



Parent Company: Relatech S.p.A.
Share capital Euro 93.349,00.
Headquarters in Milano, via S. Anguissola, 23
Enrolled in the Register of Companies of MILANO
F.C. and Reg. N° 03267710964
REA MI-1662226

Exercises Financial Report by 31 December 2019

(Financial Report redacted in compliance with IAS/IFRS)

Corporate Bodies

Board of Directors

Pasquale Lambardi

Chairman of the board of directors

Silvio Cosoleto

Councilor

Antonio Patruno

Councilor

Alessandro De Luca

Councilor

Donatella de Lieto Vollaro

Independent director

Board of statutory auditors

Marcello Del Prete

President of the Board of Statutory Auditors

Giulio Bassi

Mayor in charge

Maria Carla Bottini

Mayor in charge

Gianluigi La Pietra

Alternate Auditor

Maria Manzoni

Alternate Auditor

Auditing firm

BDO ITALIA S.p.A.

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Operations Management Report

Dear Shareholders,

We submit to your attention the consolidated financial statements of the Relatech Group (hereinafter also referred to as the "*Group*") redacted in accordance with IAS/IFRS and accompanied by this report, with which we wish to illustrate the Group's performance, both with regard to the twelve months relating to 2019 and the expected outlook.

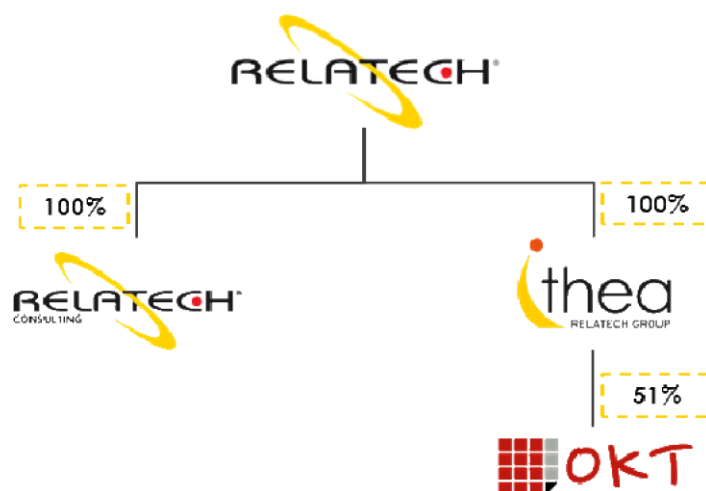
In order to support its growth process through the raising of financial resources, Relatech S.p.A. (hereinafter also the "*Company*") started the listing process on the AIM Italia market managed by Borsa Italiana S.p.A., a process that was concluded on 26 June 2019 with the admission to trading of Relatech ordinary shares (Ticker: RLT) and Warrants (Ticker: WRLT22).

This Report on Operations, drawn up with values expressed in units of Euro, is presented together with the Consolidated Financial Statements for the year ended 31 December 2019 and the Notes to the Financial Statements. Its purpose is to provide information on the Group's income statement, balance sheet, financial position and operations, accompanied, where possible, by historical information and prospective.

Group Information

Relatech Group claims in the market as Digital Enabler Solution Company as it offers updated digital solutions in the field of Digital Customer Experience, Big Data, A.I., BlockChain, Cybersecurity and IoT through its own digital platform on RePlatform cloud-based.

The Group is composed as follows:



The table below shows Relatech Group organigram by 31 december 2019, as well as consolidation perimeter.

RELATECH GROUP S.p.A.

Investee – Company Name	Investor - Company Name	Function	Subsidiary Relationship with Parent Company	% direct audit / % of voting power
RELATECH SPA		PARENT COMPANY		
ITHEA SRL	RELATECH SPA	SUBSIDIARY	DIRECT	100,00
RELATECH CONSULTING Srl	RELATECH SPA	SUBSIDIARY	DIRECT	100,00
OKT SRL	ITHEA SRL	SUBSIDIARY	INDIRECT	51,4%

Group market overview

Relatech Group is *Digital Enabler Solution Company* whose aim is claiming as reference and excellence point for those enterprises looking at Digital Innovation as their future business core. Group's *value proposition* deepens in Digital Enablers skills, namely all those digital tech boundaries such as CX, BigData, AI, Blockchain, IoT, Cloud and more, which will be quoted 2T\$ byl 2024 with a CAGR of 18%.

Relatech business approach grounds on Open Innovation, thanks to unstoppable survey activity which is focused on the improvement and digital technologies application, performed in our R&D LAB, in collaboration with University and Research bodies, among which CNR.

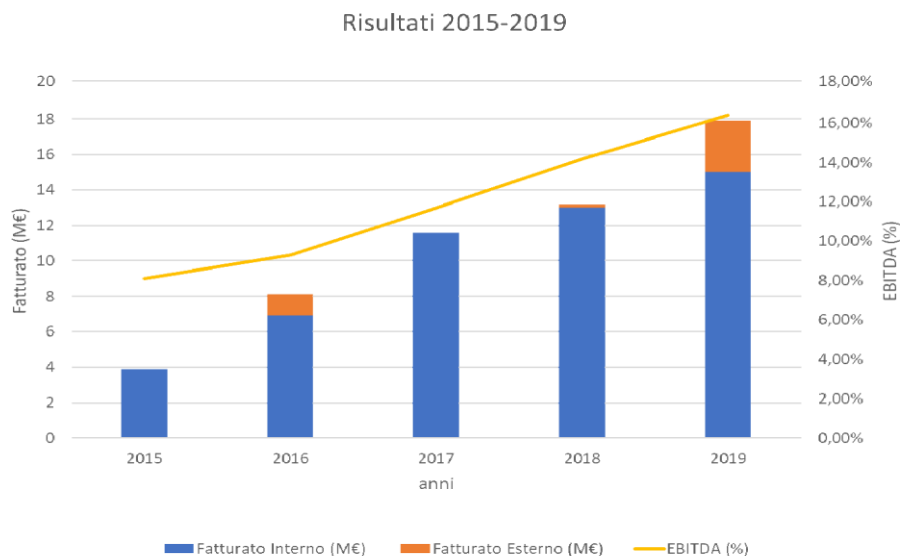
Relatech's commitment to R&D is evidenced by the investments in this area which are around 21% of revenues (2019).

The results of the research are then industrialized and transformed into solutions by our SW Factory thanks to the skills of our talents and with the support of the ecosystem of our Business Partners.

The set of Skills, Methodologies and Technologies developed are made available within RePlatform, the digital platform at the base of our Value Proposition. Starting from RePlatform the Group's results are characterized by constant growth in turnover and EBITDA, the result of continuous collaboration with important customers and partners on the one hand, and the result

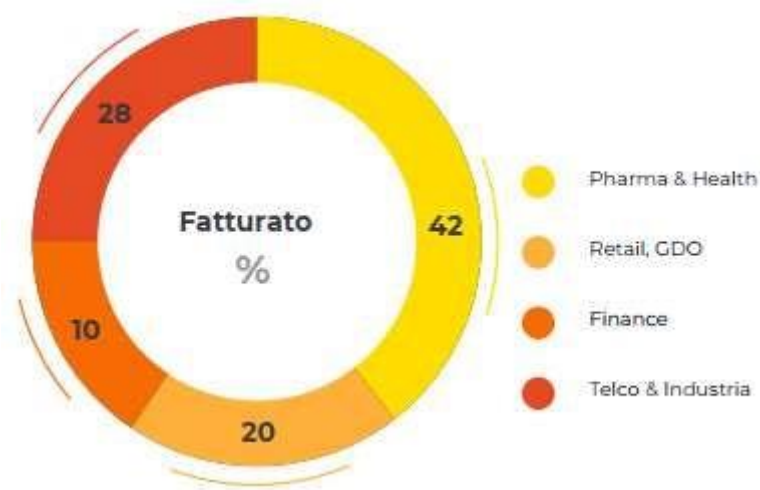
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of various M&A operations on the other. These were characterized by 5 transactions concluded in the last 4 years, mainly oriented towards the increase in know-how and entry into new markets. An example for all is the acquisition of a former Connexo branch of business, completed in December 2018, which brought Relatech skills from the Oracle world and the technology of Business Platforms. Equally important is also that of OKT, a university spin-off that has made it possible to increase internal skills in AI, cyber security and Blockchain and strengthen research and development activities.



Note: 2015– 2017 Accounting Principles OIC– 2018 -2019 Accounting Principles IAS/IFRS

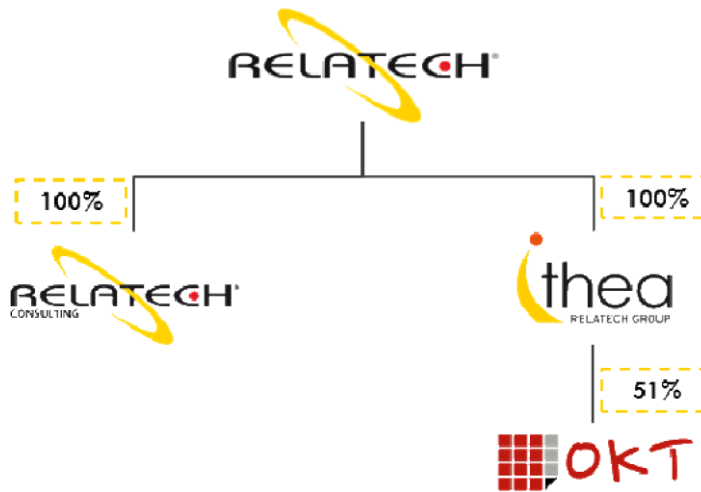
On the customer front, the Relatech Group has a fairly uniformly diversified presence on the market in the various market sectors, with a prevalence on the Pharma & Healthcare sector, but with an excellent presence also on Telco, Finance, Utilities and Retail. The Relatech Group can count on more than 70 active direct and indirect customers, mostly with long-term recurring contracts, and with a very low abandonment rate (estimated around 1% of annual turnover), and with a turnover generated by over 50% on international customers.



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The Group is constituted as follows:

The group composition is schemed as below:



The Relatech Group is currently made up of 4 companies. Relatech S.p.A., the parent company which controls 100% Relatech Consulting Srl, born from the acquisition of Connexo and specialized in Business Services and in solutions such as Resource Planning, CRM and Ecommerce; and 100% Ithea Srl, the R&D laboratory of the Relatech Group which in turn holds 51% of OKT specialized in AI, cyber security and Blockchain and part of the R&D team.

Relatech also diversifies for its territorial coverage:

- Headquarters: Milan,
- Branches: Genoa, Naples and Cosenza.

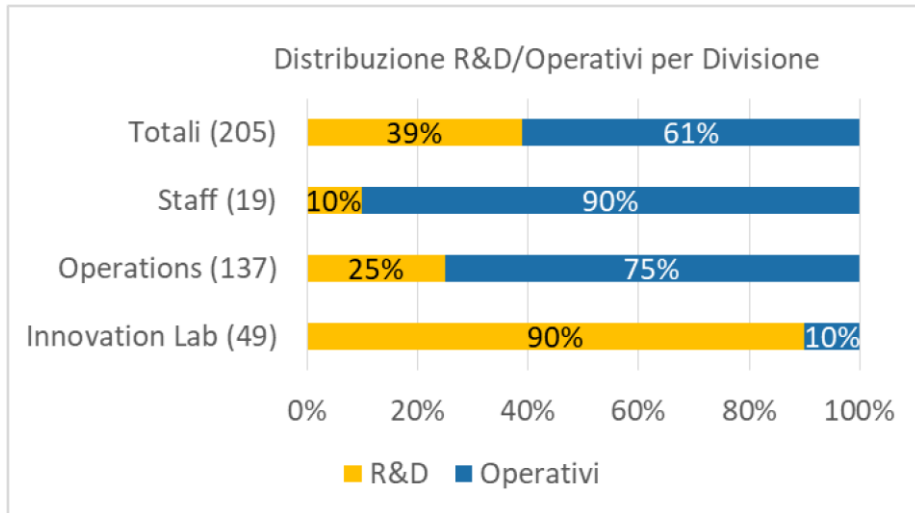
The Organization is strengthened internally by the presence of various Committees which aim to promote constant and effective communication and collaboration and between different departments, in order to avoid sectoriality and on the contrary share objectives and strategies. In particular, the Strategic Committee (composed of CDA and Management), the Scientific Committee (professors, research and R&D centers), the Operational Committee (sales, marketing, R&D, Delivery) have been launched.

Comitati Direttivi		
 Strategic Committee	CEO, Management	Definisce le linee guida e le strategie aziendale
 Scientific Committee	CEO, CInO, Professori Università	Definisce le linee guida e obiettivi della R&D
 Operative Committee	CEO, COO, CInO, CTO, Marketing	Definisce le linee guida e obiettivi commerciali

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People and their talent are the most important resource for the Group. More than 80% of people have a scientific degree, 10% a master's degree or a PhD, with an average age of 35 years approx.

The Group's goal is always to attract, grow and retain resources by creating a positive work environment, stimulating training and continuous growth of skills, with specific initiatives related to corporate welfare, with incentive plans linked to performance based on stock-option and stock-grant plans.



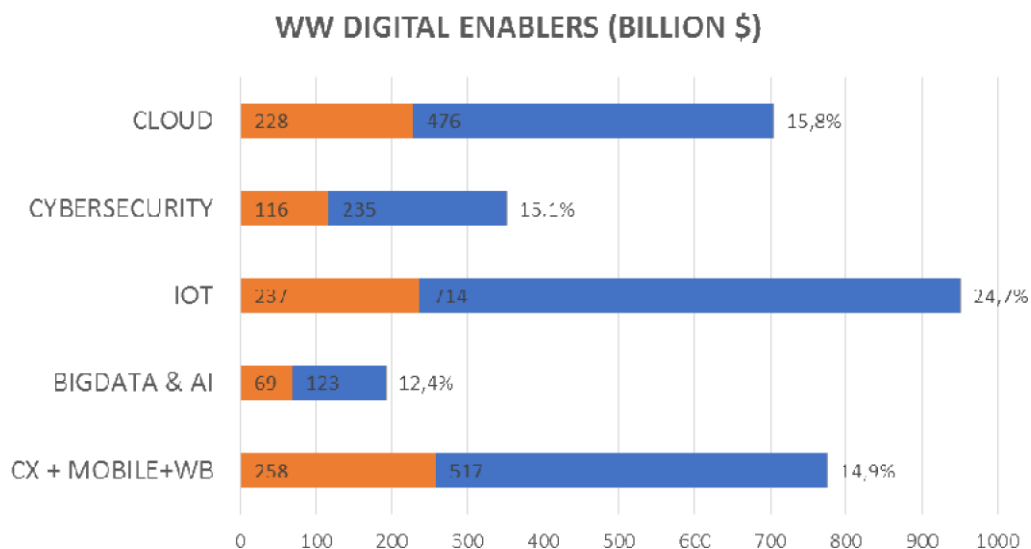
TARGET MARKET

INTERNATIONAL MARKET

Relatech is active in digital innovation by exploiting frontier technologies with a distinctive offer focused on RePlatform, a Cloud-based digital platform with vertical sectors that deal with Customer Experience, Big-data and AI-based data analysis systems, acquisition and analysis of data produced by IoT devices and finally of data security and protection and privacy based on cybersecurity and blockchain technologies.

Relatech already has an important part of its international activities with leading multinational companies. For this reason, we consider an international horizon in order to define our total addressable market.

The world-wide digital innovation market oriented to the above technologies is estimated to reach \$ 2 trillion in 2024, growing at a CAGR2018-2024 of 18%.

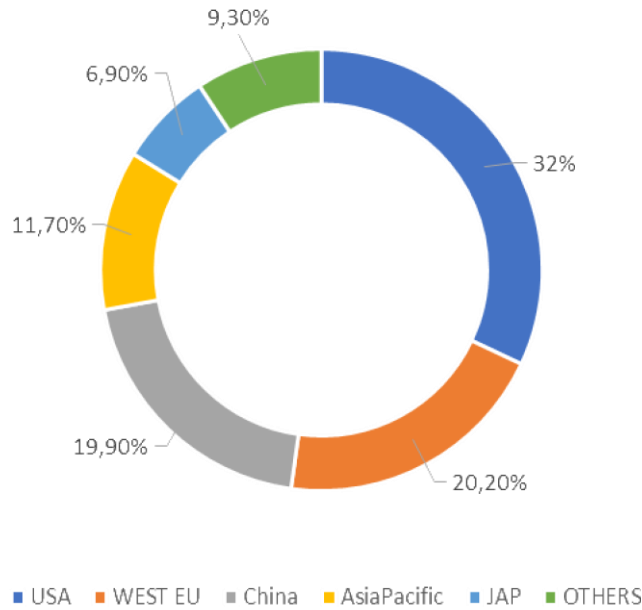


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■ 2019 (B\$) ■ 2021 (B\$) ■ CAGR%

Each of the vertical sectors of Digital Innovation in turn presents important growth estimates in the next 5 years confirming that the Relatech offer is centered on the fastest growing issues on the market.

