsidiary companies representing equity interests owned by third parties are recognised within shareholders' equity as "Minority share capital and reserves";
- the portion of the consolidated results attributable to third-party investors is classified separately in the "Profit (loss) for the financial year attributable to minority interests" caption.

Accounting policies and measurement criteria

The consolidated financial statements at 31 December 2019 have been prepared in accordance with the Italian Civil Code.

Each line item is measured on the prudent accruals basis applicable to going concerns.
Application of the concept of prudence involves measuring separately each asset and liability, avoiding the offset of losses that should be recognised against unrealised income that should not. In particular, profits are only recognised if realised by the reporting date, while contingencies and losses attributable to the period are recognised, even if they only become known subsequently.

Application of the accruals concept means recognising transactions in the year to which they relate, and not that in which the related collections and payments are made.

No exceptional events took place during the year that would have made recourse necessary to the measurement exceptions allowed by law. Similarly, no assets were revalued during the year under the relevant special laws.

The preparation of financial statements requires estimates to be made that influence the reported value of assets and liabilities and the related financial disclosures. The results actually achieved may differ from those estimates. Estimates are revised periodically and the effects of any changes in accounting estimate, if not due to mistakes, are recognised in the income statement for the year in which they become necessary and appropriate, if only that year is affected, and also in subsequent years if the changes affect both the current and future years.

Intangible fixed assets

These are measured at purchase or production cost, including any related charges, and amortised systematically on a straight-line basis over the period they are expected to benefit.

Industrial patents and intellectual property rights, licences, concessions and trademark registration expenses are amortised over 5 years.

Deferred charges, including development costs, are capitalised when a future benefit is expected, when there is objective correlation between the charges and the future benefits for the Group, and when the recoverability of the amount can be estimated with reasonable certainty. These costs are amortised over 5 years. Purchases made during the year are amortised at half the standard rate.

The “Consolidation differences” comprise the residual portion of the extra value paid with respect to the book quotaholders’ equity of the consolidated companies on the respective acquisition dates, after considering the additional value attributable to specific assets. The “Consolidation differences” are stated net of the amortisation accumulated over the period of expected benefit. The period of expected benefit is determined after considering the specific characteristics of the sector in which the acquired companies operate, which underpinned the economic-financial reasons for purchasing them.

Leasehold improvements are amortised over the period of expected benefit or, if shorter, the residual lease term.

Tangible fixed assets

These are measured at purchase or production cost, including any directly-related charges, and stated net of accumulated depreciation.

Tangible fixed assets are depreciated systematically each year on a straight-line basis, applying economic-technical rates that reflect their residual useful lives.

Additions made during the year are depreciated at half the standard rate.

Type of tangible fixed asset	Rate %
Buildings	3%
Electronic office machines	12%
Furniture and furnishings	15%

Routine maintenance costs are charged in full to the income statement.

No discretionary or voluntary revaluations have been carried out and measurements do not exceed the value in use, determined on an objective basis, of the tangible fixed assets concerned.

The recoverable value of tangible and intangible fixed assets is estimated if, at the reporting date, there is evidence of permanent impairment.

These assets are written down if their recoverable value, being the greater of their value in use and their fair value net of selling costs, is lower than the corresponding net carrying amount. When the recoverable value of an individual fixed asset cannot be estimated, that analysis is carried out with reference to the relevant "cash generating unit" (CGU), being the smallest identifiable group of assets that includes the fixed asset to be measured and which generates separate cash inflows that are substantially independent of the cash inflows generated by other assets or groups of asset.

Any permanent impairment identified is deducted first from any recognised goodwill/consolidation differences allocated to the CGU, if applicable, and subsequently from other assets in proportion to their net carrying amount.

The write-down is written back in subsequent periods if the reasons for the adjustment cease to apply. This write-back does not exceed the value of the asset had the adjustment never been made, after taking account of the full depreciation/amortisation that would have been charged. Write-downs allocated to goodwill/consolidation differences or deferred charges are never written back.

Financial fixed assets

Investments in non-consolidated subsidiary companies and other equity investments are measured at purchase or subscription cost, including related charges, and adjusted for any permanent impairment. Their original value is reinstated in subsequent periods if the reasons for the impairment adjustment cease to apply. Non-current financial receivables are measured at cost. Financial fixed assets include guarantee deposits.

Investments in associated companies are measured using the equity method. Investments in dormant or insignificant subsidiary or associated companies are measured at acquisition or subscription cost and adjusted for any permanent impairment.

Receivables

These are stated at their estimated realisable value. The nominal value of receivables is adjusted to reflect their estimated realisable value by the allowance for doubtful accounts, which takes account of any known, feared or latent collection problems, as well as general conditions in the economy and the sector, including country risk.

Cash and cash equivalents

Cash is measured at its nominal value, while bank and postal deposits are measured at their estimated realisable value.

Financial assets not held as fixed assets

Securities, equity investments and other financial assets not held as fixed assets are stated at purchase cost including related charges or, if lower, at their realisable value determined with reference to market trends.

Accruals and deferrals

Prepaid expenses, accrued income, accrued expenses and deferred income reflect the time apportionment, in accordance with the matching principle, of costs and income relating to two or more consecutive accounting periods.

Provisions for liabilities and charges

These are recorded to cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. Provisions are estimated with reference to all relevant information available at the time of preparing these financial statements.

Derivative financial instruments

Derivative financial instruments are financial assets and liabilities recognised at fair value. They are mainly used as hedges to manage the risks deriving from interest-rate and exchange-rate fluctuations.

Derivatives are only classified as hedging instruments if, at the start of the hedge, a close and documented correlation exists between the characteristics of the hedged element and those of the hedging instrument, the above hedging relationship is documented formally and the effectiveness of the hedge is high, as confirmed by periodic checks.