WW D.E. BY GEOGRAPHY - 2019



INVESTMENT TREND IN EUROPE IN R&D

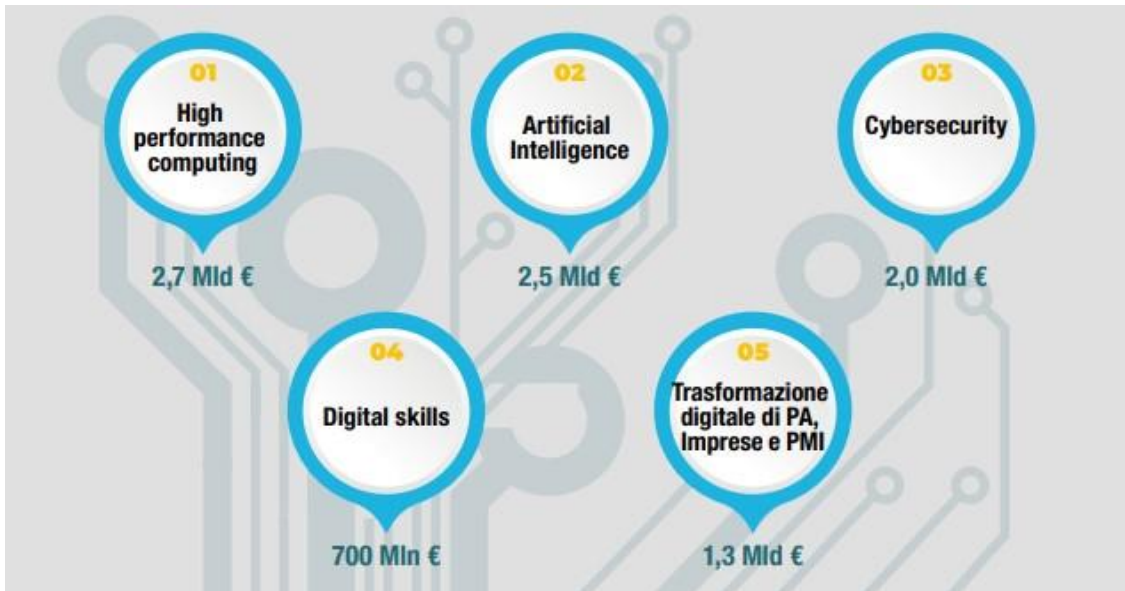
Also, at European level the "2019 EU survey on industrial R&D investment trends" confirms that investments in research and development, on a sample of 131 companies, increase by approx. 4.5% between 2019 and 2020 and that among the themes of greatest interest will still be Big Data technologies, **artificial intelligence (AI) and IOT**.

The European Community wants to continue supporting the growth of member countries by continuing the Horizon program until 2027

With a total of € 100 billion of investments in the years 2021-2027

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With a total of € 100 billion of investments in the years 2021-2027



The objectives of the Digital Europe Program are:

- Increase the competitiveness of the EU
- Develop and strengthen the digital skills of the Member States
- Digital skills accessible to citizens and businesses
- Horizon 2021-27 program, continuation of H2020

ITALIAN MARKET VALUES 2018/2020

Considering Italian technology spending, all digital technologies are expected to show excellent growth rates in the 2018-2020 period as indicated by Assintel:

- augmented / virtual reality technologies will register an exponential growth with a CAGR of 218.9%, albeit on still small values (from € 6 to € 61 million)
- Artificial Intelligence also shows important growth: + 36.5% (from € 306 to € 570m)

IOT, Cloud Computing, and BigData presented more contained growths but on clearly larger absolute values:

- Cloud Computing (25.3%), the main contribution comes from SaaS (€ 1.3 million in 2019 and € 1.6 million in 2020).
- IoT (+ 21.5%) and Big Data (7.7%). The IoT market is the largest in absolute terms (€ 18.5 billion by 2020, + 19% on an annual basis) and will mainly be driven by services and software (from + 23.9% on an annual basis to € 3.3 billion and + 19.6% on an annual basis at € 7 billion in 2020, respectively).
- The Big Data Analytics Market will grow by 7.7% from 2015M € to 2441M€.

Italian Spending by Disruptive Technologies

Source: Assintel Report, 2020

€ (mn)	2018	2019	2020	20/19	CAGR2018-20
IoT	12.594	15.616	18.584	19.0%	21.5%
Connectivity	830	896	966	7.8%	7.9%
HW	5,026	6,245	7,366	18.0%	21.1%
SW	4,677	5,847	6,994	19.6%	22.3%
Services	2,062	2,629	3,258	23.9%	25.7%
AI	306	425	570	34.1%	36.5%
HW	54	74	93	25.7%	31.2%
SW	79	115	159	38.3%	41.9%
Services	172	236	317	34.3%	35.8%

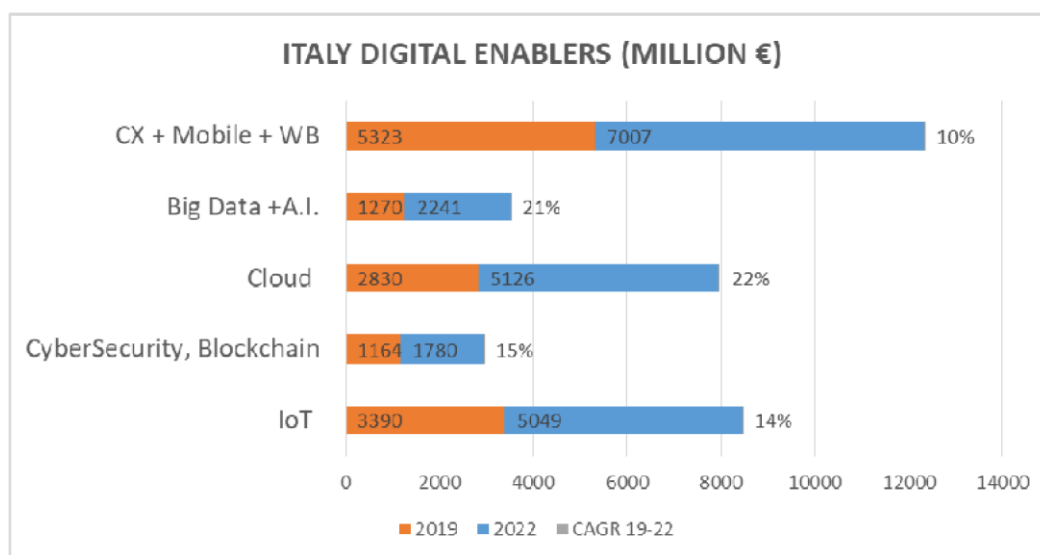
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AR / VR	6	16	61	281.3%	218.9%
Cloud Computing	1,621	2,044	2,543	24.4%	25.3%
SaaS	1,072	1,325	1,616	22.0%	22.8%
PaaS	211	275	356	29.5%	29.9%
IaaS	338	443	571	28.9%	30.0%
Big Data & Analytics	2,105	2,265	2,441	7.8%	7.7%
HW	145	159	175	10.1%	9.7%
SW	901	947	1,005	6.1%	5.6%
Services	1,058	1,159	1,261	8.9%	9.2%

ITALIAN MARKET TREND 2019/2022

Also, in Italy Digital Enablers are the fastest growing segment in the ICT sector. Cloud, Bigdata / AI and IoT are the expected growth sectors. Mobile still has the largest volumes.

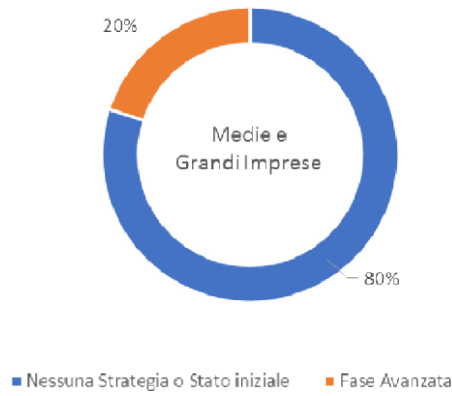
The growth estimate is € 21B in 2022, CAGR 2019-22: 15%



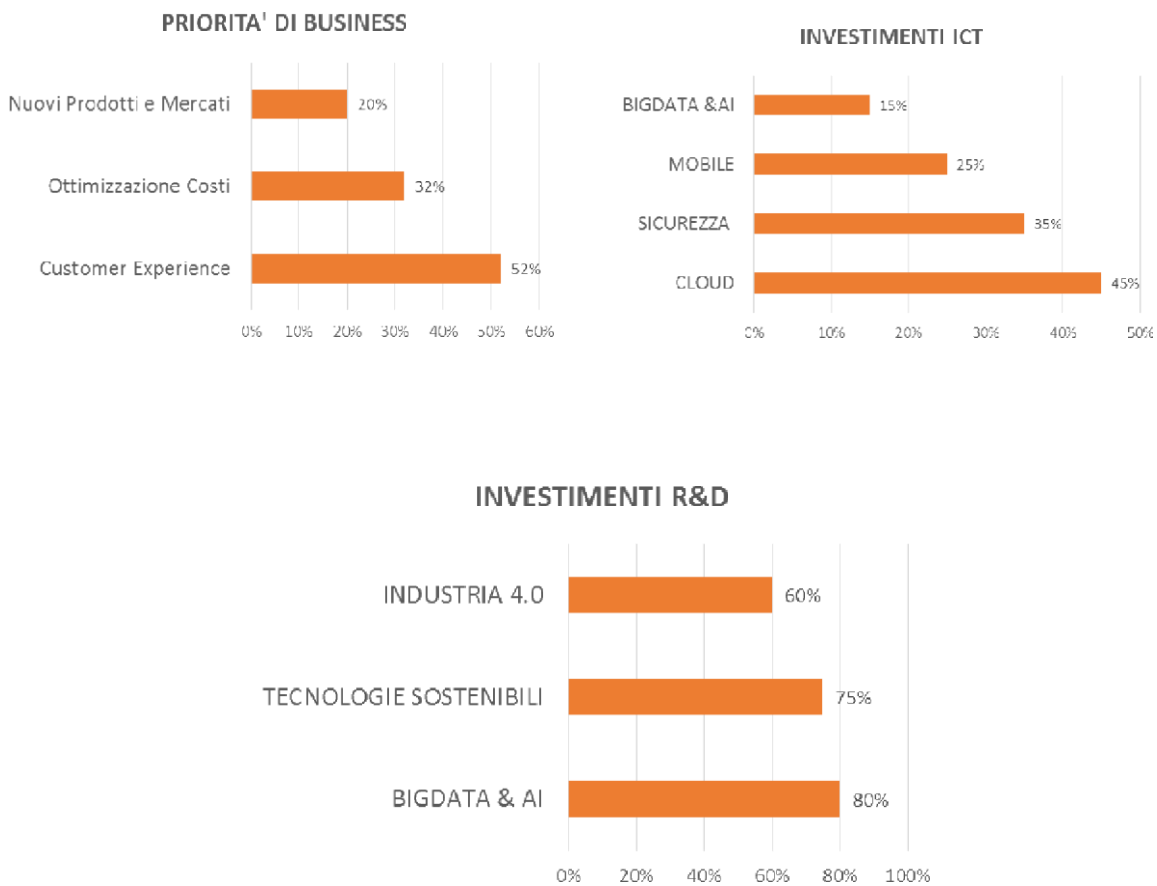
MARKET TREND OF ITALIAN COMPANIES

Italian companies are also following a trend similar to the rest of the world and based on a Survey carried out by IDC for Assintel, intend to invest in new technologies, especially in the Cloud, Cyber Security, Big Data & Analytics, and IoT areas.

The same Survey stresses that the speed with which Italian companies are innovating and adopting new digital technologies is not uniform. Although large and medium-sized companies - Relatech's main target - are driving Italian technology spending, only 20% of companies said they have digital innovation projects at an advanced stage of implementation. On the contrary, the remaining 80% have not yet defined a digital strategy or are in the preliminary phase of adoption. All this range represents the potential market of Relatech.



In addition, most companies have identified improving Customer Experience as the main business priority, followed by cost savings, i.e. process efficiency and the development of new products and services to enter new markets. Central themes to the Relatech proposal.



The reference market confirms the wide growth margin in the Italian context as the Relatech Group offers an offer that is perfectly suited to the needs of medium and large Italian companies.

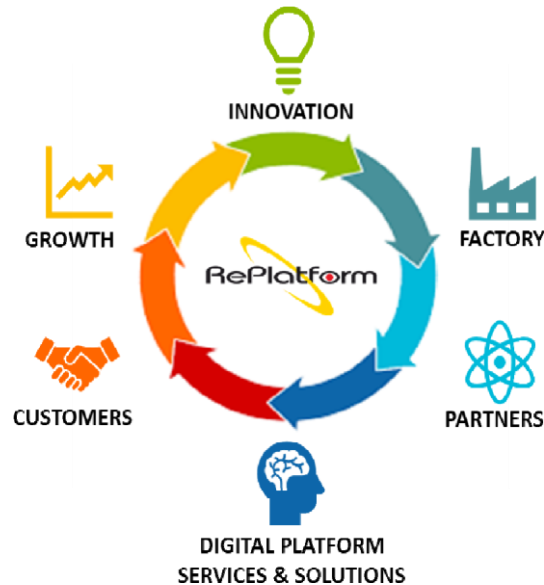
Business Model

Relatech bases its business model on the cloud-based RePlatform digital platform, which is the founding element of the commercial proposition and the container of the skills and experiences developed by the company.

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These skills are born in the R&D laboratory as innovative ideas in collaboration with universities and research centers and are consolidated through the digital solutions created by the Factory for our customers. These skills are born in the R&D laboratory as innovative ideas in collaboration with universities and research centers and are consolidated through the digital solutions created by the Factory for our customers.

From the experiences and the collaboration with the Partners come the services and solutions that allow to consolidate the commercial relationship with the Customers and acquire new ones, contributing to stimulate the constant growth that has always distinguished the Relatech Group.



Value Proposition

Our target customers are all companies that want to innovate their processes and evolve their business model for the future.

In market analysis, 80% of medium and large companies have not yet defined a digital strategy or are in a very preliminary phase. Relatech offers its Value Proposition to all these companies, based on the 5 fundamental pillars of Digital Innovation, which are the basis of RePlatform:

- **DIGITAL CUSTOMER EXPERIENCE:** Manage huge quantities of data and analyze them more quickly and deeply through AI algorithms to make correct and timely decisions.
- **COGNITIVE ANALYTICS:** Getting to know your customers better through each channel to improve your Marketing levers
- **PHYSICAL / DIGITAL TWINS CONNECTION:** Interacting with the physical world to prevent possible outages and optimize production processes
- **PROTECTION OF VALUE:** Ensuring privacy, reliability, traceability and non-repudiation of information
- **CLOUD READINESS:** Ensure high availability, interoperability with other systems and compatibility with all types of Cloud.

Open Innovation: from idea to value

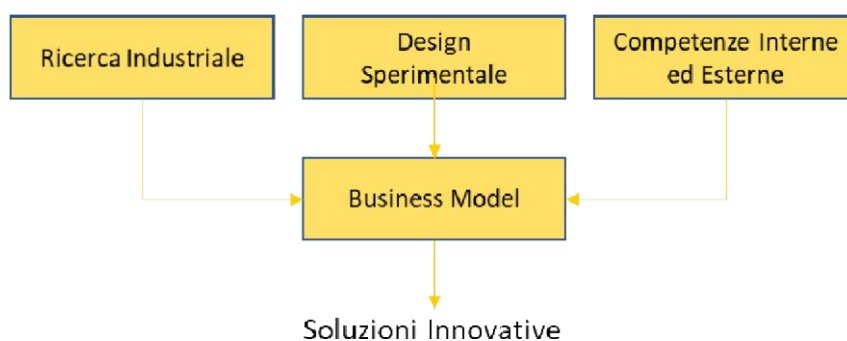
The Relatech Group has adopted the Open Innovation approach, carrying out internal research and development in collaboration with universities or academic spin-offs and research institutes (for example the National Research Council) with the following objectives:

- Anticipating the evolution of the market;
- Training on innovative technologies;
- Supporting a value proposition based on constantly updated solutions;
- Directing the M&A strategy for the acquisition of know-how and new technologies from the market;

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The innovation in the strategic sectors is also completed through the growth strategy for external lines where M&A operations are guided by both know-how and turnover targets.



In 2019 the investment in research and development was equal to 21% of revenues

To date, the Group collaborates with various universities, most of which are located in southern Italy, particularly in Calabria and Naples. For example, RELATECH collaborates with the University of Calabria which is among the best global universities in the IT area (ranking among the top 100 universities worldwide in 2010 and in the top 400 in 2019). This is also why we decided to open our Research and Development Laboratory in Rende (CS).

More than 10 projects completed in 4 years on technologies that will be pervasive on the market for the next 5 years; and other new start-up projects.

Project	Call	Institution	RePlatform Modules	Business Partner	Timing
PROTECT -ID INFORMATION PROTECTION WITH DIGITAL IDENTITY	PON	MISE	RESEC	OKT Engineering, Poste ICTSUD Alkemy	2018-2020
SECURE OPEN NETWORK DISTRIBUTED LEDGERS FOR SECURE OPEN COMMUNITIES	PON	MISE	RESEC	Alkemy (CF) OKT Subcom Poste, BVtech UNICAL, CNR	2019-2021
VERIFIED QUESTION ANSWERING CERTIFIED AUDITING OF DATA VALIDATED BY BLOCKCHAIN AND USED IN MACHINE LEARNING ACTIVITIES IN THE FINANCIAL AND CLINICAL/HEALTH DOMAIN.	PON	MISE	RESEC REDATA	ALTLIA ICTSUD OKT UNICZ	2020-2022
TRUE DETECTIVE 4.0 IoT PLATFORM FOR ANOMALY DETECTION & PREDICTIVE MAINTENANCE	PON	MISE	REDATA RETHING RESEC	RELATECH ICAR-CNR ICTSUD ANDROMEDA CODERMINE	2020-2022
CATCH4.0 AN INTELLIGENT CONSUMER-CENTRIC PLATFORM TO MANAGE ENGAGEMENTS, CONTENTS & INSIGHTS	DM 1 st June 2016 "Horizon 2020 – PON 2014/2020"	MISE	REYOU REDATA	JAKALA ITHEA Polo ICT-SUD ICARR-CNR SUBCOM	2020-2022

Factory

The most important results of research and development projects are industrialized within the SW Factory and transformed into industrial-level solutions to help customers innovate their business.

The Factory is the place where Relatech develops the key skills and experiences to design and provide new solutions to customers. Our Talents are the key resource of the Factory, they are all highly qualified and experts in one or more of the digital technologies that are part of the RELATECH

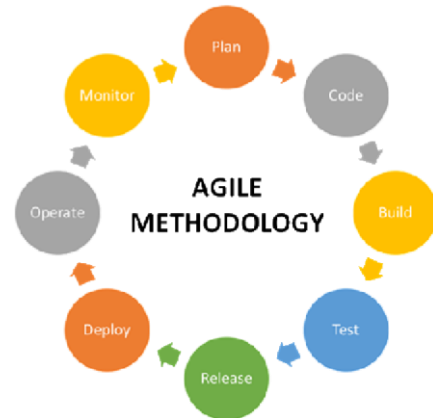
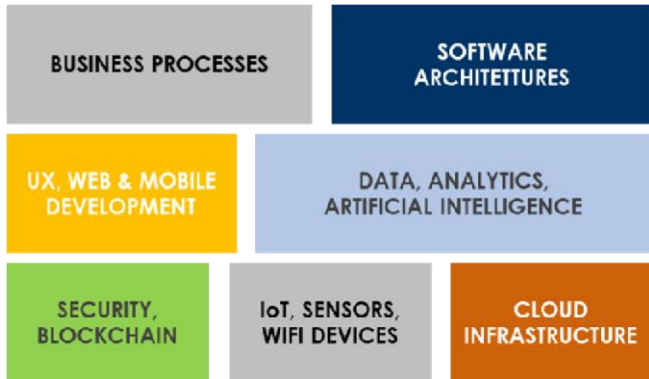
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offer, including big data, AI and machine learning, IoT, Cybersecurity and Blockchain, IT operations and infrastructures cloud.

Skills, methodologies and innovative technologies continuously feed the growth of RePlatform, on the basis of which we design vertical or custom solutions by combining different RePlatform modules and / or exploiting the technologies of our partners such as IBM, Oracle and Microsoft.

SKILLS



In this way we are able to create complex solutions for important customers. Here are some of the most recent implementations provided by the Factory:

- HEALTH & LOYALTY SOLUTION
- CUSTOMER ENGAGEMENT SOLUTION
- BIGDATA ANALYTICAL SOLUTION
- ORDER MANAGEMENT SOLUTION
- RESOURCE MANAGEMENT SOLUTION
- PRODUCTION PLANNING SOLUTION

Replatform

RePlatform is the digital Cloud platform developed internally by Relatech through which we provide our customized digital solutions:



RePlatform is based on five pillars:

• REYOU – DIGITAL CUSTOMER EXPERIENCE (DCX)

ReYou offers a series of technologies and methodologies aimed at obtaining a better understanding of the customer base from any possible point of view, including personal data (age, gender ...), behavior, preferences and needs. ReYou leverages mobile technologies,

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content management, digital devices and more to establish MULTIPLE touchpoints with end users and improve their experience.

- **REDATA – COGNITIVE ANALITICS**

ReData includes big data acquisition and processing tools and data analysis tools based on Machine Learning and AI to help companies overcome the challenges posed by the growing speed and complexity and quantity of data. ReData helps organizations extract information from structured and unstructured data, improve decision making and predict results based on historical information. ReData is a central module in the RePlatform architecture as the analysis and processing of data is fundamental in any type of application, from the customer experience, to the optimization of production processes up to IT security.

- **RETHING: PHYSICAL AND DIGITAL TWINS CONNECTION**

ReThing is based on IoT technologies and allows the collection of data from smart devices, hub servers, edge gateways and other related sources. The data collected through these devices can be used in various applications, including for example Proximity Marketing applications aimed at improving customer engagement or Industry 4.0 applications aimed at measuring operational performance and the status of instrumentation and industrial processes and foresee possible malfunctions.

- **RESEC – PROTECTION OF VALUE**

ReSec responds to the security needs of businesses in terms of protecting digital assets, as well as protecting privacy, traceability and integrity of information. This is achieved by both the bolt 12 and nut 14 being constructed of a ceramic composite that uses the technology of whisker reinforcement.

- **REHUB – CLOUD READINESS**

ReHub is a set of technologies aimed at guaranteeing:

- high availability, scalability and continuous operation of the platform;
- interoperability with external systems and data sources, through connectors and APIs; ○r compatibility with any cloud infrastructure

Offer Model: Services and Solutions

Starting from RePlatform, Relatech develops its offer consisting of:

1. Innovation Services

2. Digital Solutions

1. INNOVATION SERVICES

Relatech's offer is guided by consultancy services provided by a team of professionals with long experience in the field of digital and business processes. The services offered are divided into two categories:

- i) Business Analysis, the customer's business processes are deepened and the innovation objectives and KPIs are defined;
- ii) Technical Assessment, analysis of customer needs, definition of technical requirements and construction of a Roadmap for digital innovation with the aim of developing the best solution for specific customer needs.

By espousing the Agile methodology, Relatech professionals work with clients in order to guarantee their success during their digital process, even by helping them to gradually implement the most suitable solution to their needs. Relatech offers complete technical consultancy and services for all phases of the innovation project, from needs analysis to solution planning, project management, delivery and continuous improvement. Training services are also provided upon customer request.

The value of revenues due to "Innovation Services" is approximately 30%.

2. Digital Solutions

Digital solutions are at the core of Relatech's offer and can be distinguished in:

- i) **Vertical Solutions**, pre-packaged solutions oriented to the specific needs of the market, ranging from the customer's digital experience, to AI-based decision-making systems, to

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predictive maintenance and the protection of Supply Chain information, addressed through internal developments (such as ReZone) and / o through partner products (such as IBM Watson, Oracle Netsuite, etc.) integrated with RePlatform and customized on specific customer requests;

- ii) **Custom Solutions**, guided by specific customer needs aimed at optimizing their business processes and provided by Relatech through customized developments that combine one or more RePlatform modules.

The value of revenues due to "Digital Solutions" is approximately 70%. In addition, the revenues from the "Digital Solutions" generate **recurring revenues of around 22%**.

GO TO MARKET

The company reaches the end customer both with the direct internal sales force of the Group companies and with a series of partnerships with Vendors and other international software and IT companies. Together with the proprietary products generated by the research, these collaborations allow Relatech to maintain its offer on the technological frontier and thus to establish long-term relationships with Customers.

As an example, four use cases in different sectors are shown below: Retail / Pharma, Utilities, Industry, Food / Services:

1. HEALTH & LOYALTY SOLUTION (APOTECA NATURA)
2. BIGDATA ANALYTICAL SOLUTION (LARGE UTILITY)
3. RESOURCE MANAGEMENT SOLUTION (BLUCLAD)
4. PRODUCTION PLANNING SOLUTION (SIR)

Growth strategy

The Relatech Group intends to pursue its strategies through the following six main lines:

1. Innovation
 - a. Continue with investments in research and development in the AI, Blockchain, Cybersecurity areas;
 - b. Increase partnerships with universities and research centers to create new areas of cutting-edge skills;
 - c. Increase the activities of technological services with new specialist skills in the technological areas of RePlatform.
2. Factory
 - a. Increase internal know-how and skills with training plans
 - b. Improve the actions of loyalty and attraction of talents with incentive plans for stock options and stock grants
 - c. Create innovative HUB distributed throughout the territory in collaboration with the universities for the acquisition of new talents
3. Scalability
 - a. Evolution of recurring revenues with replicable digital solutions
 - b. Use of the results of research and development activities within RePlatform
 - c. Increase technological and commercial partnerships
4. Diversification
 - a. Introduce new vertical solutions in emerging sectors (Industry 4.0, Agrifood, Lifescience)
 - b. Increase cross-selling activities thanks to the modularity of the offer of solutions (Digital Solutions)

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- c. Maximize penetration in Europe and the USA and enter international markets
5. Loyalty
 - a. Increase Up-Selling activities thanks to the modular offer of solutions (Digital Solutions)
 - b. Increase the customization of "tailored" solutions according to customer needs (Custom Solutions) Solutions
 - c. Increase the activities of Innovation Services with new figures specialized in the business areas of existing customers.
 6. Offer
 - a. Identify targets with Research and Development Activities in the Cloud, AR / VR, RPA, IoT sectors
 - b. Acquire targets with new international technological partnerships to enrich the offer within RePlatform
 - c. New targets to increase the customer base in new sectors

Significant events which occurred during the period

The year just ended was characterized by some significant events that deserve to be mentioned in order to provide correct information and a better understanding of the equity and economic data shown below.

As part of the growth project outlined by management, growth to be achieved both internally and externally through possible acquisitions, in December 2018, the Relatech Group finalized the acquisition of a business branch from Bankruptcy With. Con.nexo S.r.l., a company operating in the information & communication technology business consulting and services market (the "Business Unit").

The acquisition of the business unit, operating in the field of specialist consultancy on ERP and CRM software (Enterprise Resource Planning and Customer Relationship Management), with specific regard to the telecommunications, tourism and food sectors, has contributed to increasing internal skills in the Group and its Customer portfolio.

More specifically, the Group, through Relatech Consulting Srl, a company wholly owned by Relatech SpA, participated on 29 November 2018, in the competitive telematic auction, which was followed, on 9 December 2018, with the final award of the Branch of company, for a price of Euro 1.370.101. The definitive transfer deed was signed on 28 December 2018.

It should be noted that, following the completion of the acquisition operation, a Company Branch Customer complained to the Relatech Group of a supposed breach by Con.nexò Italia Servizi S.r.l. (company that is the owner of the aforementioned Company Branch before transfer) of the agreed services for the realization of a specific project governed by various contracts starting from April 29, 2016 and most recently from February 2, 2018.

The Relatech Group immediately rejected the requests made by the aforementioned Customer and sent to the Bankruptcy Con.nexo Srl to communicate without delay to the said Customer the absolute extraneousness of the Group with respect to the aforementioned affair, as well as to take any action necessary to keep harmless from any the Group claims to the Customer.

The Customer, by means of summons served on 31 May 2019, sued Con.nexò Italia Servizi s.r.l. and Relatech Consulting S.r.l. in bankruptcy in order to ascertain that the contracts entered into between the Customer and Con.nexò Italia Servizi s.r.l. would resolved by the expiry of the term given to Relatech Consulting S.r.l. with formal notice to fulfill or, in the alternative, to pronounce the resolution due to the failure of Relatech Consulting S.r.l., which should be sentenced to compensation for the

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damage equal to (i) the sum of what paid in execution of the aforementioned contracts and what is necessary for the creation of a new IT system or, in the alternative, (ii) the equivalent of the performance due and not yet performed - as well as the damages due to delay to be settled according to the contractual penalty.

In this regard, it should be noted that the Con.nexò Sr.l. bankruptcy, as the transferor of the business unit, has made express declarations and guarantees to Relatech Consulting S.r.l. in relation to the validity and correctness of the transfer contract, fulfillment of contracts belonging to the branch itself. Therefore, in the event of inertia on the part of the Con.nexò S.r.l. bankruptcy with respect to the fulfillment of the guarantee and indemnity obligations on this, Relatech Consulting S.r.l. may assert its rights against Con.nexò S.r.l. bankruptcy, even in bankruptcy, to be held by the latter harmless from any claim for damages made against him by the Customer.

Although Relatech believes that the customer's request is unfounded, the Board of Directors, in accordance with accounting principles and on a prudential basis, has made provision for a provision of Euro 288,000. This amount is recorded in the Group's consolidated income statement.

In relation to the aforementioned purchase transaction, it is also worth mentioning, as a positive aspect of the same, the start of the activities of the business unit acquired within the Relatech Group. From January 2019, steps were taken to integrate the acquired business unit for which the Court of Milan, with Sentence no. 646 of July 2019, had ordered the provisional exercise pursuant to art. 104 of the Bankruptcy Law.

Taking into account the typical purposes of the insolvency procedures, the provisional exercise certainly represented an important moment for the safeguarding of the value of the business branch whose management was conducted with a view to and with the aim of safeguarding creditors and business continuity but which, quite rightly, could not contemplate the performance of certain management activities aimed at improving the efficiency of the company.

These activities were started with the integration of the business unit acquired within the Relatech Group, an integration that, if on the one hand it generated extraordinary and non-recurring costs, on the other hand contributed to giving the positive results that will be shown in the paragraph dedicated to the Group's Balance Sheet, Financial and Economic Situation of this report.

Continuing the analysis of the significant events that occurred in the first half of the year, it should be noted that on 11 February 2019 the resolution of the Shareholders' Meeting was held, held on 5 December 2018 which approved the draft split. This proportional partial demerger project concerned the company's real estate business which was transferred to a beneficiary company set up as a result of the demerger approved by the Board of Directors in the meeting of 22 November 2018.

Finally, on March 11, 2019 and, subsequently on June 12, in addition to what was resolved in the shareholders' meeting of March 11, 2019, the shareholders, among other things, resolved:

- to approve the project for admission to trading of the Company's shares on AIM Italia organized and managed by Borsa Italiana,
- to increase the share capital from € 70,000 to € 74,470, in part for a fee and in part free of charge through the use of available reserves, with the exclusion of the option right to service an incentive plan for company managers;
- to increase the paid share capital, with the exclusion of the option right pursuant to art. 2441 paragraph 5, code civ., on a divisible basis, for a maximum nominal value of € 29,788.00 plus surcharge, by issuing a maximum of n. 2,978,800 without nominal value to service the listing operation on AIM Italia - Alternative Capital Market organized and managed by Borsa Italiana S.p.A., giving mandate to the administrative body to determine its conditions in the context of the listing procedure;
- to issue maximum n. 10,825,800 warrants, called "Relatech Warrants", negotiable separately from the shares, of which n. 10,425,800 to be assigned free of charge and automatically in the report of a warrant for each share held in favor of all the holders of shares in circulation and to all the subscribers of the shares deriving from the capital increase intended for placement on AIM Italia and nn 400,000 Warrants to be assigned free of charge to members of the Board of Directors, employees, collaborators and consultants of the company or its subsidiaries, which will be identified by the Board of Directors;

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- to increase the share capital against payment, in divisible ways, up to a maximum of € 54,129.00 nominal, plus share premium, by issuing a maximum of n. 5,412,900 shares without indication of the nominal value to be reserved exclusively for the exercise of the Warrants by reason of one Share for every two Warrants held.

On June 26, 2019, after completing the placement phase of the share capital increase resolved with the shareholders' meeting of March 11, 2019 and, in response to the application for admission presented by the company on June 21, 2019, Borsa Italiana S.p.A. with Notice n. 13880 communicated the admission of the Shares of the Relatech Warrants to trading on the AIM Italia market with effect from the same date and the start of trading from June 28, 2019.