When derivatives cover the risk of fluctuations in the cash flows from hedged instruments (cash flow hedges), the effective portion of the profits and losses from the derivative financial instrument is deferred within shareholders' equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. When the related transaction takes place, the accumulated profits and losses deferred within shareholders' equity are released to the income statement (as adjustments to the line items affected by the hedged cash flows). Accordingly, the changes in the fair value of hedging derivative financial instruments are recognised as follows:

• in income statement captions D18 or D19 in the case of fair value hedges of assets or liabilities recorded in the balance sheet and changes in the fair value of hedged items (if the change in the fair value of the hedged item exceeds in absolute terms the change in the fair value of the hedging instrument, the difference is recognised in the income statement line affected by hedged item);

• in a specific equity reserve (caption AVII "Reserve for hedging expected cash flow operations") in the case of cash flow hedges that offset the effects of the hedged flows (the ineffective portion is classified in income statement captions D18 and D19).

The changes in the fair value of derivative financial instruments classified as held for trading, given that they do not satisfy the hedge accounting requirements, are recognised in the balance sheet and classified in income statement captions D18 or D19.

Employee severance indemnities

Employee severance indemnities (TFR) represent the total of the individual indemnities earned by employees at the reporting date, net of advances paid, and equal the amount that would have been paid to them had they terminated their employment at that date.

The TFR payable at 31 December 2019 reflects the actual amount earned by all employees in compliance with current legislation and employment contract, considering all forms of continuous remuneration.

Payables

These are measured at their nominal value, which is considered representative of their settlement value.

Foreign currency transactions and balances

Receivables and payables originally denominated in foreign currencies are translated using the rates applying on the transaction date and later aligned using the year-end rates.

In particular, assets and liabilities not representing non-current items and non-current financial receivables are stated using the spot exchange rates ruling on the reporting date. Profits and losses deriving from the translation of receivables and payables are respectively credited and debited to income statement caption 17 bis) "Exchange rate gains and losses".

Revenues and costs

These are reported in the income statement on a prudent accruals basis, with recognition of the related accruals and deferrals. They are stated net of any returns, discounts and allowances.

Revenues and costs from the provision of services and financial income and charges are recognised on an accruals basis, having regard for the progress made towards completion of the service.

Sales and purchases of products are recognised when the exchange takes place, which is the moment in which ownership passes.

Income taxes

Income taxes for the year are determined with reference to a realistic estimate of the tax charges payable under current tax law.

Deferred taxes are calculated on temporary differences between the reported carrying amounts of assets and liabilities and their corresponding values for tax purposes. In particular, in accordance with the concept of prudence, deferred tax assets are only recognised if their recoverability is reasonably certain.

The effects of any changes of estimate (including tax rate changes) are allocated to the tax charge for the year. No provisions are made for the taxation of reserves that would be taxable on distribution, if such distribution is not deemed likely.

Commencing from 2019, DIGITAL360 S.p.A. Has established a domestic tax group together with the following subsidiary companies: ICT& S.r.l., P4I S.r.l., IQC S.r.l., Pinevent S.r.l., FPA S.r.l. and ServicePro S.r.l.. Under this election, the IRES charge is based on the taxable income determined by summing the pre-tax profits and losses of each tax group member.

The economic relations between the consolidating company and its subsidiary companies, as well as their reciprocal obligations, are governed by the tax group contract signed by the member companies.

Explanatory notes to the balance sheet

Assets

A) Subscribed capital, unpaid

This caption has a zero balance at 31 December 2019.

B) Fixed assets, with separate indication of finance leases granted

This caption totals 9,930,307 euros at 31 December 2019 (10,478,106 euros at 31 December 2018), of which 9,275,344 euros for intangible fixed assets, 520,605 euros for tangible fixed assets and 134,359 euros for financial fixed assets.

B I - Intangible fixed assets

Intangible fixed assets amount to 9,275,344 euros at 31 December 2019 (9,820,467 euros at 31 December 2018) and comprise:

- research, development and innovation costs: 2,994,447 euros
- industrial patents and intellectual property rights: 611.351 euros
- consolidation differences: 4,887,870 euros
- other intangible fixed assets: 781.677 euros

The change in intangible fixed assets during the year is summarised below:

Description	31/12/2018	Increases	Decreases	31/12/2019
2) research and development costs				
Original cost	4,449,096	1,378,336		5,827,432
Accumulated amortisation	1,808,628	1,024,357		2,832,985
Net value	**2,640,469**			**2,994,447**
3) industrial patents and intellectual property rights				
Original cost	865,125	300,923		1,166,048
Accumulated amortisation	361,987	192,711		554,698
Net value	**503,139**			**611,351**
4) Concessions, licences and trademarks				
Original cost	1,392			1,392
Accumulated amortisation	1,392			1,392
Net value	(0)			(0)
5 bis) Consolidation differences				
Original cost	7,829,546			7,829,546
Accumulated amortisation	2,157,721	783,955		2,941,677
Net value	**5,671,824**			**4,887,869**
7) other assets				
Original cost	1,856,346	104,554		1,960,900
Accumulated amortisation	851,312	327,912		1,179,224
Net value	**1,005,035**			**781,677**
Total	**9,820,467**			**9,275,344**

The principal captions are discussed below:

2) Research, development and innovation costs

This caption amounts to 2,994,447 euros at 31 December 2019 (2,640,469 euros at 31 December 2018) following a net increase of 13% (353,978 euro) since 31.12.2018.

Consistent with its strong vocation for development and innovation, during 2019 the Company continued the heavy investment described further in the section on Group investment in the Report on operations. The entire organisation was involved in various ways, with a view to preparing and expanding the range of services offered.