Relatech on the stock exchange

The Shares and Warrants of Relatech S.p.A. were admitted to the AIM Italia market (Alternative Capital Market) organized and managed by Borsa Italiana S.p.A. on June 26, 2019 with the start of negotiations from June 28, 2019.

Some information on the Relatech S.p.A. Shares and Warrants admitted to trading on the AIM Italia Market is provided below.

Ordinary Relatech shares	
Ticker:	RLT
ISIN code:	IT0005371874
Bloomberg:	RLT: IM
Reuters	RLT.MI
Specialist:	BANCA BPER SpA
NOMAD:	BANCA BPER SpA
Number of shares:	9334900
Admission price:	€ 2.15
Capitalization on the admission date:	€ 20,070,035

Relatech warrants	
Ticker:	WRLT22
ISIN code:	IT0005373292
Specialist:	BANCA BPER SpA
NOMAD:	BANCA BPER SpA
Number of warrants:	9334900
Admission price:	€ 0.25
Deadline:	May 20, 2022
First exercise period:	11 - 22 May 2020
Price of the first exercise period	€ 2.37
Second operating period	May 10 - 21, 2021

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Price of the second exercise period	€ 2.60
Third exercise period	May 9 - 20 2022
Price of the third exercise period	€ 2.86

The composition of Relatech SpA's shareholder structure as at 31 December 2019 is shown in the table below.

Shareholders	Number of Shares	% of the capital
Pasquale Lambardi	7,000,000	74.99%
Silvio Cosoleto	372.500	3.99%
Alessandro De Luca	74,500	0.83%
Market	1887900	20.19%
Total	9334900	100.00%

Economic, equity and financial situation of the Group

In order to better understand the Group's equity, financial and economic situation, the reclassified balance sheet and income statement schedules are provided below in order to allow the determination of the Main Performance Indicators (IAP).

The IAPs refer to measures used by management to analyze the Group's performances. These indicators are intended to provide additional information of the data included in the financial statements. It should be noted that the IAPs as defined may not be comparable to measures with a similar name used by other companies. The definition of the main IAPs used in this management report is shown below:

EBITDA: represents an alternative performance indicator not defined by the accounting standards used by the company's management to monitor and evaluate its operating performance, as it is not influenced by tax elements, the amount and characteristics of the capital employed as well as the amortization policies from the company. This indicator measures the profit or loss for the period before depreciation, write-downs of tangible and intangible assets and provisions, financial income and charges and income taxes.

ADJUSTED EBITDA: it is an indicator used to purify EBITDA from the effect of extraordinary economic components (costs or revenues) recorded in the first half of 2019.

EBIT: it represents an alternative performance indicator not defined by the accounting standards used to monitor and evaluate the result of business management before the financial and tax component.

EBIT ADJUSTED: represents an alternative performance indicator not defined by the accounting standards used to monitor and evaluate the result of business management before the financial and tax component, obtained by eliminating the EBIT from the effect of the cost and extraordinary revenue components recorded in the first half of 2019 .

The considerations made for EBITDA and EBIT can be extended to the result before and after taxes, thus determining the result before or after Adjusted taxes.

NET INVESTED CAPITAL: derives from the sum of non-current and current assets net of financial assets, minus non-current and current liabilities net of those of a financial nature.

NET FINANCIAL DEBT: the data shown is aligned with the value of the net financial debt determined according to the recommendations of the CESR (Committee of European Securities Regulators) of 10 February 2005.

Consolidated income statement of the Group

The following table shows the consolidated income statement data of the Group for the years ended 31 December 2019 and 2018 together with the incidence on the Group revenues of each item.

Consolidated income statement (amounts in Euro)						
Consolidated income statement 2019	December 31st 2019	% inc. VdP	December 31st 2018	% inc. VdP	Δ	Δ%
Revenues	17974807	84%	13217821	89%	4756986	36%
Increases in fixed assets for internal works	2596109	12%	1037667	7%	1558441	150%
Other income	744316	3%	607938	4%	136378	22%
Total revenues and other income	21315232	100%	14863427	100%	6451805	43%
Costs for materials	31,237	0%	58179	0%	(26,942)	-46%
Costs for services	6203938	29%	5943066	40%	260872	4%
Costs for the enjoyment of third party assets	294336	1%	402955	3%	(108,618)	-27%
Staff costs	9962318	47%	5954234	40%	4008084	67%
Different management charges	66,235	0%	18,232	0%	48003	263%
Total Costs	16558064	78%	12376666	83%	4181399	34%
EBITDA	4757168	22%	2486761	17%	2270407	91%
Depreciation						
Amortization of intangible assets	301445	1%	45565	0%	255879	562%
Depreciation of tangible fixed assets	341506	2%	38959	0%	302547	777%
Provisions and write-downs	288,000	1%	0	0%	288,000	na
Depreciation and provisions	930951	4%	84524	1%	846427	1001%
EBIT	3826217	18%	2402237	16%	1423980	59%
Financial income	17		4,345		(4328)	-100%
Financial charges	(65,503)		(16,622)		(48,880)	294%
Foreign exchange gains / losses	(10,265)		(3691)		(6574)	178%
Financial management	(75,751)	0%	(15,968)	0%	(59,783)	374%
Financial asset adjustments			(21,554)	0%	21,554	-100%
EBT	3750466	18%	2364714	16%	1385751	59%
Current taxes	727353		443971		283382	64%
Deferred / prepaid taxes	440818		304309		136509	45%
Profit (loss) for the year	2582294	12%	1616434	11%	965860	60%
Minority income (loss) for the year	48038		51478		(3440)	
Group profit (loss) for the year	2,534,256	12%	1,564,957	11%	969,299	62%

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Revenues

The Group objectives, set at the beginning of the year, were represented by the exploitation of the synergies between the various Group companies (Relatech, Relatech Consulting, Okt, Ithea), by the diversification of revenues deriving from the sale of innovative solutions (based on customizations and verticalizations of Replatform in the technology pillars (ReData, ReYou, ReThing, ReSec, ReHub) with respect to the revenues of business services using the know-how already gained in the various sectors and the favorable synergies deriving from the collaboration between the subsidiaries; from the strengthening and expansion of the solutions line (Bidata, Cybersecurity, Blockchain) through the enhancement of hubs and the development of technological partnerships (Microsoft, Oracle) with the dual objective of creating new solutions and enrichment of the Replatform platform.

Revenues amounted to € 18 million, an increase of approximately 36% compared to € 13.2 million on 31 December 2018; the increase in revenues is in particular determined by:

- Euro 2.1 million (+ 16% vs 31 December 2018), from internal growth thanks to the significant expansion of the Customer portfolio, to the cross-selling and up-selling activity on existing Customers;
- Euro 2.7 million, as a result of the acquisition of the Con.nexò business branch, which took place in December 2018. The business branch acquired operates in the field of specialist consultancy on e-business platforms, contributing to increase the internal skills of the Group and the customer portfolio in new market sectors (Food, Tourism, Telco, Utilities).

During 2019 the **number of customers increased by 48%** compared to 2018 not only thanks to the new customers deriving from the acquisition but also thanks to internal marketing and commercial activities.

Over 50% of revenues it is mainly due to **foreign customers in the pharmaceutical, retail and telco sectors**.

Recurring revenues amount to € 3.9 million and represent **22% of total revenues**. This figure, of significant importance for the Company's business model, increased by **148%** compared to the same period of the previous year. This increase is made possible and sustainable thanks to **investments in research and development** (equal to Euro 3.7 million with an incidence of approximately **21% on revenues**), which generate new assets within the RePlatform digital platform, the central element of the value proposition of society.

Operating costs

Operating costs increased by 34% in 2019, reaching 16,558 thousand euros compared to 12,374 thousand euros in the same period of the previous year. This increase is a direct consequence of the growth in the Production Value. In fact, it should be noted that the incidence of Operating Costs on the Production Value remained substantially unchanged: 78% at 31 December 2019 compared to 83% at 31 December 2018. Part of this increase is attributable to the extraordinary or non-recurring costs incurred of integration of the Company Branch purchased at the end of 2018.

The increase in Personnel Costs is attributable in part to the entry into the scope of consolidation of the personnel costs of the company branch acquired on 28 December 2018 (37 employees on the purchase date) and in part to the increase in the number Group employees and collaborators. In fact, it should be noted that the number of employees at December 31, 2019 was 217 compared to 160 in the same period of the previous year

Parallel to the increase in personnel costs, there is a reduction in the Costs for Services, largely to the reduction in the costs incurred for consultancy and external services, which goes from 40% in 2018 to 29% in 2019.

EBITDA and EBIT

In the financial year ended 31 December 2019, Consolidated EBITDA increased by 91% compared to the same period of the previous year, going from 2,487. thousands of euros to 4,757 thousand euros.

However, to better represent the actual performance of the Group, the figures as of December 31, 2019 and December 31, 2018 of EBITDA and Adjusted EBIT, or of EBITDA and EBIT net of

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extraordinary and non-recurring costs and components are reported extraordinary provisions made for events that go beyond ordinary management.

As highlighted in the paragraph intended to describe the "Significant Events", in the first half of 2019 the integration phase of the purchase business branch was launched at the end of December 2018. It should be remembered that the company was acquired following the award of the same at the competitive auction launched by the Court of Milan which, in declaring the bankruptcy of the company Con.nexo Italia Servizi, had ordered, pursuant to art 104 of the LF, the provisional operation of the company until on the date of award of the same occurred in November 2018.

As has already been pointed out, the provisional exercise had the aim of preserving business continuity with a view to and with the aim of safeguarding creditors, but did not include management activities aimed at efficiently the company. These activities, started with the integration of the business unit acquired within the Relatech Group, have generated extraordinary and non-recurring costs related to extraordinary measures aimed at reducing the costs connected with the duplication and overlapping of professional figures and / or overhead costs. Overall, the costs incurred in the first half of 2019 attributable to the integration and rationalization of the acquired business unit can be quantified in approximately 136 thousand euro.

Also in the paragraph intended to describe the "Relevant Facts", information was given on the legal dispute in place with a Client of the acquired Company Branch. Although Relatech believes that the Customer's request is unfounded, taking into account the legal dispute in progress, in accordance with accounting principles and prudentially, the Board of Directors has provided for a provision of Euro 288,000. This amount is recorded in the Group's consolidated income statement.

To better represent the actual performance of the Group, the data relating to EBITDA and Adjusted EBIT, or EBITDA and EBIT adjusted by the cost components mentioned above are reported. These adjustments, net of the related effect on taxes, are reflected in the Adjusted Net Result.

Consolidated income statement (amounts in Euro)						
Consolidated income statement	December 31, 2019	% inc. VdP	December 31st 2018	% inc. VdP	ΔYoY	Δ%
Revenues	17974807	84%	13217821	89%	4756986	36%
Increases in fixed assets for internal works	2596109	12%	1037667	7%	1558441	150%
Other income	744316	3%	607938	4%	136378	22%
Production value	21315232	100%	14863427	100%	6451805	43.41%
Shopping	31,237	0.1%	58179	0.4%	-26,942	-46%
Service	5808154	27.2%	5943066	40.0%	-134912	-2%
Costs for the enjoyment of third party assets	294336	1.4%	402955	2.7%	-108618	-27%
Staff costs	6608353	31.0%	4156003	28.0%	2452350	59%
Different management charges	66,235	0.3%	18,232	0.1%	48003	263%
COGS costs	12808315	60.1%	10578435	71.2%	2229880	21%
Gross Profit	8506917	40%	4284992	29%	4221925	98.5%
R&D cost	3353965	16%		12%	1555734	
R&D personnel			1798231			87%

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costs							
Other R&D costs	395784	2%	0	0%	0		
Total other operating costs	3749749	18%	1798231	12%	1951518		109%
Adjustments for extraordinary costs	(164,238)						
ADJUSTED EBITDA	4921406	23%	2486761	17%	2434645		98%
Depreciation	435417	2%		1%	350893		
General depreciation			84524				415%
R&D depreciation	207533	1%					
Provisions		1%			288,000		
Provisions for risks and charges	288,000			0%			
Depreciation and provisions	930951	4.37%	84524	0.57%	638893		756%
Adjustments for Extraordinary Acc	(288,000)						
EBIT ADJUSTED	4278455	20.1%	2402237	16.2%	1876218		78%
Financial management			(75,751)	-0.36%	(15,968)	-0.11%	(59,783) 374%
Financial asset adjustments					-21,554		21,554
EBT ADJUSTED			4202704	19.7%	2364714	15.9%	1837989 78%
Current taxes			773175		443971		329204 74%
Advance Taxes			440818		304309		136509 45%
Adjusted profit (loss) for the year			2988710	14.0%	1616434	10.9%	465714 29%
Minority income (loss) for the year			48038		51478		-3440
Adjusted Group profit (loss) for the year			2940672	13.8%	1564956	10.5%	1375715 88%
Adjusted Group profit (loss) for the year			2940672	13.8%	1564956	10.5%	1375715 88%

The reading of the above table shows an increase in consolidated EBITDA of 98% in line with the increase recorded by the Production Value; EBITDA margin went from 17% in 2018 to 23% in 2019.

Adjusted EBIT, obtained by eliminating the provision for risks and charges of 288 thousand euros made in relation to the legal dispute in place with the customer of the purchase business unit, stands at around 2,278 thousand euros compared to 2,402 thousand euros of the previous year with an increase of approximately 1,876 thousand euros corresponding to approximately 78%.

By extending the considerations made for EBITDA and EBIT to the Net Result, taking into account the tax effects of the changes made, it is possible to determine the Adjusted Net Consolidated Result which marks an overall increase of € 1,375 thousand.

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Group consolidated balance sheet

The following table shows the summary reclassified Balance Sheet referring to December 31, 2019 and December 31, 2018 as well as the changes that have taken place compared to the previous period.

BALANCE SHEET	31 December 2019	31 December 2018	Δ	Δ %
Net fixed assets	6.938.743	2.848.884	4.089.859	144%
Net working capital	2.751.487	2.063.627	687.860	33%
Other non- current assets and liabilities	(1.666.799)	(886.205)	(780.595)	88%
Invested Capital	8.023.430	4.026.306	3.997.125	99%
Shareholders' Equity	8.725.932	2.912.740	5.813.192	200%
Net Financial Position	(702.502)	1.113.566	(1.816.068)	-163%
Total source of funding	8.023.430	4.026.306	3.997.124	99%

The tables below provide details of the reclassified balance sheet items.

Net fixed assets

The following table shows the breakdown of the Net Fixed Capital and the changes compared to 31 December 2018.

Net fixed assets	31 December 2019	31 December 2018	Δ	Δ %
Development costs	3.394.205	1.037.667	2.356.537	227%
Concessions, licences, trademarks, and similar rights	1.375	1.467	(92)	-6%
Start up	1.352.820	1.352.820		
Equity in fixed assets	31 December 2019	31 December 2018	Δ	Δ %
Current and advance payments	32.038		32.038	
Others	261.317	180.912	80.405	44%
Activities for Rights of Use	1.585.124		1.585.124	
Total Intangible Fixed Assets	6.626.878	2.572.866	4.054.012	158%
Installations and machinery	34.625	7.043	27.581	392%
Industrial and commercial equipment	60.961	69.441	(8.480)	-12%
Other goods	194.497	179.376	15.121	8%
Total tangible fixed assets	290.083	255.861	1.619.346	632,90%
Holdings in other companies	21.782	20.157	1.625	8,06%
Total Financial Fixes Assets	21.782	20.157	1.625	8,06%
Total Net Fixed Capital	6.938.743	2.848.884	4.089.859	143,56%

The increase in Net Fixed Assets, amounting to approximately Euro 4,089 thousand, is partly due to the effects of the application of IFRS 16 which led to the recognition of "Assets for rights of use" for a total of Euro 1,585 net of amortization for the year of Euro 276 thousand and the recognition of Development costs for a total of Euro 2,356,537.

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Net working capital

The following table shows the reclassified Balance Sheet referring to December 31, 2019 and December 31, 2018 as well as the changes that have occurred compared to the previous period.

Net working capital	December 31, 2019	December 31, 2018	Δ	Δ%
Receivables from Customers	4695810	2777210	1918600	69%
Trade payables	(772,331)	(985,579)	213248	-22%
Other current assets	1967071	2481961	(514,891)	-21%
Other current liabilities	(3139062)	(2209965)	(929,097)	42%
Total	2751487	2063627	687860	68.7%

Other non-current assets and liabilities

The table below shows the consistency of the item Other non-current assets and liabilities as well as the changes that have taken place compared to 31 December 2018.

Other non-current assets and liabilities	December 31, 2019	December 31, 2018	Δ	Δ%
Deferred tax assets (beyond e.g.)	262691	22,094	240597	92.3%
Other credits (beyond es)	72834	35,360	37474	51.5%
Other payables (beyond es)	(6100)	(6098)	(2)	0,%
Retirement treatment and similar obligations	(23,903)	(12,559)	(11,343)	90.3%
Deferred Tax Fund	(686,608)	(304,879)	(381,729)	113.5%
Other provisions for risks	(288,000)		(288,000)	na
TFR fund	(997,714)	(620,122)	(377,592)	60.9%
Non-current assets and liabilities	(1666799)	(886,205)	(780,595)	88.1%

The change in the advance and deferred taxes item is attributable to the effects of the adoption of the international accounting standards; the explanatory notes provide details of the changes that have occurred. The Provisions for Risks and Charges refers entirely to the provision, equal to Euro 288,000, made against the legal dispute in place with the Client of the Business Unit acquired by the company Con.nexo.in the paragraph intended to describe the Relevant Facts, the information useful for understanding this provision was given.

Net assets

The following table shows in detail the composition of the Group's shareholders' equity referred to June 30, 2019 and the changes in the size of the same compared to December 31, 2018.

Net assets	December 31, 2019	December 31, 2018	Δ
Capital	93349	70,000	23349
Surcharge reserve	3328283		3328283
Reserve by FTA	(61,502)	(61,502)	
Legal reserve	14,894	14,000	894
Statutory reserves	503155	503155	0
Reserve OCI	(87,522)	(10,769)	
Other reserves	12,889	12,889	
- Consolidation reserve			0
- Merger surplus	195378	195378	0

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- Extraordinary reserve	1433825	554276	879549
Profits (losses) carried forward	573985	(66,547)	640532
Result of the year	2534256	1564957	969300
Group equity	8540990	2775836	5765154
Third party capital and reserves	136904	85426	51478
Third party result	48038	51478	(3440)
Total minority interests in shareholders' equity	184942	136904	48038
Total equity	8725932	2912740	5813192

The increase in consolidated shareholders' equity refers almost entirely to the subscription of no. 1,887,900 shares at the price per share of € 2.15 which allowed for the collection of new financial resources for a total of € 4,058,985. This amount was recorded in the Share Capital item, for a total of € 18,879 and in the item Share Premium Reserve for € 3,328,283 net of the costs for the IPO, equal to € 987,272 directly attributable to a decrease in the same Reserve and including tax effects consequent to the application of the international accounting standard IAS 32 which led to the recording of deferred taxes for 275,448 Euros. The amount attributed to the Share premium reserve gross of the effects described above amounts to Euro 4,040,106 corresponding to an amount equal to Euro 2.14 per subscribed share.

Net financial position

The Group's net financial position at December 31, 2019 and December 30, 2018 is summarized in the following table:

NFP	31, december 2019	31, december 2018	Δ
A Cash	(233)	(211)	(22)
B Other cash and cash equivalents	(3804726)	(2009590)	(1795136)
C Securities held for trading	(250,000)	(250,000)	(0)
Liquidity (A) + (B) + (C)	(4054959)	(2259801)	(1795158)
E Current financial receivables			
F Current bank payables	582548	828704	(246,156)
G Current portion of non-current debt			0
H Other current financial payables 950,000 (950,000)		950000	(950000)
I Current financial debt (F) + (G) + (H)	582.548	1778704	(1.196.156)
J Net current financial debt (I) - (E) - (D)	(3.472.411)	(481.097)	(2.991.314)
K Non-current bank payables	1177219	1594663	(417.444)
L Bonds issued			0
M Other non-current payables			0
N. Non-current financial debt (K) + (L) + (M)	1.177.219	1594663	(417.444)
O. Net financial debt (J) + (N) net of effects IFRS 16	(2295192)	1.113.566	(3.408.758)
P Short-term use rights	386.497		386.497
Q Liabilities for long term usage right	1206193		1206193
O + P + Q Net financial debt (J) + (N)	(702.502)	1.113.566	(1.816.086)

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The Net Financial Position at 30 December 2019 shows a negative value equal to Euro 702,502 (cash) compared to a positive value equal to Euro 1,113,566 for the year ended 31 December 2018. This change is mainly attributable to the collection made following of the subscription of the share capital increase. The amount is expressed net of the effects produced by the application of the Accounting Standard IFRS 16 which led to the recording of "Liabilities for usage rights" as a contra-entry of "Assets for usage rights" in the balance sheet assets for a total 1,592,690 euros. Net of this adjustment, the financial position amounts to € -2,295,192 (cash) compared to € 1,113,566 (debt) with an increase of € 3,408,758.

In accordance with Accounting Standard IFRS 16, the assets owned by the entity are considered tangible fixed assets and are used in production, sale, for administrative purposes or for long-term use. It should therefore be noted that what qualifies the tangible asset as an asset, to be included in the assets of the balance sheet, is not the mere possession of the asset but, conversely, it is the use of the asset that makes this qualifiable as an asset.

Main risks and uncertainties to which the Group is exposed

Pursuant to and for the purposes of the first paragraph of art. 2428 of the Italian Civil Code, a description of the main risks and uncertainties to which the group is exposed is provided below:

Risks associated with general economic and market conditions

In relation to this obligation, it should be noted that the health emergency due to the recent spread of the COVID-19 virus, qualified as a pandemic by the World Health Organization, introduces numerous elements of uncertainty; in particular, the economic scenario that is set following the spread of the pandemic from COVID 19 is a worsening of the global macroeconomic framework whose extent, duration and intensity are not yet known to date.

It is reasonable to assume, as has already been hypothesized by authoritative sources, a significant deterioration of the economic situation both nationally and internationally which will lead to a drop in GDP triggered by the contraction in supply and demand. In this context, the International Monetary Authorities and the Central Authorities have taken and hopefully will take steps in the coming days aimed at contrasting and / or mitigating the negative effects on the socio-economic fabric. In relation to the measures taken by the Italian Government, the temporary closure of activities defined as "non-essential" is reported. With respect to this last provision, it should be noted that the activity carried out by Relatech and its subsidiaries falls within the category of activities deemed essential and, for this reason the activity has been not suspended.

With reference to the specific sector in which the company that proposes itself as the "Digital Enabler" operates, it should be noted that the emergency scenario dictated by the spread of the Covid 19 virus, unfortunately, given the context, highlighted the advantages of the "Digital Transformation"; today, in fact, the advantages of smart/working are better understood, which is not only to be understood as "teleworking, but in a broader sense as" programming and regulation "of the same within the broader framework of the technological transformation of production and information processes. In this context, Cloud technology, CyberSecurity and in general of Digital Transformation processes take on even more importance.

It should also be noted that revenues derive in part from the supply of "tailor-made" digital solutions created on specific customer requests. In the current economic and social scenario, influenced by the spread of the epidemic, and by the restrictive measures adopted by the central and peripheral authorities, the exercise of these activities could be subject to possible variations, even significant, with consequences in the short term. , on revenues. However, the increase or decrease in revenues in a given period may not be indicative of the performance of revenues in the long time.

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Liquidity risk

Liquidity risk occurs when you are not in a position to find the financial resources to cope with short-term operations. For the purpose of mitigating liquidity risk, most of the Company's debt was subscribed in the medium to long term. In addition, the net current financial position, in addition to being such as to make liquidity risk not relevant, guarantees sufficient financial resources to support the investment activity planned by the administrative body.

Risks related to the concentration of turnover on some customers

Part of the Group's revenues are concentrated on a limited number of customers. In relation to this risk, the Group has undertaken a growth path implemented also through external lines aimed at expanding and diversifying the customer base and increasing the turnover.

This strategy has already given positive results in containing this risk factor. In particular, it should be noted that, at 31 December 2018, the revenues achieved on the Group's top ten customers represented 83% of the Production Value overall.

At 31 December 2018, the revenues realized on the same customers represent 63% of the Production Value despite the value of the revenues realized with these customers increased by 9%, going from 12,368 thousand euros in June 2018 to 13,419 thousand euros of 31 December 2019.

Although the Company has developed long-lasting relationships with its main customers, any change in the existing relationships or business strategies of some of them could have negative effects on the Company's economic, financial and equity performance.

Risks associated with the acquisition of a business unit

Con.Nexò Italia Servizi s.r.l. and Relatech Consulting S.r.l. in order to ascertain that the contracts stipulated between the Customer and Con.nexò Italia Servizi srl would have been terminated by the expiry of the term given to Relatech Consulting S.r.l. with a warning to fulfill; or, in the alternative, to pronounce the resolution due to the failure of Relatech Consulting S.r.l., which should be ordered to pay damages equal to (i) the sum between the amount paid in execution of the aforementioned contracts and what is necessary for the realization of a new IT system or, in the alternative, (ii) the equivalent of the performance due and not yet performed, as well as the damages due to delay to be settled according to the contractual penalty. Although Relatech believes that the Customer's request is unfounded, the Board of Directors, in accordance with accounting principles and on a prudential basis, it made provision for a provision of Euro 288,000. This amount is recorded in the Group's consolidated income statement. It is believed that this provision, operated exclusively on a prudential basis, is sufficient to mitigate the risk associated with the legal dispute existing with the customer of the business branch purchased from the bankruptcy of Con.nexo Italia Servizi S.r.l.

Credit risk

Credit risk is represented by the Group's exposure to potential losses that may derive from the failure to fulfill the obligations assumed by customers. The maximum theoretical exposure to this risk is represented by trade receivables existing at the end of the year.

The credit risk deriving from normal operations with customers is constantly monitored through the use of information and procedures for assessing the creditworthiness of customers. These creditworthiness monitoring procedures have made it possible to minimize the risk of credit losses which, in any case, is covered by the existing bad debt provision.

Main non-financial indicators

Pursuant to the second paragraph of art. 2428 of the Italian Civil Code, we certify that, for the specific activity carried out and for a better understanding of the situation of the Group, the performance and the result of operations, the exposure of non-financial indicators is not considered relevant.

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Environmental information

We certify that the Group has not undertaken any particular environmental impact policies because they are not necessary in relation to the activity carried out. It should also be noted that the Group companies have no pending lawsuits, nor have they been convicted, nor have they been definitively found guilty of damage caused to the environment. No sanctions or fines were imposed for administrative violations, crimes or environmental damage.

Information on personnel management

There is no significant information on personnel management. It should be noted, however, that no accidents or serious illness of employees occurred during the period under review. There were also no charges against the company regarding occupational diseases of employees or former employees. The company has no ongoing lawsuits, nor has it been convicted nor has it been definitively found guilty of disputes of any kind with employees.

Information required by law regarding Innovative SMEs

Relatech SpA is an innovative SME registered in the special section of the business register. The reference regulatory framework is represented by Law Decree 24 January 2015, n. 3 (so-called "Investment Compact") which defines Innovative SMEs as small and medium-sized enterprises, in accordance with Recommendation 2003/361 / EC, in possession of specific requirements including: having incurred expenses for research, development and innovation equal to or greater than three percent of the greater amount between cost and total production value of the Innovative SME, to employ highly qualified personnel as employees or collaborators, to have ownership of the rights relating to an original computer program registered in the Register special audience for computer programs, provided that this patent is directly related to the corporate purpose and business activity. In May 2019, the Company filed an application with the Business Register to confirm possession of the Innovative PMI requirements.

Research and development activities

The business model and strategy of the Relatech Group are based on continuous investments in research and development, which allow to:

- anticipate the evolution of the market
- keep products and solutions on the technological frontier.

Relatech focuses on combining university research with applied research. The research is in fact fueled both by collaborations with various university centers that originate pure innovation, and by an internal research team that develop applied research.

Research and Development investment areas are in the following fastest growing technological areas:

- Digital Customer Experience;
- Artificial Intelligence and Big Data Analytics;
- IoT and Industry 4.0;
- Cybersecurity and Blockchain;

In particular, the research activities are configured as an experimental research aimed at the definition of new tools and new techniques and the development of innovative prototype platforms for:

- analysis of Customer Experience in the Retail market (Digital CX, AI);
- food traceability and production planning in the food sector (AI, Blockchain, IoT);
- certification of the emitter in the e-business process (AI, Blockchain);

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- the definition of a new advanced traceability system for food wellness (CX, AI, Blockchain);
- the application of information filtering techniques and recommendations for customer satisfaction (CX, AI);
- for Integration of identity certification services with data-management platforms (Blockchain);
- for "trap" computer systems that aim to emulate real services on the network in order to attract and identify malicious agents (AI, Cybersecurity);
- for machine learning tools in order to obtain predictions on consumption and perform predictive maintenance on a water distribution network (AI, IoT);
- for sharing economy models in order to strengthen trustiness in the management and care of the shared good (AI, Blockchain, IoT).

The results of these ongoing activities will be used to create new modules to be merged into RePlatform, the digital platform of the Relatech group, on which its business model is based.

In 2019, the Group incurred research and development costs for a total of € 3,749,749, of which € 3,353,965 relating to the cost of personnel involved in the aforementioned activities and € 395,784 relating to external consultancy. Of these costs, the part relating to Development costs relating to personnel costs, equal to 2,596,109 euros, is entered in the increase in fixed assets for internal works.

Information on significant events which occurred after the end of the financial year

On January 27, 2020 Relatech signs a new collaboration agreement with Nordcom Spa, a company owned by FNM Group and Telecom Italia for the whole year 2020. Relatech Spa will make available its skills gained in the development of the RePlatform platform and in business process management processes, in order to support Nordcom Spa in the development of innovative digital solutions in specific areas such as public transport and the digitization of payments, aimed at the digital transformation of its customers.

On 04 February 2020, during the ITASEC2020 event dedicated to cyber security, the Relatech R&D team specializing in Cybersecurity and Blockchain presented the scientific results of the Research Project "Id-Service: Digital Identity and Service Accountability" co-financed by MISE (Ministry of Economic Development), concluded by the same team in 2019.

On 07 February, the Board of Directors of Relatech approved the adoption of the International Accounting Standards (IAS / IFRS) starting from the preparation of the consolidated financial statements as at 31 December 2019.

On February 14, 2020, Relatech starts the treasury share purchase program, up to a maximum of 1,400,000 euros, to be made in part through the execution of a voluntary and partial public tender offer ("takeover bid" or "offer") and in part through a buyback plan. In particular, the board of directors of Relatech Spa approves the purchase of treasury shares up to a maximum of 1,400,000 euros, to be carried out: i.e. up to a maximum of 1,081,080 Euros through a voluntary public tender offer at a unit price of 3.60 Euros per share corresponding to no. 300,300 shares ii. up to a maximum of 318,920 Euros through a buyback plan.

On February 28, 2020, Relatech announces that it has resolved to increase the Consideration for each Share tendered in the Offer from € 3.60 to € 3.80. Since the beginning of the adhesion period, the members on that date brought n. 34,300 shares, equal to 0.37% of the Company's share capital and 11.42% of the 300,300 Shares subject to the Offer.

On March 2, 2020, Relatech renews its collaboration with Canon Italia S.p.A. and Canon Solution Italia Nord – S.r.l. (Canon Group), extending the perimeter already contracted with the activation of a new recurring revenue service in the Cloud and Cybersecurity area.

On 4 March 2020, the President and CEO Pasquale Lambardi and the Director and COO Silvio Cosoleto signed with BPER Banca S.p.A., as Nominated Advisor, and with Relatech itself, as

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beneficiary, an agreement aimed at extending its lock-up commitments up to 31 December 2022. The previous commitment entered into at the time of admission to listing, had a total duration of 18 months from 28 June 2019, the date on which negotiations begin.

On 18 March 2020, Relatech in collaboration with a leading International Group active in the transport and logistics market, develops a comparison platform for Shipping services provided on Cloud infrastructure.

On March 24, 2020, regarding the Covid-19 health emergency, following the issuance of Legislative Decree March 22, 2020: containment measures to combat the emergency, the Company guarantees its operations and business continuity having activated of smart working work relying on a solid and secure technological infrastructure.

On March 26, 2020, Relatech and Apoteca Natura SpA (Aboca group) the first network benefit of pharmacies in the world, joined in the battle against Covid-19 through the implementation of a new specific module for monitoring patients in the MyApotecaNatura App already present on the Italian and Spanish market. Thanks to the use of Big Data Analytics and Machine Learning within the MyApotecaNatura App, all the aggregated data collected can be analyzed, facilitating the monitoring, prevention and control of Coronavirus.

On 30 March 2020, Relatech starts a project for the automation and enhancement of business processes for an important customer of international standing active in the utilities sector, through the use of the most modern and challenging frontier technologies, such as Big Data, IoT and Machine Learning.

On 31 March 2020, with a view to greater transparency considering the particular market moment, Relatech integrates the calendar of financial events with quarterly communication of certain economic and financial data in order to allow all stakeholders to be constantly updated on the Company performance.

Emergencies Covid 19 – Actions put into place for the safeguard and business going concern.