3) Industrial patents and intellectual property rights

This caption amounts to 611,351 euros at 31 December 2019 (503,139 euros at 31 December 2018) and comprises software licences and “Corriere delle Comunicazioni”, which is a newspaper title. The net increase during the year was mainly due to the costs incurred to develop the Group’s entire software platform.

5 bis) Consolidation differences

This caption amounts to 4,887,870 euros at 31 December 2019 (5,671,824 euros at 31 December 2018) and relates to the following companies:

Company	Amount
ICTandStrategy S.r.l.	1,433,075
Partners4Innovation S.r.l.	387,844
FPA S.r.l.	957,020
Pinevent S.r.l.	13,350
IQC S.r.l.	263,883
ServicePro S.r.l.	1,832,696
Total	**4,887,870**

The changes during the year are summarised below:

Company	Balance at 31 December 2018	Increases	Decreases	Amortisation	Balance at 31 December 2019
ICTandStrategy S.r.l.	1,703,893	-	-	270,818	1,433,075
Partners4Innovation S.r.l.	474,869	-	-	87,025	387,844
FPA S.r.l.	1,118,836	-	-	161,815	957,020
Pinevent S.r.l.	15,575	-	-	2,225	13,350
IQC S.r.l.	296,869	-	-	32,985	263,883
ServicePro S.r.l.	2,061,783	-	-	229,087	1,832,696
Total	**5,671,824**	**-**	**-**	**783,955**	**4,887,870**

Consolidation differences are amortised over 10 years, since the companies listed will generate profitability for at least that period of time. In particular, they are all companies active in their respective sectors for many years, with a consolidated position, or newly-formed companies with excellent medium-term potential due to the skills accumulated and the products/services offered.

There is no evidence of permanent impairment at 31 December 2019.

Accordingly, the consolidation differences are considered to reflect the true economic value of the consolidated equity investments held, which will be recovered in the coming years due to their expected profitability.

7) Other intangible fixed assets

This caption amounts to 781,677 euros at 31 December 2019 (1,005,035 euros at 31 December 2018).

This caption includes the charges incurred to list DIGITAL360 S.p.A. on the AIM Italia market in 2017, as well as the cost of developing unprotected ERP software. The increase during the year was mainly due to the cost of developing the above ERP software.

B II - Tangible fixed assets

Tangible fixed assets amount to 520,605 euros at 31 December 2019 (520,669 euros at 31 December 2018) and comprise:

Description	31/12/2018	Increases	Decreases	Depreciation	31/12/2019
1) land and buildings					
Original cost	415,028				415,028
Accumulated amortisation	94,735			10,030	104,765
Net carrying amount	**320,293**				**310,264**
4) other assets					
Original cost	574,854	90,544	(26,022)		639,376
Accumulated amortisation	374,479		(22,535)	77,091	429,035
Net carrying amount	**200,376**				**210,341**
Total net carrying amount	**520,669**	**90,544**	**(3,487)**	**87,121**	**520,605**

Land and buildings comprise solely the building owned by ServicePro S.r.l., which is used for its business activities.

The other tangible fixed assets mainly consist of electronic machines and furniture and furnishings owned by Group companies.

B III - Financial fixed assets

This caption amounts to 134,359 euros at 31 December 2019 and comprises the following equity investments.

The change since 31.12.18 reflects completion of the liquidation of “Parterre S.r.l. in liquidation”, on distribution of the residual assets.

a) Associated companies

Name and location	Quota capital	Quotaholders' equity	Profit (loss) for the financial year	% held	Carrying amount
Solvo S.r.l.	20,000	12,890	(1,550)	50%	10,000
Sparkling Lab Sagl (CH)	30,000 CHF	(10,376)	9,302	40.00%	14,005
Total					**24,005**

The above quotaholders' equity and results relate to the position at 31/12/2018.

b) Other companies

Name and location	Capital	Total equity	Profit (loss) for the financial year	% held	Carrying amount
AppQuality S.r.l.	14,037.00	(25,110)	457,555	7.92%	1,547
Club investimenti S.p.A.	5,640,821	(805,008)	4,571,576	0.003%	300
Eurofidi	300	n.a.	n.a.	n.a.	300
Digital magics S.p.A.	7,415,086	385,725	19,778,474	0.07%	37,500
Idri S.r.l.	1,057,324.00	290,216	1,178,050	1.25%	14,922
Premium Store S.r.l. in liquidation	11,000.00	(307,702)	(159,445)	1.65%	0
Primo round S.r.l.	14,285.71	47,646	(9,131)	15.00%	28,018
SATA S.r.l.	125,613.00	198,879	762578	9.87%	21,866
Wear S.r.l.	12,593.00	3,508	208,842	8.82%	5,901
Total					**110,354**

Reported data at 31.12.2018

The shareholders' equity and results of Club Italia Investimenti S.p.A. were determined at 30/06/2019, which is the accounting reference date for that company.

As stated in the Report on operations, several of the above companies are involved in special transactions that will result in capital increases and/or the arrival of new industrial partners. Although information about these transactions is not yet public, it is believed that their current carrying amounts, determined at historical cost, may not reflect significant "reserves of value".

An initial assessment of the fair value of these assets, determined by the Company solely with reference to those investments that are expected to complete the above capital transactions soon, indicates that the value of the portfolio may exceed 800 thousand euros, compared with the current carrying amount of about 130 thousand euros.

C) Current assets

This caption amounts to 12,487,289 euros at 31 December 2019 (11,767,255 euros at 31 December 2018) and comprises receivables of 10,487,413 euros and cash and cash equivalents of 1,999,876 euros.