Protecting the health of its employees and its ecosystem is crucial from customers, investors and collaborators, and this is the reason why Relatech, since the first communications from the government regarding the spread of contagion from Covid-19, has started agile work programs as of February 24 2020.

The company's entire workforce, for all its offices in Milan, Genoa, Naples and Cosenza, is operational in compliance with the containment measures to combat the emergency, from the Research & Development, Factory IT, financial, administrative, human resources and commercial management areas. The company, thanks to its Cloud and Cybersecurity expertise, allows its resources to operate with effective and efficient tools, ensuring stable and secure work platforms for data protection, and to continue with its role and business activities. It is of primary importance for the Company to maintain a high level of attention to the financial world, constantly informing its investors about business continuity and the initiatives that the Company will undertake, as well as ensuring periodic and timely updates on the economic and financial impacts of the Covid19 emergency. Therefore, with a view to greater transparency considering the particular market moment, the Company has integrated the calendar of financial events with the quarterly communication of certain economic and financial data so as to allow all stakeholders to be constantly updated on the Company's performance.

Predictable evolution of management

In accordance with and by the effects of what indicated in the point 6) of the third paragraph of the art. 2428 of the Civil Code, we point out that even into a social and economic context strongly influenced by the spreading of Covid-19 pandemic, the first months of current exercise year give signs of prospects in line with the year just ended. At this time of difficulty and of strong uncertainty on the economic trend, the Company has intensified its Investor Relations activity with the aim of being more transparent towards investors but also towards customers and suppliers. Meetings with the foreign financial community were also intensified, bearing in mind that over 50% of our turnover comes from foreign customers, also by virtue of the strategic plan of Relatech. After the consolidation in Italy we wish throughout 2020, a particular attention will be addressed to international development, on a regular as well extraordinary bases.

Other information

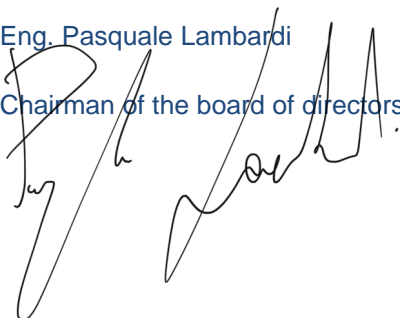
Finally, we inform you that Relatech SpA is not subject to the control of another company. Therefore, nothing to report for the purposes of art. 2428 paragraph 2 points 3 and 4 of the Civil Code. Pursuant to paragraph 5 of art. 2497-bis of the Civil Code certifies that the company is not subject to the direction and coordination of others.

Conclusions

This Consolidated Financial Report was approved by the Board of Directors for publication on April 7, 2020.

Eng. Pasquale Lambardi

Chairman of the board of directors

A handwritten signature in black ink, appearing to be 'Pasquale Lambardi', written over a light blue grid background.



Parent Company: Relatech S.p.A.

Share capital Euro 93.349,00.

Headquarters in Milano, via S. Anguissola, 23

Enrolled in the Register of Companies of MILANO

F.C. and Reg. N° 03267710964

REA MI-1662226

**Consolidated financial
statement by 31
December 2019**

(Balance prepared according IAS/IFRS standards)

CONSOLIDATED FINANCIAL STATEMENT BY 31 DECEMBER 2019 (VALUES IN EURO)

	Note	31 December 2019	31 December 2018	Δ
Intangibles assets	1	5.041.754	2.572.866	2.468.888
Activities for rights of use	2	1.585.124		1.585.124
Material activities	3	290.083	255.861	34.222
Financial activities	4	21.782	20.157	1.625
Other non- current assets		72.834	35.360	37.474
Non deferred tax assets	5	262.691	22.094	240.597
Non -current assets		7.274.268	2.906.337	4.367.930
Trade receivables	6	4.695.810	2.777.210	1.918.600
Other currents assets	7	1.967.071	2.481.961	(514.891)
Financial assets not held as fixed assets	8	250.000	250.000	
Liquid assets	9	3.804.959	2.009.801	1.795.158
Current activities		10.717.839	7.518.972	3.198.867
Total actitcty		17.992.107	10.425.310	7.566.797
Net assets				
Joint stock		93.349	70.000	23.349
Share Premium reserve		3.328.283		3.328.283
Reserves from FTA		(61.502)	(61.502)	-
Legal reserve		14.894	14.000	894
Statutory reserves		503.155	503.155	-
OCI reserve		(87.522)	(10.769)	(76.753)
Other reserves		1.642.092	762.543	879.550
Profit (loss) carried forward		573.985	-66.547	640.532
Group profit (loss) for the year		2.534.256	1.564.957	969.300
Net group equity		8.540.990	2.775.836	5.765.154
Capital and reserves of third parties		136.904	85.426	51.478
Result of third parties		48.038	51.478	(3.440)
Equity of non-controlling interests		184.942	136.904	48.038
Total net worth	10	8.725.932	2.912.740	5.813.192
Provisions for risks and charges	11	288.000		288.000
Deferred tax liabilities	5	686.608	304.879	381.729
Provisions for employees and administrators benefits	12	1.021.617	632.682	388.935
Financial liabilities for rights of use	13	1.206.193	0	1.206.193
Financial liabilities	14	1.183.319	1.600.761	(417.441)
Non -current liabilities		4.385.737	2.538.322	1.847.415
Commercial debts	15	772.331	985.579	(213.248)
Current tax liabilities	16	754.717	597.369	157.348
Financial liabilities for use	13	386.497		386.497
Financial liabilities	14	582.548	1.778.704	(1.196.157)
Other current liabilities	17	2.384.345	1.612.596	771.749
Current liabilities		4.880.438	4.974.249	-93.811
Total Liabilities		17.992.107	10.425.310	7.566.797

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Consolidated income statement (amounts in Euro)

	31	%	31				
	December	inc.	December	%			
	Note	2019	VdP	2018	inc. VdP	Δ	Δ%
Revenues	18	17974807	84%	13217821	89%	4756986	36%
Increases in fixed assets for internal works	19	2596109	12%	1037667	7%	1558441	150%
<u>Other income</u>	20	744316	3%	607938	4%	136378	22%
Total revenues and other income		21315232	100%	14863427	100%	6451805	43%
Costs for materials		31,237	0%	58179	0.4%	(26,942)	-46%
Costs for services	21	6203938	29%	5943066	40%	260872	4%
Costs for the enjoyment of third party assets	22	294336	1%	402955	3%	(108,618)	-27%
Staff costs	23	9962318	47%	5954234	40%	4008084	67%
<u>Different management charges</u>	24	66,235	0%	18,232	0.1%	48003	263%
Total Costs		16558064	78%	12376666	83%	4181399	34%
EBITDA		4757168	22%	2486761	17%	2270407	91%
Depreciation		301445	1%	45565	0%	255879	
Amortization of intangible assets							562%
Depreciation of tangible fixed assets		341506	2%	38959	0%	302547	777%
Provisions and write-downs		288,000	1%	0	0%	288,000	na
Depreciation and provisions	25	930951	4%	84524	1%	846427	1001%
EBIT		3826217	18%	2402237	16%	1423980	59%
Financial income		17		4,345		(4328)	-100%
Financial charges		(65,503)		(16,622)		(48,880)	294%
<u>Foreign exchange gains / losses</u>		(10,265)		(3691)		(6574)	178%
Financial management	26	(75,751)	0%	(15,968)	=	(59,783)	374%
					0.11%		
Financial asset adjustments				(21,554)	-0.1%	21,554	-100%
EBT		3750466	18%	2364714	16%	1385751	59%
Current taxes	27	727353		443971		283382	64%
<u>Deferred / prepaid taxes</u>	27	440818		304309		136509	45%
Profit (loss) for the year		2582294	12%	1616434	11%	965860	60%
Profit (loss) of the third party exercise		48.038		51.478		(3.440)	
Profit (loss) of the exercise in the Group		2.534.256	12%	1.564.957	11%	969.299	62%
Profit por action							
Basis	28	0,31		0,22			
Diluted	28	0,31		0,22			

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Other components of the comprehensive income statement

<i>Effects that they won't have on economic account:</i>			
Profits actuarial losses from plans at benefits at the fiscal net Effect	(76.753)	(10.769)	(66.584)
Total other components of the global economic Account	(76.753)	(10.769)	(65.984)
Total net result for the year	2505541	1605665	903315

Financial statement	December 31st 2019	December 31, 2018
A) Cash flows from operating activities (indirect method)	2582294	
Profit (loss) for the year		1616434
Income taxes	1168171	748280
Interest expense / (active)	75751	15,968
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains / losses from disposal	3826217	2380683
Adjustments for non - monetary items which had no counterpart in the net working capital	735505	
Provisions for funds		221349
Depreciation of fixed assets	642951	84524
Write-downs for permanent losses in value		21,554
Other adjustments up / (down) for non-monetary items	(335,972)	85426
Total adjustments for non-monetary items that have not had offset in net working capital	1042484	412854
2) Cash flow before changes in net working capital	4868701	2793536
Changes in net working capital	(1918600)	
Decrease / (increase) in trade receivables		(508,472)
Increase / (decrease) in trade payables	(213,248)	(354,458)
Decrease / (increase) in accrued income and prepaid expenses	(410,593)	(385,728)
Increase / (decrease) in accrued expenses and deferred income	344570	620234
Other decreases / (Other increases) in net working capital	1315188	(609,336)
Total changes in net working capital	(882,682)	(1237760)
3) Cash flow after changes in net working capital	3986019	1555776
Other adjustments	(75,751)	
Interest collected / (paid)		(15,968)
(Income tax paid)	(570,005)	(443,971)
Use of funds	(139,323)	(148,243)
Total other adjustments	(785,080)	(608,182)
Cash flow from operating activities (A)	3200939	947593
B) Financial flows deriving from investment activity	(1960852)	
(Investments) / Disinvestments in tangible assets		(162,732)
(Investments) / Divestments in intangible assets	(2770333)	(2392875)

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(Investments) / Disinvestments in financial assets	(1625)	(243,893)
Cash flow from investing activities (B)	(4732809)	(2799500)
C) Financial flows deriving from financing activities	(246,157)	(67,896)
<i>Third party means</i>		
Increase / (decrease) in short-term payables to banks		
Increase / (decrease) in short-term payables of other lenders	(313,503)	700,000
Opening of loans	1206193	1341140
(Loan repayment)	(417,443)	
<i>Own Means</i>	3347	
Paid capital increase	938	
Dividends	(250,000)	
Financial flow of financing activities (C)	3327028	1973244
Increase (decrease) in cash and cash equivalents (A ± B ± C)	1795158	121337
Cash and cash equivalents at the beginning of the year	2009801	1888464
Cash and cash equivalents at year end	3804959	2009801

Statement of changes in equity

Net assets	Sales on 31/12/2018	Dest. of the result	Other changes	Result of the year	Sales on 12/31/2019
Share capital	70,000		23349		93349
Share premium reserve			3328283		3328283
Legal reserve	14,000	894			14,894
Statutory reserves	503155				503155
Reserves from FTA	-61,502				-61,502
Reserve OCI	-10,769		-76,753		-87,522
Other reserves					
Consolidation reserve	12,889				12,889
Merger surplus	195378				195378
Extraordinary reserve	554276	923530	-43,981		1433825
Retained earnings (losses)	-66,547	640532			573985
Result of the year	1564957	-1564957		2534256	2534256
Total Net Equity of Group	2727482				8540990
Third party capital and reserves	85426	51478			136904
Third party result	51478	-51,478		48038	48038
Total Net Equity of Thirds	136904				184942
Total equity	2837977				8725932

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Explanatory Notes to Consolidated Financial Statements as at 31 December 2019

Preconditions

Dear Shareholders,

on 26 June 2019 Relatech SpA completed the listing process on the AIM Italia market. On that date, Borsa Italiana SpA, with its notice, communicated the admission to trading of the Relatech ordinary Shares and the Relatech Warrants with effect from June 28, 2019.

These Explanatory Notes are prepared in support of the Consolidated Financial Statements as at 31 December 2019 and, together with the

Management Report I constitute the Financial Report prepared for the purposes of the due disclosure required by the AIM Italia Issuers Regulation.

For greater intelligibility, and in order to allow you to compare the data shown in the consolidated financial statements for the year ended 31 December 2019 with the balance sheet and income statement data for previous years, the company's administrative body has drawn up the consolidated

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financial statements for the year ended at December 31, 2018, specifying that the same, as part of the process aimed at the IPO, were audited.

Introduction to the Explanatory Notes

Preparation base

The Company, in application of the Legislative Decree 28 February 2005, n. 38 "Exercise of the options provided for in article 5 of European Regulation no. 1606/2002 on international accounting standards ", prepared, for the first time, these separate financial statements as at 31 December 2019 in accordance with International Financial Reporting Standards (hereinafter also IFRS), as issued by the International Accounting Standard Board (IASB) and endorsed by the European Union on the date of approval of these financial statements.

By IFRS we also mean all the international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called "Standing Interpretations Committee" (SIC).

The Consolidated Financial Statements reflect the results of the accounting records regularly kept by the parent company and by the subsidiaries, adjusted by the eliminations of the consolidation process.

The Group's balance sheet and financial position and results are clearly, truthfully and correctly represented in accordance with the provisions of Legislative Decree 127/91, where necessary, additional information required by the 3rd paragraph of the art. 29 of the aforementioned decree.

These Explanatory Notes illustrate, in addition to the consolidation criteria, the valuation principles followed for the preparation of the Consolidated Financial Statements, in compliance with the relevant civil law; the following are also reported: the lists of companies included and excluded from the consolidation, the reconciliation statement between the parent company's net equity as resulting from the financial statements and the equity as resulting from the consolidated financial statements.

For the purposes of preparing the financial statements, the economic substance of the transactions is given priority rather than their legal form.

With reference to IAS 1 paragraphs 25 and 26, the Directors of the Parent Company confirm that, in consideration of the economic prospects, the capital position and the financial position of the Company, there are no uncertainties regarding the Group's going concern and that, consequently, in the preparation of the financial statements at December 31, 2019, adopts the accounting principles of a company in operation.

It should be noted that Relatech SpA, despite holding controlling interests as indicated below, is not required to draw up the consolidated financial statements as the Group is in cases of exemption from the obligation to draw up the consolidated financial statements pursuant to art. 27 Legislative Decree 127/1991 the limits indicated in the aforementioned article. However, the Company is required to prepare the consolidated financial statements as required by the AIM Italia issuers regulation, on a voluntary basis,

These consolidated financial statements will be audited by BDO Italia S.p.A. on a voluntary basis, by virtue of the assignment assigned to it for the period 2018-2020.

Information on the composition of the corporate group

At 31 December 2019 the Relatech Group was made up of the following companies:

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RELATECH SPA Group

Participated - Company name	Participant - Company name	Role	Type of control with respect to Parent Company	% of direct control /% of exercisable votes
RELATECH SPA		PARENT		
ITHEA SRL	RELATECH SPA	CONTROLLED	DIRECT	100.00
RELATECH CONSULTING Srl	RELATECH SPA	CONTROLLED	DIRECT	100.00
OKT SRL	ITHEA SRL	CONTROLLED	INDIRECT	51.4%

General criteria and principles for preparing the consolidated financial statements

The interim consolidated financial statements at 31 December 2019 include the financial statements of Relatech SpA and those of the companies of which it has, directly or indirectly, the majority of the votes that can be exercised in the ordinary shareholders' meeting, of the companies of which it has sufficient votes to exercise a dominant influence in the ordinary shareholders' meeting of companies over which it has a dominant influence by virtue of a contract or a statutory clause.

The financial statements used for consolidation are companies drawn up by the competent corporate bodies of the respective companies. Unless otherwise specified, the values shown in the Explanatory Notes are expressed in euro units.

We certify that, in order to provide a true and correct representation of the balance sheet, financial position and economic result, it was not necessary to derogate from the application of any provision of Legislative Decree 127/91.

Area and principles of consolidation

The following table shows the composition of the group and the consolidation area referred to the interim consolidated financial statements closed on 31 December 2019, specifying that the same has not changed compared to 31 December 2018.