C II - Receivables

Current receivables amount to 10,487,413 euros and are analysed as follows:

Receivables	31/12/2019	31/12/2018
1) Trade receivables	9,416,209	8,342,876
4-bis) tax receivables	401,366	832,373
4-ter) deferred tax assets	383,138	383,961
5) other receivables	286,701	306,900
Total	**10,487,413**	**9,866,109**

The change in receivables since the start of the year was principally due to:

- the increase in trade receivables by 1,073,333 euros (+13%), which was consistent with the growth in revenues (+12%). The amount of receivables reflects their recoverable value;
- the decrease in tax receivables by 431,007 euros due, in particular, to the reduction in the tax credits for R&D activities with respect to those earned and recorded at the end of the prior year.

The ageing of receivables at 31 December 2019 is analysed below:

Receivables	Within 12 months	Beyond 12 months	31/12/2019
1) Trade receivables	9,416,209	-	9,416,209
4-bis) tax receivables	401,366	-	401,366
4-ter) deferred tax assets	383,138	-	383,138
5) other receivables	286,701	-	286,701
Total	**10,487,413**	**0**	**10,487,413**

Receivables at 31 December 2019 are analysed by geographical area below:

Receivables	Italy	Abroad	31/12/2019
1) Trade receivables	9,365,477	50,732	9,416,209
4-bis) tax receivables	401,366	-	401,366
4-ter) deferred tax assets	383,138	-	383,138
5) other receivables	286,701	-	286,701
Total	**10,436,681**	**50,732**	**10,487,413**

The principal captions and related changes are discussed below:

1) Trade receivables

Trade receivables total 9,416,209 euros at 31 December 2019 and are stated net of an allowance for doubtful accounts, 209,585 euros, that reduces their nominal value to their net realisable value.

The amounts due from foreign customers total 50,732 euros.

4-bis) Tax receivables

Tax receivables total 401,366 euros. They are analysed as follows:

Description	31/12/2019	31/12/2018
IRES	60,548	201,538
IRAP	29,983	70,844
VAT	1,080	41,428
Other receivables	309,755	518,563
Total	**401,366**	**832,373**

The decrease in this caption was discussed earlier.

4-ter) Deferred tax assets

This caption reports deferred tax assets totalling 383,138 euros. These deferred tax assets were calculated with reference to the temporary differences represented by costs deductible in future years and carried-forward tax losses. Further information is provided in the table attached to the note on taxation.

5) Other receivables

This caption amounts to 286,701 euros and includes guarantee deposits of 37,600 euros, advances to suppliers of 175,022 euros and other minor amounts of 74,079 euros.

Description	31/12/2019
Guarantee deposits	37,600
Advances to suppliers	175,022
Other minor amounts	74,079
Total	**286,701**

C IV - Cash and cash equivalents

Cash and cash equivalents amount to 1,999,876 euros and are analysed as follows:

Description	31/12/2019	31/12/2018
Bank and postal deposits	1,999,739	1,898,285
Cash	136	-
Total	**1,999,876**	**1,898,285**

The balance at 31 December 2019 is essentially unchanged with respect to the prior year. Cash and cash equivalents principally derive from the assignment of receivables to factors or the use of invoice advance facilities, and should be analysed together with the use of bank accounts. Further information is provided in the Report on operations with regard to the Net Financial Position of the Group.

D) Accrued income and prepaid expenses

These amount to 389,911 euros (707,129 euros at 31 December 2018) and mainly reflect the deferral of costs relating to future years.

In particular, this caption includes prepaid office rental expense, the cost of licences that partially cover the new year, and cost of employees and collaborators whose work relates to revenues not yet earned.

The decrease (317,218 euros) was entirely due to the reduction in prepaid personnel costs.

Further information is provided in the following table:

Accrued income and prepaid expenses	31/12/2019	31/12/2018
Accrued income	136	190
Prepaid expenses	389,775	706,938
Total	**389,911**	**707,129**

Liabilities and shareholders' equity

A) Shareholders' equity

Consolidated shareholders' equity is analysed as follows:

Description	31/12/2019	31/12/2018
I. Group share capital	1,609,154	1,609,154
II. Share premium reserve	6,680,476	6,680,476
III. Revaluation Reserve	-	-
IV. Legal reserve	7,562	2,382
V. Treasury shares portfolio reserve	(34,782)	(31,481)
VI. Statutory Reserves	-	-
VII. Other reserves:	-	-
Consolidation reserve	-	-
Merger surplus reserve	20,964	20,964
Reserve for hedging expected cash flow operations	(5,230)	-
Other reserves	26,706	26,706
Euro rounding reserve	(5)	(5)
VIII. Group retained earnings (accumulated losses)	(109,101)	331,897
IX. Group profit (loss) for the financial year	(821,014)	(435,821)
TOTAL SHAREHOLDERS' EQUITY group share	**7,374,731**	**8,204,272**
Minority share capital and reserves	394,221	134,098
Profit (loss) for the financial year attributable to minority interests	378,023	260,123
TOTAL MINORITY INTERESTS	**772,244**	**394,221**
Total SHAREHOLDERS' EQUITY	**8,146,974**	**8,598,493**

The shareholders' equity and results of the parent company are reconciled with the related consolidated amounts in Attachment 2.

The following table summarises the changes in the shareholders' equity of the DIGITAL360 Group.

Description	Balance at 31/12/2018	Allocation of prior-year results	Other changes	Results for the year	Balance at 31/12/2019
Share capital	1,609,154				1,609,154
Share premium reserve	6,680,476				6,680,476
Legal reserve	2,382	5,180			7,562
Merger surplus reserve	20,964				20,964
Negative reserve for the purchase of treasury shares	(31,481)		(3,301)	.	(34,782)
Reserve for hedging expected cash flow operations			(5,230)	.	(5,230)
Other reserves	26,706				26,706
Euro rounding reserve	(5)				(5)
Profits (Losses carried forward)	331,896	(441,001)			(109,103)
Financial year result	(435,821)	435,821		(821,014)	(821,014)
Total	**8,204,272**	**-**	**(8,531)**	**(821,014)**	**7,374,731**

I - Share capital

The fully-paid share capital of DIGITAL360 S.p.A. amounts to 1,609,154 euros at 31 December 2019. At the date of preparing these financial statements, the share capital of the parent company has risen to 1,625,820 euros following the exercise of options vested under the "DIGITAL360 Stock Option Plan", which was approved at the Shareholders' Meeting held on 19 December 2017 and subsequently amended on 28 November 2019.

II - Share premium reserve

The share premium reserve of DIGITAL360 S.p.A. amounts to 6,680,476 euros at 31 December 2019, unchanged since the end of the prior year.

IV - Legal reserve

The legal reserve amounts to 7,652 euros at 31 December 2019.

IV - Negative reserve for the purchase of treasury shares

The negative reserve for the purchase of treasury shares amounts to (34,782) euros at 31 December 2019 and is represented by 29,000 DIGITAL360 shares purchased in 2018 and 2019. See the Report on operations for further information.

VI - Merger surplus reserve

The merger surplus reserve amounts to 20,964 euros and derives from mergers carried out in prior years. There were no changes during the year.

VII - Other reserves

This caption comprises the (i) Reserve for hedging expected cash flow operations, (5,230) euros (net of the related deferred tax asset), which represents the fair value at 31 December 2019 of a derivative instrument that hedges changes in the interest rate on a loan arranged in February 2019 and (ii) other reserves of 26,706 euros that did not change during the year.

X - Group retained earnings (accumulated losses)

Group retained earnings (accumulated losses) amount to (109,101) euros.

IX - Profit (loss) for the financial year

The loss for the year amounts to 442,991 euros, of which (821,014) euros pertaining to the Group and 378,023 euros to third parties.

B) Provisions for liabilities and charges

The provisions for risks and charges amount to 31,409 euros at 31 December 2019 (24,527 euros at 31 December 2018) and comprise the provision for agents' termination indemnities, 24,527 euros, and the provision for the fair value of the IRS hedging derivative arranged in February, stated gross of the related deferred tax asset, which is classified as a current asset.

C) Employee severance indemnities

This provision amounts to 980,043 euros (993,074 euros at 31 December 2018) and represents the indemnities (TFR) earned by employees at 31 December 2019. The reduction reflects the provision for the year (405,443 euros), net of the payments to leavers made, principally, by ICT& and P4I, and the payments to other funds. The changes during the year are summarised below:

Balance at 1/1/2019	**993,074**
Provision	405,443
TFR paid	318,197
Payment to other funds	100,277
31/12/2019	**980,043**

D) Payables

Payables amount to 13,430,927 euros (13,147,096 euros at 31 December 2018) and are analysed as follows:

Description	31/12/2019	31/12/2018
2) Convertible bonds	2,000,000	2,000,000
4) due to banks	6,134,769	4,064,733
6) payments on account	62,577	-
7) payables to suppliers	3,098,299	3,434,681
12) tax payables	601,776	862,969
13) due to social security and welfare institutions	418,964	374,934
14) other payables	1,114,542	2,409,778
Total	**13,430,927**	**13,147,096**

The slight increase since 31 December 2018 was mainly due to the combined effect of the following factors:

- increase in the amount due to banks by 2,070,036 euros, mostly due - as explained in the Report on operations - to the need to finance the growth of the business and, consequently, the working capital requirement, as well as to investment expenditure, which included the settlement in early 2019 of vendor loans, 1.15 million euros, linked to the acquisitions made in 2018. During the year, new loans were arranged and loans for specific purposes were renewed totalling about 2.6 million euros, gross of repayments amounting to about 1.3 million euros. The NFP in relation to the banking system rose by 1.9 million euros during the year, from 2.2 million euros to 4.1 million euros;
- decrease in the amount due to suppliers by 336,382 euros, despite the growth of the business;
- decrease in tax payables by 267,945 euros, mainly as a result of establishing the domestic tax group during the year;

- reduction in other payables by 1,295,236 euros due, almost entirely, to i) settlement during the first half of 2019 of vendor loans arranged to defer part of the payment for the quotas in the companies acquired during 2018 (about 1.15 million euros) and ii) part payment of the amount due to a shareholder (about 0.2 million euros), as discussed in the section on related parties in the Report on operations.

The ageing of payables at 31 December 2019 is summarised below.

Payables	Within one year	Beyond one year	31/12/2019
2) Convertible bonds	-	2,000,000	2,000,000
4) Due to banks	3,148,978	2,985,791	6,134,769
6) payments on account	62,577	-	62,577
7) Payables to suppliers	3,098,299	-	3,098,299
12) Tax payables	601,776	-	601,776
13) Due to social security and welfare institutions	418,964	-	418,964
14) Other payables	1,114,542	-	1,114,542
Total	**8,445,137**	**4,985,791**	**13,430,927**

4) Due to banks

The amount due to banks totals 6,134,769 euros (4,064,733 euros at 31 December 2018) and is analysed as follows:

Description	Within one year	Beyond one year	31/12/2019
Due to banks	317,971	-	317,971
Advances against invoices	986,370	-	986,370
Medium-term loans	1,844,612	2,985,791	4,830,403
Total	**3,148,953**	**2,985,791**	**6,134,744**

No amounts payable are secured on Company assets.