Consolidation area and principles at 31 December 2019

Name	Social Headquarters	Share capital	Participation Fee	Consolidation principle
RELATECH SpA	Italy	Euro 93,349	Parent Company	-
ITHEA SRL	Italy	Euro 40,000	100%	Whole wheat
RELATECH CONSULTING	Italy	Euro 10,000	100%	Whole wheat
OKT SRL	Italy	Euro 96,000	51.4%	Whole wheat

The consolidation of the subsidiaries is carried out with the global integration method. The main criteria adopted for the application of this method include:

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- a. the book value of the equity investments held by the Parent Company and by the other companies included in the consolidation area is eliminated against the related shareholders' equity against the assumption of the assets, liabilities, costs and revenues of the subsidiaries in their total amount regardless of the size of the stake held;
- b. the transactions that give rise to debt and credit, cost and revenue items between companies consolidated using the global integration method are eliminated. In particular, unrealized profits deriving from transactions between group companies included at the balance sheet date in the evaluation of inventory are eliminated;
- c. the difference between the acquisition cost and the shareholders' equity of the investee companies, at the date of the first consolidation, is attributed, where possible, to the assets and liabilities of the same, up to their current value. Any negative part, if negative, is entered in an equity item called "Consolidation reserve"; if positive, it is entered in an asset item called "Goodwill", unless it must be partially attributed to the income statement; the remainder of the unallocated difference on the assets and liabilities and on the goodwill of the subsidiary is recognized in the income statement;
- d. dividends from consolidated equity investments accounted for as income from equity investments in the parent company's income statement or from other holding companies, these equity investments are eliminated against the item "Retained earnings and losses";
- e. any portions of shareholders' equity and the result for the period pertaining to third parties are shown in specific items in the consolidated balance sheet and income statement;
- f. the companies acquired during the period are consolidated from the date on which control was acquired;
- g. the capital goods acquired on the basis of financial leasing contracts are reflected in the consolidated financial statements according to the financial method, which provides for the accounting of the asset among the tangible fixed assets, the consequent amortization thereof, the recognition of the debt towards the grantor and the entry in the account income statement of financial charges recognized on an accrual basis. These assets were recorded at their initial value and depreciated starting from the signing of the financial lease contract;
- h. the excess of the purchase price with respect to the shareholders' equity of the companies acquired is attributed, where possible, to the items of the assets and liabilities of these companies and for the part having the nature of goodwill under the item "Goodwill". This item is amortized over a 10-year period;
- i. the portion of shareholders' equity pertaining to third party shareholders of the consolidated companies is recorded separately in a specific item of shareholders' equity called "Share capital and reserves", while the share of third party shareholders in the net result of these companies is shown separately in the consolidated income statement under the item "Profit for the year attributable to third parties".

As regards the transactions carried out with related parties, it should be noted that they cannot be classified as atypical or unusual, as they fall within the normal course of business of the Group companies. These transactions are regulated at market conditions, taking into account the characteristics of the goods and services provided.

Evaluation criteria

Cash and cash equivalents

The item is made up of cash and current account deposits. Cash and cash equivalents are entered at nominal value, corresponding to fair value. They are short-term investments, highly liquid and readily convertible into cash, are subject to an insignificant risk of exchange of value.

Trade and other credits

Trade and other receivables are accounted for using the amortized cost method. Credit losses are measured as the difference between the carrying amount of the loan, equal to the fair value inclusive of the transaction costs, and the present value of the estimated future cash flows, discounted at the

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effective interest rate calculated on the date of the recording of the loan. . The value of the receivables is shown net of the related write-down provisions in order to reflect their effective recoverability. Credit losses are recognized in the consolidated income statement under the item "Selling expenses" as well as any collections on derecognized credits.

Tangible fixed assets

Capital goods are recorded under "Tangible fixed assets".

They are recorded in the financial statements at purchase, production or transfer costs, including any ancillary charges and direct costs necessary to make the asset available for use and net of any capital grants. The costs incurred after the purchase are capitalized only if they increase the future economic benefits deriving from the use of the asset itself.

All other costs are recognized in the income statement when incurred. In particular, ordinary maintenance costs are fully charged to the income statement in the year in which they are incurred.

The individual components of a plant that are characterized by a different useful life are recognized separately to be amortized consistently with their duration according to a component approach. In particular, according to this principle, the value of the land and that of the buildings that insist on it are separated and only the building is subject to depreciation.

Any dismantling and restoration costs of industrial sites that it is estimated to have to bear are also recorded as a component subject to depreciation; the value to which these costs are entered is equal to the present value of the future charge that it is estimated to bear.

Ordinary maintenance costs are fully charged to the income statement in the year in which they are incurred. The costs incurred for maintenance carried out at regular intervals are attributed to the assets to which they refer and are depreciated in relation to the specific residual possibility of using them.

The presumed realization value which is believed to be recovered at the end of its useful life is not amortized. Fixed assets are systematically depreciated in each year on a straight-line basis on the basis of rates economic and technical determined in relation to the residual possibilities of use of the assets.

The rate range is shown in the table below:

Intangible assets items	Rate %
Plants and Machinery	15/20
Industrial and commercial facilities	12/15/20
Other assets	12/15/20

Intangible assets

Intangible assets are only those identifiable assets, controlled by the company, which are capable of producing future economic benefits. They also include goodwill when acquired for consideration.

These assets are recorded in the financial statements at purchase or production cost, inclusive of ancillary charges according to the criteria already indicated for tangible fixed assets. Development costs are also capitalized on condition that the cost can be reliably determined and that it can be demonstrated that the asset is capable of producing future economic benefits.

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a) Goodwill

Goodwill and other assets with an indefinite useful life are not subject to systematic amortization, but are subject to at least an annual recovery test (the so-called impairment test) conducted at the level of the individual Cash Generating Unit (CGU) or sets of CGUs to which the indefinite life assets can be reasonably allocated. For goodwill, any write-downs are not subject to subsequent write-backs.

At the time of the sale of a part or of the entire company previously acquired and from which acquisition goodwill had emerged, the corresponding residual value of goodwill is taken into account in determining the capital gain or loss from the sale.

b) Development costs

Development costs can be capitalized if the entity, when it can be demonstrated that they refer to a project for the realization of a clearly defined product, a technically feasible process, the economic-financial capacity to complete the intangible asset so as to make it available for use or for sale and the ability to use or sell the intangible asset and how the intangible asset will contribute to generate future economic benefits.

c) Concessions, licenses, brands and other intangible assets

Intangible assets are only those identifiable assets, controlled by the company, which are capable of producing future economic benefits. They also include goodwill when acquired for consideration.

Such activities. Development costs are also capitalized on condition that the cost can be reliably determined and that it can be demonstrated that the asset is capable of producing future economic benefits.

Concessions, brands, licenses, and other intangible assets with a defined useful life are recorded in the financial statements at purchase or production cost, inclusive of ancillary charges according to the criteria already indicated for tangible fixed assets net of the related amortization reserve and losses in value. Depreciation is calculated using a linear method in order to allocate the cost of trademarks and licenses over their useful life.

Intangible assets with a finite useful life are amortized systematically from the moment the asset is available for use over the period of expected use.

Business combinations

The acquisition of subsidiaries is accounted for according to the acquisition method (IFRS 3).

The assets acquired and identifiable liabilities assumed are valued at their respective fair values at the acquisition date. The consideration transferred in a business combination includes the fair value, at the acquisition date, of the transferred assets and liabilities and interests issued by the Group, as well as the fair value of any potential consideration and incentives recognized in share-based payments recognized by the acquire. If the business combination involves the extinction of a pre-existing relationship between the Group and the acquired company, the lesser amount between the extinction amount, as established by the contract, and the off-market value of the item is deducted from the consideration transferred and recognized among other costs.

A potential liability of the acquire is assumed in a business combination only if this liability represents a current obligation that derives from past events and when its fair value can be determined reliably.

For each business combination, any minority interest in the acquire is measured at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquire.

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The goodwill, which derives from the acquisition, is recorded as an asset and initially valued as an excess between the consideration transferred and the net value at the acquisition date of the identifiable assets acquired and the identifiable liabilities assumed.

In the case of a business combination carried out in several stages, the interest previously held in the acquired company at the respective fair value at the acquisition date is recalculated and any profit or loss recognized in the consolidated profit / loss statement resulting.

The costs related to the acquisition are recognized in the consolidated statement of profit / (loss) for the periods in which these costs are incurred and the services are received, with the sole exception of the costs of issuing debt securities or equity securities.

Impairment of assets

Intangible assets with an indefinite useful life, such as goodwill, are not subject to amortization, but subjected to impairment tests at least annually. All other activities falling within the scope of application of IAS 36 are subject to impairment tests whenever there are indicators of impairment. In this case, the net value of this asset is compared with its estimated recoverable value and, if higher, a loss is recognized.

Tangible and intangible fixed assets with a finite useful life are subject to amortization and analyzed, in order to verify the presence of losses in value in the event that events or changes of circumstances indicate that their book value may not be recoverable. The loss in value is equal to the amount for which the book value of the intangible asset is higher than its recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and its value in use.

In order to check for impairment, intangible and tangible assets are grouped together at the level of the smallest cash generating unit that can be identified separately.

Intangible assets with a finite useful life are analyzed at each balance sheet date to assess whether impairment losses recognized in previous periods no longer exist or have decreased. If this indication exists, the loss is reversed and the book value of the asset is restored to an extent not exceeding its recoverable value, which cannot be higher than the book value that would have occurred if the loss had not been recognized. The reversal of an impairment loss is recognized immediately in the income statement.

At the end of each year, the Group reviews the book value of its tangible and intangible assets to determine whether there are indications that these assets have suffered impairment. If these indications exist, the recoverable amount of these assets is estimated to determine the possible amount of the write-down. Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the CGU to which the asset belongs. Intangible assets with an indefinite useful life, referable exclusively to goodwill, are subjected to the impairment test annually and whenever there is an indication of a possible loss in value. The recoverable value of an asset is the higher of the fair value less costs to sell and the value in use. In determining the value in use, estimated future cash flows are discounted to their present value using a rate net of taxes which reflects the current market valuations of the value of money and the specific risks of the asset.

If the recoverable amount of an asset (or a CGU) is estimated to be lower than its book value, it is reduced to the lower recoverable value. An impairment loss is recognized in the income statement immediately, unless the asset is represented by fixed assets entered during the transition to IFRS at the revalued cost as a substitute for the cost, in which case the loss is recognized in the respective revaluation reserve.

When a write-down no longer has reason to be maintained, the book value of the asset (or of the CGU), with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable value, but not that recorded at the time in which the activity was taken over. The reinstatement of the value is immediately recognized in the income statement, unless the asset is represented by fixed assets entered during the transition to the IFRS at the revalued cost as a

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substitute for the cost, in which case the reinstatement of value is attributed to the respective revaluation reserve.

Treasury Shares

The repurchased treasury shares are recognized at cost and taken as a decrease in shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the purchase value and the consideration, in the event of a reissue, is recognized in the share premium reserve. In the event of exercise of share options during the period, these are satisfied with treasury shares.

Financial activities

Initial detection and evaluation

At the time of initial recognition, the financial assets are classified, according to the cases, according to the subsequent measurement methods, that is, the amortized cost, the fair value recognized in the OCI comprehensive income statement and the fair value recognized in the income statement. The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially assesses a financial asset at its fair value plus, in the case of a financial asset not at fair value recognized in the income statement, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are valued at the transaction price determined according to IFRS 15. In order for a financial asset to be classified and valued at amortized cost or at the fair value recorded in OCI, it must generate cash flows that depend only on the principal and interest on the amount of principal to be repaid. The Group's business model for managing financial assets refers to the way in which it manages its financial activities in order to generate financial flows. The business model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of the financial assets or from both.

Subsequent evaluation

For the purpose of subsequent evaluation, financial assets are classified into four categories:

- Financial assets at amortized cost;
- Financial assets at fair value through the comprehensive income statement with reclassification of accumulated profits and losses;
- Financial assets at fair value through the comprehensive income statement without reversing the accumulated profits and losses at the time of elimination;
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost

The Group evaluates financial assets at amortized cost if both of the following requirements are met:

- the financial asset is owned within the framework of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows, and
- the contractual terms of the financial asset provide for certain dates cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

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Financial assets at amortized cost are subsequently valued using the effective interest criterion and are subject to impairment. Gains and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI

The Group assesses the assets at fair value through the comprehensive income statement if both of the following conditions are met:

- the financial asset is owned within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets, and
- the contractual terms of the financial asset provide for certain dates cash flows represented only by payments of principal and interest determined on the amount of principal to be repaid.

For assets measured at fair value through OCI, interest income, changes due to exchange differences and impairment losses, together with write-backs, are recognized in the income statement and are calculated in the same way as financial assets measured at amortized cost. The remaining changes in fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognized in OCI is reclassified in the income statement.

Investments in equity instruments

Upon initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognized at fair value issued in OCI when they meet the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. Classification is determined for each individual instrument. The profits and losses achieved on these financial assets are never transferred to the income statement. Dividends are recognized as other income in the income statement when the right to payment has been approved, except when the Group benefits from these proceeds as a recovery of part of the cost of the financial asset, in which case such profits are recognized in OCI.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must be measured at fair value. The assets held for trading are all those assets acquired for their sale or their repurchase in the short term. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Despite the criteria for debt instruments to be classified at the amortized cost or fair value recognized in OCI, as described above, debt instruments can be accounted for at fair value through profit or loss at the time of initial recognition if this involves the elimination or significant reduction of an accounting mismatch. Financial instruments at fair value with changes recognized in the income statement are entered in the statement of financial position at fair value and net changes in fair value recognized in the profit / (loss) statement for the year.

Cancellation

A financial asset is canceled first when the rights to receive cash flows from the asset are extinguished, or the Group has transferred the right to receive cash flows from the asset to a third party or has assumed the contractual obligation to pay them in full and without delay and has substantially transferred all the risks and rewards of ownership of the financial asset, or has not transferred or substantially retained all the risks and rewards of the asset, but has transferred control of it. In cases where the Group has transferred the rights to receive cash flows from an asset or has signed an agreement under which it maintains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries, it assesses whether and to what extent it has withheld the risks and benefits inherent in possession. In the event that it has neither transferred nor substantially retained all the risks and benefits or has not lost control over it, the activity continues to be recognized in the Group's financial statements to the extent of its residual involvement in the activity itself. In this case, the Group also recognizes an

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associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that remain the Group's responsibility. When the residual involvement of the entity is a guarantee on the transferred asset, involvement is measured on the basis of the lesser of the amount of the asset and the maximum amount of the consideration received that the entity may have to repay.

Impairment of financial assets

The Group recognizes an expected credit loss 'ECL' for all financial assets represented by debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include the cash flows deriving from the enforcement of the collateral held or other credit guarantees which are an integral part of the contractual conditions. Expected losses are recognized in two stages. With regard to credit exposures for which there has been no significant increase in credit risk since the initial recognition, credit losses deriving from the estimate of default events that are possible within the following 12 months must be recognized. For credit exposures for which there has been a significant increase in credit risk since the initial recognition, the expected losses that refer to the residual duration of the exposure must be recognized in full, regardless of when the default event is expected that it occurs. For trade receivables and contract activities, the Group applies a simplified approach in calculating expected losses. Therefore, the Group does not monitor changes in credit risk, but fully recognizes the expected loss at each reference date. For assets represented by debt instruments measured at fair value through OCI, the Group applies the simplified approach allowed for low credit risk activities. At each reporting date, the Group assesses whether the debt instrument is deemed to have low credit risk by using all available information that can be obtained without excessive costs or efforts. In making this assessment, the Group monitors the creditworthiness of the debt instrument. A financial asset is eliminated when there is no reasonable expectation of recovery of the contractual cash flows. the Group assesses whether the debt instrument is deemed to have low credit risk using all available information that can be obtained without excessive costs or efforts. In making this assessment, the Group monitors the creditworthiness of the debt instrument. A financial asset is eliminated when there is no reasonable expectation of recovery of the contractual cash flows. the Group assesses whether the debt instrument is deemed to have low credit risk using all available information that can be obtained without excessive costs or efforts. In making this assessment, the Group monitors the creditworthiness of the debt instrument. A financial asset is eliminated when there is no reasonable expectation of recovery of the contractual cash flows.

Financial liabilities

Initial detection and evaluation

Financial liabilities are classified, at the time of initial recognition, among financial liabilities at fair value through profit or loss, among mortgages and loans, or among derivatives designated as hedging instruments. All financial liabilities are initially recognized at fair value to which are added, in the case of mortgages, loans and payables, the transaction costs directly attributable to them. The Group's financial liabilities include trade payables and other payables, mortgages and loans, including overdrafts.

Subsequent evaluation

The valuation of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with changes recognized in the income statement include liabilities held for trading and financial liabilities initially recognized at fair value with changes recognized in the income statement. Liabilities held for trading are all those assumed with the intention of extinguishing them or transferring them in the short term. Gains or losses on liabilities held for trading are recognized in the profit / (loss) statement for the year.

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Financial liabilities are designated at fair value with changes recognized in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met. At the time of initial recognition, the Group did not designate financial liabilities at fair value with changes recognized in the income statement.

Loans

After the initial recognition, the loans are valued with the amortized cost criterion using the effective interest rate method. Gains and losses are recognized in the income statement when the liability is extinguished, as well as through the amortization process. The amortized cost is calculated by recording the discount or premium on the acquisition and the fees or costs that form an integral part of the effective interest rate. Depreciation at the effective interest rate is included in the financial charges in the profit / (loss) statement. This category generally includes interest-bearing loans and receivables.