6) Payments on account

This caption amounts to 62,577 euros at 31 December 2019 and is new in the current year. The balance relates to advances received from customers in relation to contracts that have not yet been completed.

7) Payables to suppliers

This caption totals 3,098,299 euros at 31 December 2019 following a reduction of about 10%.

12) Tax payables

Tax payables total 601,776 euros at 31 December 2019. Tax payables comprise the liability for known and calculated taxes, VAT and the amounts withheld from payments at source on behalf of the tax authorities. This account is analysed as follows:

Tax payables	31/12/2019	31/12/2018
IRES	8,848	298,160
IRAP	4,968	52,897
VAT	203,945	141,763
Withholding taxes	383,587	233,706
Other payables	426	136,442
Total	**601,776**	**862,968**

There are no unpaid, past due tax payables at 31 December 2019.

13) Due to social security and welfare institutions

The amounts due to social security and welfare institutions total 418,964 euros at 31 December 2019 (374,934 euros at 31 December 2018) and mainly comprise payables to INPS and pension funds.

14) Other payables

Other payables amount to 1,114,542 euros at 31 December 2019 (2,409,778 euros at 31 December 2018) and comprise:

- 199,596 euros due on the purchase of equity investments, representing the residual vendor loans arranged by DIGITAL360 S.p.A. in relation to the acquisitions made in prior years;
- 598,048 euros due to employees, which was settled in a routine manner subsequent to the reporting date;
- 316,898 euros in relation to miscellaneous payables.

The net decrease was explained earlier.

The ageing of other payables is summarised below:

Other payables	Within 12 months	Beyond 12 months	Total
Due on acquisition of equity investments	199,596	-	199,596
Due to employees	598,048	-	598,050
Miscellaneous payables	316,898	-	316,898
Total	**1,114,542**	**-**	**1,114,544**

E) Accrued expenses and deferred income

These amount to 218,155 euros at 31 December 2019 (189,300 euros at 31 December 2018) and mainly reflect the deferral of revenues relating to future years. The change with respect to the prior year mainly reflects the growth in volume.

Accrued expenses and deferred income	31/12/2019	31/12/2018
Accrued expenses	27,313	34,341
Deferred income	190,842	154,959
Total	**218,155**	**189,300**

Explanatory notes to the consolidated income statement

A) Value of production

The value of production amounted to 26,671,576 euros (23,864,191 euros at 31 December 2018, +12%) and principally comprises revenues from the provision of services, which totalled 24,884,197 euros following a rise of 3,008,376 euros (+14%) with respect to the prior year. See the Report on operations for further information.

The value of production also includes the increases in fixed assets for internal work of 1,426,564 euros. In this regard, the 2018 income statement has been partially restated to include the “increases in fixed assets for internal work” caption for the sake of consistency and comparability.

Other revenues and income totalled 360,815 euros, including out-of-period income of 60,550 euros, insurance reimbursements of 1,120 euros, the reimbursement of legal expenses and interest of 5,128 euros, other revenues of 4,353 euros and tax credits for R&D expenditure - pursuant to art. 3 of Decree 145/2013, as amended - of 289,664 euros.

Value of production	31/12/2019	31/12/2018
Revenues from the provision of services	24,884,197	21,875,821
Increases in fixed assets for internal work	1,426,564	1,350,961
Other revenues and income	360,815	637,409
Total	**26,671,576**	**23,864,191**

As explained further in the Report on operations, the results for the year reflect the strategic decision made towards the end of 2018 to accelerate the provision of more innovative, digital services that generate recurring revenues at monthly rates. These new services have offset the deliberate slowdown of productive and commercial activities linked to the provision of more traditional services (especially printed titles) that, until early 2018, still made a significant contribution to the income statement.

B) Production costs

Production costs totalled 26,591,040 euros at 31 December 2019 (23,474,521 euros at 31 December 2018).

The increase compared with 2018 of 13% was slightly more than the rise in revenues, mainly due to the non-recurring personnel restructuring and reorganisation costs of about 380,000 euros, incurred at Group level, that affected the results for the year. Excluding these non-recurring costs, the increase of 12% was in line with the growth in the value of production.

The move and acceleration towards a model focused on more innovative services has at the moment limited the effects of margin growth, as a partial consequence was a reduction in revenues from more traditional services and, at the same time, a partial duplication of expenses on both service areas (innovative and traditional), with costs temporarily increasing in order to adapt the structure. These effects were compounded by the extra spending incurred in 2019 (0.4 million euros) on the one-time non-recurring costs mentioned above. The positive effects will be fully visible in 2020, given the absence of one-time non-recurring costs and the full contribution made by the revenues from subscription services.

Lastly, part of the increase in costs was attributable to higher depreciation and amortisation charges. These were a consequence of the investments made following the IPO, which have significantly expanded the business opportunities available, as shown by the rise in the value of production.

Production costs	31/12/2019	31/12/2018
6) for raw, ancillary and consumable materials and goods	13,743	8,374
7) for services	14,220,292	12,958,552
8) for rents and leases	754,751	714,505
9) personnel costs	8,617,429	6,898,571
10) amortisation, depreciation and write-downs	2,449,132	2,178,853
14) Other operating expenses	535,693	715,666
Total	**26,591,040**	**23,474,521**

6) For raw, ancillary and consumable materials and goods

These amounted to 13,743 euros (8,374 euros at 31 December 2018) and reflect the purchase of consumable materials.

7) For services

These amounted to 14,220,292 euros (12,958,552 euros at 31 December 2018) and are analysed as follows:

Costs for the production of services	31/12/2019	31/12/2018
Professionals assigned to projects	4,917,212	4,278,156
Direct production costs	6,624,020	5,833,318
Professional consultancy	297,352	239,467
Travel expenses	651,960	758,370
Commercial costs and advertising	82,339	135,132
IT and technology costs	803,109	594,171
Cost of directors, statutory auditors and SB	636,311	632,339
Bank charges	4,521	-
Other services	203,469	487,599
Total	**14,220,292**	**12,958,552**

The cost of services rose by 10% to about 1.3 million euros. This increase was largely due to the spending necessary in order to increase revenues, as well as to the partial duplications incurred during the year that were described earlier.

The costs incurred on professionals included advisory services (e.g. professionals involved in advisory projects etc.) and demand generation activities (e.g. writing articles for the Group's titles, contributions from external experts at events organised by Group companies etc.), as well as the technical and technological, administrative, tax and legal services obtained at Group level. The rise was principally attributable to the Advisory division, which needed a significant injection of professional skills at the highest level in view of the types of services sold, as already described in the Report on operations.

The direct production costs mostly consisted of event organisation expenses. A significant part of that expenditure was dedicated to location, set-up and communication costs associated with the "ForumPA" event held in May 2019. An equally significant portion was associated with the events organised by ServicePro.

8) For rents and leases

These amounted to 754,751 euros (714,505 euros at 31 December 2018) and related to the rental of offices used by the Group in Milan and Rome.

9) Personnel costs

These amounted to 8,617,429 euros (6,898,571 euros at 31 December 2018). This caption comprises all employment costs, including merit increases, promotions, inflation adjustments, the cost of untaken holidays and the provisions required by law and collective employment contracts. Personnel costs also include incentives totalling about 0.4 million euros to facilitate the departure from the Group of persons whose profiles were not deemed compatible with the new business models.

Employment is analysed in the section on "Other information".

As explained in the Report on operations, the modest increase in the number of employees (+4 persons), compared with the jump in personnel costs (+28%), was due to the fact that a significant part of the recruitment needed to support the new business model was completed at the end of 2018; accordingly, the full effect of the related payroll costs only became evident in 2019.

10) Amortisation, depreciation and write-downs

Amortisation of intangible fixed assets

This totalled 2,327,172 euros (2,062,377 euros at 31 December 2018).

The amount at 31 December 2019 includes the amortisation of consolidation differences totalling 783,955 euros.

The increase compared with the charge reported at 31 December 2018 is attributable to the investments made during the year, which have significantly expanded the business opportunities available, as shown by the rise in the value of production.

Depreciation of tangible fixed assets

The depreciation of tangible fixed assets totalled 87,120 euros (73,744 euro at 31 December 2018).

Write-down of current receivables

This write-down was recorded to align receivables with their estimated recoverable value.

14) Other operating expenses

These amounted to 535,693 euros (715,666 euros at 31 December 2018) and principally comprise out-of-period expense of 231,132 euros, miscellaneous taxes and penalties of 29,469 euros, travel and entertaining of 145,049 euros, consumable materials, stationery and printed matter of 28,592 euros, other charges of 88,686 euros and modest losses on receivables of 12,765 euros. The reduction with respect to the prior year was mainly due to the lower impact of out-of-period expenses.

C) Financial income and expenses

16) Other financial income

This amounted to 11,096 euros (2,498 euros at 31 December 2018) and related entirely, 9,881 euros, to a dividend received from S.A.T.A. S.r.l.

17) Interest expenses and financial charges

This amounted to 350,424 euros (273,052 euros at 31 December 2018) and included financial charges of about 90 thousand euros relating to the convertible bond for 2 million euro (fixed rate of 4.50%, maturing in June 2022) issued at the time of the IPO, as well as interest and charges on the outstanding bank loans.

17 bis) Exchange rate gains and losses

Net exchange gains amounted to 1,401 euros (loss of 267 euros at 31 December 2018).

D) Adjustments to financial assets

This caption did not change during the year.

Taxation

22) Current, deferred and prepaid income taxes for the financial year

Current taxes for the year amounted to 182,798 euros (244,482 euros at 31 December 2018).

As already mentioned, the current year is the first year of the domestic tax group election.

The change in deferred tax assets was 2,474 euros (-229,476 euros at 31 December 2018).

The change in deferred tax assets at 31 December 2019 is analysed in the table below.

RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES AND RELATED EFFECTS	Amount of temporary differences	Tax effect
Deferred tax assets:		
Costs deductible in future years (IRES)	77,645	18,636
Costs deductible in future years (IRAP)	5,500	215
Costs deducted in prior years (IRES)	(88,847)	(21,323)
Losses deductible in future years (IRES)	-	-
Losses recovered during the year (IRES)	-	-
Total		**(2,473)**

Calculation of IRES taxable income		
	31/12/2019	**31/12/2018**
Result before taxes	(260,194)	163,538
Theoretical tax charge (rate 24%)	(62,447)	204,301
Taxable temporary differences	-	23,378
Deductible temporary differences	-	-
Reversal of prior-year temporary differences	(88,847)	(72,549)
Differences that will not reverse in future years	(383,756)	202,266
Amortisation of consolidation differences	754,179	
Taxable income	21,381	316,632
Current income taxes	327,673	346,120
Effective rate	-125.93%	211.64%

Calculation of IRAP taxable income		
	31/12/2018	**31/12/2018**
Difference between value and cost of production	80,536	337,530
Costs not relevant for IRAP purposes	7,572,392	3,742,791
Costs deductible pursuant to specific laws	7,060,686	2,996,036
Total	592,242	1,084,286
Theoretical tax charge (rate 3.9%)	23,097	42,287
Taxable temporary differences	5,500	2,750
Deductible temporary differences		
Permanent differences	382,222	582,673
Amortisation of consolidation differences	754,179	-
Reversal of prior-year temporary differences	-	-
Taxable income	1,734,143	1,669,709
Current income taxes	83,923	77,053
Effective rate	14.17%	7.11%

OTHER INFORMATION

Human Resources

The Group employs 192 persons at 31 December 2019, as analysed below:

CATEGORY	31.12.2019	31.12.2018
Executives	2	2
Managers	15	14
Staff	119	123
Others (under fixed-term contracts)	56	49
TOTAL	**192**	**188**

Information about financial fixed assets carried at more than fair value

(art. 2427-bis, para. 1.2, Italian c.c.)

The Group does not have any financial fixed assets carried in the consolidated financial statements at more than their fair value.

Information about the financial instruments issued by the Group

(art. 2427, para. 1.19, Italian c.c.)

As detailed in the Report on operations, DIGITAL360 S.p.A. has issued the following financial instruments:

- Shares: IT0005254252
- Convertible bonds: IT0005254484

Information about the fair value of derivative financial instruments

(art. 2427-*bis*, para. 1.1, Italian c.c.)

The Company arranged an IRS (Interest Rate Swap) in February 2019 in order to hedge the rate risk on a floating-rate bank loan obtained from Unicredit. This loan amounts to 500 thousand euros and matures in 2024.

Treasury shares and shares in parent companies

At 31 December 2019, DIGITAL360 S.p.A. holds 29,000 treasury shares, representing 0.18% of the share capital, at a weighted-average cost of 1.199 euro each, totalling 34,765 euros.

Remuneration of directors and officers during the year

The remuneration recognised to the Board of Directors of DIGITAL360 S.p.A. during the year amounted to 184,543 euros.

The remuneration recognised to the Board of Statutory Auditors and the Independent Auditors totalled 88,144 euros.

For the Board of Directors

The Chief Executive Officer

Attachment 1 – Cash Flow

Cash Flow Statement 31 December 2019	31/12/2019	31/12/2018
A. Cash flows from operating activities (indirect method)		
Profit (loss) for the financial year	**(442,991)**	**(175,697)**
Income taxes	182,798	244,482
(Capital gains)/capital losses arising from the disposal of assets		2,346
1. Profit (loss) for the financial year before income taxes, interest, dividends and gains/losses on disposals	**(260,193)**	**71,131**
Adjustments for non-cash items with no offsetting item in net working capital		
Severance indemnity provisions	405,443	357,563
Amortisation/depreciation of fixed assets	2,414,292	2,136,121
Write-downs for impairment losses	-	50,063
Other adjustments for non-cash items	6,880	(71,141)
Total adjustments for non-cash items	2,826,615	2,472,606
2. Cash flow before changes in net working capital	**2,566,422**	**2,543,737**
Changes in net working capital		
Decrease/(increase) in trade receivables	(1,073,333)	(3,123,317)
Increase/(decrease) in trade payables	(336,382)	1,425,235
Decrease/(increase) in prepaid expenses and accrued income	317,218	65,044
Increase/(decrease) in accrued expenses and deferred income	28,855	57,700
Payables for acquisition of equity investments (vendor loans)	(1,150,000)	1,150,000
Other changes in net working capital	446,198	1,205,310
Total changes in net working capital	(1,767,443)	779,973
3. Cash flow after changes in net working capital	**798,979**	**3,323,709**
Other adjustments		
(Income taxes paid)	(479,844)	(612,567)
(Use of provisions)	(418,474)	-
Total other adjustments	(898,318)	(612,567)
Cash flows from operating activities (A)	**(99,340)**	**2,711,142**
B. Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(87,056)	(498,457)
Proceeds from disposals	-	-
Intangible fixed assets		
(Investments)	(1,782,049)	(1,740,295)
Proceeds from disposals		
Financial fixed assets		
(Investments)	-	-
Proceeds from disposals	-	575
Financial assets not held as fixed assets		
(Investments)	-	-
Acquisition or disposal of subsidiaries	-	(3,369,752)
Cash flow from investing activities (B)	**(1,869,105)**	**(5,607,929)**
C. Cash flows from financing activities		
Third-party equity		
Increase (decrease) in accounts due to banks	316,475	331,960
New loans	2,687,254	2,897,525
Net proceeds from convertible bonds		
Loan repayments	(933,693)	(1,415,400)
Own equity		
Paid capital increase	-	900,000
Disposal (purchase) of treasury shares	-	-
Cash flow from financing activities (C)	**2,070,036**	**2,714,085**
Increase (decrease) of cash and cash equivalents (A±B±C)	101,591	-182,702
Cash and cash equivalents as at 1 January	**1,898,285**	**2,080,986**
Cash and cash equivalents as at 31 December	**1,999,876**	**1,898,285**

Attachment 2 - Reconciliation of the separate financial statements

Reconciliation of the separate financial statements at 31 December 2019 with the consolidated financial statements (euros)		
	Shareholders' equity	**Net results**
SHAREHOLDERS' EQUITY AND RESULTS OF THE PARENT COMPANY	**8,134,651**	**158,101**
Shareholders' equity and results of consolidated companies	**4,863,630**	**153,087**
Elimination of the carrying amount of consolidated companies	**(9,644,299)**	
Consolidation differences	**7,541,791**	
Amortisation of consolidation differences	**(2,748,796)**	**(783,955)**
Amortisation of ICT& goodwill		**29,776**
Roundings		
TOTAL SHAREHOLDERS' EQUITY/NET RESULTS	**8,146,974**	**(442,991)**
inc. minority interests in equity and results	**772,244**	**378,023**
SHAREHOLDERS' EQUITY AND RESULTS OF THE GROUP	**7,374,731**	**(821,014)**