Cancellation

A financial liability is canceled when the obligation underlying the liability is extinguished, canceled or fulfilled. If an existing financial liability is replaced by another of the same lender, at substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or modification is treated as an accounting cancellation of the original liability, accompanied by the recognition of a new liability, with recognition of any differences between book values in the profit / (loss) statement for the year.

Trade and other payables

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is made within one year of the balance sheet date. Otherwise, these payables are classified as non-current liabilities.

Trade and other payables are initially recognized at fair value and subsequently measured on the basis of the amortized cost method.

Employee benefits

Severance indemnity (TFR) and retirement funds are determined by applying an actuarial method (mortality, foreseeable remuneration changes, etc.) to express the present value of the benefit, payable at the end of the employment relationship, which the employees have accrued at the balance sheet date. This amount is recognized in the income statement under the item "labor costs" while the notional financial burden that the company would bear if a loan of TFR amount was requested from the market is recognized in net financial income (expenses). Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are recognized in the comprehensive income statement taking into account the remaining average working life of the employees.

In the programs with benefits defined in accordance with IAS 19, which also includes the severance indemnity due to employees pursuant to Article 2120 of the Italian Civil Code, the amount of the benefit to be paid to employees is quantifiable only after cessation of the employment relationship, and is linked to one or more factors such as age, years of service and pay. Therefore, the related charge is recognized in the income statement on the basis of an actuarial calculation. The liability recognized in the financial statements for defined benefit plans corresponds to the present value of the obligation at the balance sheet date. The obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of the defined benefit plan is determined by discounting future cash flows at an interest rate equal to that of bonds (high-quality corporate) issued in Euro and which takes into account the duration of the related pension plan. Actuarial gains and losses deriving from the aforementioned adjustments and changes in the actuarial assumptions are recognized in the comprehensive income statement.

Provisions for risks and charges

Provisions for risk provisions are recognized when:

- there is a current obligation, legal or implicit, deriving from a past event;
- it is probable that the fulfillment of the obligation will be expensive;
- the amount of the obligation can be estimated reliably.

Provisions for risk provisions are recognized at the present value of the expected future disbursements to settle the dispute, using a pre-tax rate that reflects the current market assessments of the value of the money and the specific risks associated with the obligation. The increase in the liability due to the passage of time is recognized under financial charges. For possible risks, only the information in the commentary notes is provided.

For remote risks, however, no information is provided nor is any provision made.

Recognition of revenues and costs

Revenues and income, costs and charges are recorded net of returns, discounts, rebates and bonuses as well as taxes directly connected with the sale of goods and the provision of services.

Revenues are recognized to the extent that it is probable that the economic benefits will be achieved by the company and the related amount can be determined reliably and on the basis of the "performance obligations", as defined by IFRS 15, contractually defined.

Revenues from the provision of services are recognized with reference to the stage of completion of the transaction at the balance sheet date when the result of the transaction can be reliably estimated. In particular, all the following conditions are met:

- the amount of revenues can be measured reliably;
- it is probable that the economic benefits deriving from the transaction will flow to the Group;
- the stage of completion of the transaction at the balance sheet date can be reliably measured;
- the costs incurred for the operation and the costs to be incurred to complete it can be reliably calculated.

Financial income and expenses are recognized on an accrual basis.

Income taxes

Taxes for the year include current, prepaid and deferred taxes.

Current income taxes are recorded on the basis of the estimated taxable income in accordance with the rates and provisions in force, or substantially approved at the year-end date, taking into account the applicable exemptions and any tax credits due.

Deferred tax assets and liabilities are calculated on the temporary differences between the value attributed to assets and liabilities in the financial statements and the corresponding values recognized for tax purposes, on the basis of the rates in force at the time when the temporary differences are reversed. Deferred tax assets are recognized to the extent that their future recovery is probable. The assessment of prepaid taxes takes into account the taxable amounts provided for in the business plans approved by the company. When the results are recognized directly in equity, in particular in the "Reserve for other components of the overall result", deferred tax assets and deferred tax liabilities are also recognized directly in equity.

Foreign currency transactions

The functional presentation currency adopted by the company is the Euro. Monetary assets and liabilities in different currencies, with the exception of fixed assets, are recorded at the exchange rate current at the year-end date and the related exchange gains and losses are recognized in the income statement and any net profit is allocated in a special reserve that cannot be distributed until realization. Revenues and income, costs and charges relating to foreign currency transactions are recorded at the exchange rate in force on the date on which the related transaction was completed.

Earnings / loss per share

The Company determines the earnings per share and the diluted earnings per share based on IAS 33 - Earnings per Share. Earnings per share are determined by dividing the Company's economic result by the weighted average number of shares outstanding during the reference period excluding treasury shares. Diluted earnings per share is calculated by dividing the Company's economic result adjusted to take into account any effects, net of taxes for the year, of any rights with diluted effects for the weighted average number of shares in circulation during the reference period excluding treasury shares and equivalent securities (options) with a diluting effect.

Use of estimates

The preparation of the financial statements required estimates and assumptions to be made which have an effect on the values of the assets and liabilities in the financial statements and the information relating to potential assets and liabilities at the balance sheet date. The final results of the financial statement items for which the aforementioned estimates and assumptions have been used, may differ from those reported in the financial statements due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based. The estimates are used to record provisions for credit risks, for obsolescence and slow stock movements, for depreciation, for asset write-downs, for employee benefits, for taxes, as well as other provisions for risks and charges. Estimates and assumptions, they are periodically reviewed and the effects of each variation are immediately reflected in the balance.

The critical evaluation processes and the key assumptions used in the process of applying the accounting standards with regard to the future are summarized below and which may have significant effects on the values recognized in the financial statements or for which there is a risk that significant value adjustments may arise at book value of assets and liabilities in the financial year following that of the financial statements.

- **Credit evaluation:** Trade receivables are adjusted by the related bad debt provision to take into account their recoverable value. The determination of the amount of write-downs requires the directors to make subjective assessments determined on the basis of past experience with similar receivables or current and historical past due, closing rates, losses and collections, careful monitoring credit quality;
- **Prepaid tax assessment:** Deferred tax assets are assessed on the basis of expected taxable income expected in future years. The evaluation of these expected taxable income depends on factors that could vary over time and determine significant effects on the evaluation of deferred tax assets.
- **Income taxes:** The determination of the Company's tax liability requires the use of assessments by management with reference to transactions whose tax implications are uncertain at the balance sheet date.
- **Valuation of intangible assets with an indefinite useful life** (including goodwill): In particular, non-current assets include intangible assets (including goodwill). The Company periodically reviews the book value of the non-current assets held and used and of the assets that must be disposed of, when facts and circumstances require such revision. This activity is normally carried out using the impairment test and making the estimates of the cash flows expected from the use or sale of the asset and adequate discount rates for the calculation of the present value. When the book value of a non-current asset has suffered a loss of value, the Company recognizes a devaluation for the value of the excess between the book value of

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the asset and its recoverable value through the use or sale of the same, also determined with reference to the most recent plans of the Company. It should also be noted that, without prejudice to the uncertainty inherent in the industrial plans, both as regards the realization of the events envisaged therein and as regards the year and the quantum of their event, the recovery of the activities entered in the financial statements are conditional on the realization of the plans themselves.

- **Evaluation of intangible assets with a finite useful life** (trademarks and other fixed assets): The useful life and the amortization criterion of these fixed assets are subject to annual verification.
- **Assessment of risk provisions:** in the normal course of business, the Company is assisted by legal and tax advisors. A liability is recognized as a provision for risks and charges against these disputes when it considers it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. In the event that a financial outlay becomes possible, but the amount cannot be determined, this fact is reported in the notes to the financial statements.

Recently issued accounting standards

New accounting standards, interpretation and amendments applicable from 1 January 2019

The Group has adopted IFRS 16 for the first time. The impact and nature of the changes following the adoption of these new accounting standards are described below.

Accounting standards and interpretations approved in force from January 1, 2019 IFRS 16 Leases

On October 31, 2017, EU Regulation no. 2017/1986 which implemented IFRS 16 (Leasing) at EU level. IFRS 16 replaces IAS 17 (Leasing) and the related Interpretations (IFRIC 4 Determine if an agreement contains a lease; SIC 15 Operating lease — Incentives; SIC 27 Evaluation of the substance of transactions in the legal form of the lease). IFRS 16 applies retrospectively from January 1, 2019.

Based on the provisions of IFRS 16, the accounting representation of passive lease contracts (which do not constitute the provision of services) takes place through the recognition in the statement of financial position of a liability of a financial nature, represented by the present value of future rents , against the inclusion in the assets of the "right of use of the leased asset".

Passive leases, previously classified according to IAS 17 as financial leases, do not undergo any changes with respect to the current accounting representation, going in full continuity with the past.

Upon first application, for leases previously classified according to IAS 17 as operating leases, the Group applied the retrospective method, but did not reformulate the comparative data for the 2018 period, as allowed by the specific transitional provisions. The reclassifications and adjustments deriving from the new accounting standard were therefore recognized in the opening financial statements as of January 1, 2019.

The contracts entered into by the Group companies, which fall within the scope of application of IFRS 16 refer mainly to:

- office buildings and apartments used by employees
- cars.

With reference to the options and exemptions provided by IFRS 16, the Group has adopted the following choices:

- IFRS 16 is not generally applied to contracts of short duration (or less than 12 months) and of low unit value;

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- usage rights and financial liabilities relating to leasing contracts are classified in specific items in the statement of financial position;
- any component relating to the provision of services included in the leasing installments is generally excluded from IFRS 16;
- contracts with similar characteristics are valued using a single discount rate;
- leasing contracts previously valued as financial leases pursuant to IAS 17 maintain the values previously recorded.

The adoption of the standard determines, on 1 January 2019, an increase in assets for rights of use and in liabilities for leasing for a value equal to the present value of the future rents envisaged by the lease term, as summarized in the table below.

in thousands of Euros

Balance sheet data	01.01.2019 post IFRS 16	01.01.2019 pre IFRS 16	CHANGE
Activities by right of use	1,880	-	1880
Net financial position	1,861	-	1861

The following table summarizes the economic effects at 31 December 2019 deriving from the application of the new standard:

in thousands of Euros

Economic data	31.12.2019 post IFRS 16	31.12.2019 pre IFRS 16	change
Costs for the enjoyment of third party assets	294	581	(287)
Depreciation	768	492	276
Financial charges	67	49	18

The different nature, qualification and classification of expenses, with the entry "Amortization of the right to use the asset" and "Financial charges for interest related to the usage rights", instead of the fees for passive rents and vehicle leasing, resulted in a consequent negative impact on the pre-tax result of € 7 thousand. In particular, the application of IFRS 16 to leasing and rental contracts has determined:

- the reduction of Costs for services and use of third party assets for the different accounting treatment of the rents relating to passive rents for offices, apartments and car rents;
- the increase in depreciation of usage rights resulting from the registration of greater non-current assets ("Activities by right of use");
- the increase in financial charges for interest related to usage rights resulting from the recognition of higher financial liabilities;

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The following table summarizes the effects on the statement of financial position at 31 December 2019 deriving from the application of the new standard:

In thousands of euros

Balance sheet data	01.01.2019 post IFRS 16	01.01.2019 pre IFRS 16	VARIATION
Activity for rights of use	1585		1585
Net financial position	(703)	(2,295)	1592

The details of the impacts of the application of the new standard are reported in the specific paragraphs of these Explanatory Notes.

Several other amendments and interpretations apply for the first time in 2019 but have had no impact on the Group's consolidated financial statements.

	Homologated by UE	Date of validity
IFRIC 23 – Uncertainty over income Tax Treatment	YES	Exercises which start since 1 January 2019
IAS 28 Investments in Associates and Joint Ventures	YES	Exercises which start since 1 January 2019
IAS 19 Plant Amendment, Curtailment or Settlement	YES	Exercises which start since 1 January 2019
IFRS 9: Prepayment Features with negative Compensation	YES	Exercises which start since 1 January 2019
Annual improvements to IFRS 2015-2017 Cycle	YES	Exercises which start since 1 January 2019

Other standards or amendments issued by the IASB, not endorsed by the European Union or endorsed but not yet applicable to the Consolidated Financial Statements

Below is a brief summary:

	Approved by the EU	Effective date
In May 2017, the IASB issued the new IFRS 17 standard		
"Insurance contracts". The new standard will replace IFRS 4.	NO	Exercises starting from January 1st 2021
In October 2018, the IASB published some amendments to IAS 1 and IAS 8 which provide clarifications on the definition of "materiality".	NO	Exercises starting from January 1st 2020
In October 2018, the IASB published some amendments to IFRS 3 which modify the definition of "business".	NO	Exercises starting from January 1st 2020
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	NO	Not determined
Amendments to IFRS 3: Business Combination	YES	Exercises starting from January 1st 2020

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The Group has not early adopted the new standards, interpretations or changes that have been issued, but not yet in force.

Comment on the main items of the statement of financial position

1 Intangible assets

After recording the amortization charges for the year, equal to 301,455 euros, in the income statement, intangible assets, net of amortization funds, amount to 5,041,755 euros.

The following table shows in detail the movement of the items that make up intangible assets.

Analysis of the movements of intangible assets

	Development costs	Concessions, licences, trademarks and other charges	Start up	Assets in progress	Other fixed assets	Tot.
Value of exercise start 31/12/2018	1.037.667	1.650	1.330.101	-	269.869	2.639.287
Cost	- 183	-	-	-	88.956	
Depreciation (Depreciation fund)		89.140				
Balance value	1.037.667	1.467	1.330.101	-	180.912	2.550.148
Variations during exercise	- -					
Increases for purchases						
Decreases for transfers and disposals (of the balance sheet value)	2.564.071	-	22.719	32.038	157.036	2.775.863
Depreciation for the year						
Other variations (accumulated ordinary depreciation)	207.533	92	-		93.820	301.445
<i>Total variations</i>		-	-	-	17.189	
Value at the end of exercise 31/12/2019	2.356.537	92	22.719	32.038	233.667	

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	<i>Development costs</i>	<i>Concessions, licences,trademarks and other charges</i>	<i>start up</i>	<i>Assets in progress</i>	<i>tot.other fixed assets</i>	
Costs	3.601.738	1650	1.352.820	32.038	426.904	5.415.150
Amortization	207.533	275	-	-	165,587	373.396
Balance value	3.394.205	1375	1.352.820	32.038	216.317	5.041.765

Goodwill

The item Goodwill refers for € 1,330,101 to the amount paid for this purpose for the definitive award of the business unit, for a price of € 1,370,101, the final deed of purchase of which was signed on 28 December 2018. The residual amount of Euro 22,719 is attributable to the entry in this item of the consolidation differences of the investee OKT Srl.

Goodwill and other assets with an indefinite useful life are not subject to systematic amortization, but are subject to at least an annual recovery test (the so-called impairment test). For goodwill, any write-downs are not subject to subsequent write-backs.

Development costs

In 2019, the Group incurred Research and Development costs for a total of € 3,749,749, of which € 3,353,965 relating to the cost of personnel involved in the aforementioned activities and € 395,784 relating to external consultancy. Of these costs, the part relating to Development costs relating to personnel costs, equal to 2,596,109 euros, is entered in the increase in fixed assets for internal works.

During the 2019 financial year, the Group made investments in Research and Development which mainly include the development costs relating to projects that comply with the requirements of IAS 38 as detailed below:

- E-TAIL
- TRUE DETECTIVE
- E-.FOOD
- NEXT SHOP
- SI STA BENE
- SERVICE ID
- ENPHASIS
- OPER SECURE NET
- ORIGAMI
- PROTEC ID
- VQA
- CEFE

2 Activities for Use Rights

In accordance with Accounting Standard IFRS 16, the assets owned by the entity are considered tangible fixed assets and are used in production, sale, for administrative purposes or for long-term use. It should therefore be noted that what qualifies the tangible asset as an asset, to be included in the assets of the balance sheet, is not the mere possession of the asset but, conversely, it is the use of the asset that makes this qualifiable as an asset.

The application of the Accounting Standard IFRS 16 which entailed the registration of "Activities for Use Rights" for a total of € 1,860,800 and the recognition of negative economic components such as the amortization charge and interest expense on the debt recorded in the State balance sheet under "Liabilities for Use Rights".

3 Tangible fixed assets

Tangible fixed assets gross of the related depreciation funds amount to euro 1875206 the depreciation funds are equal to Euro 341,506. The following table shows in detail the changes in the items that make up tangible fixed assets and the respective depreciation funds.

Analysis of the movements of tangible fixed assets

	<i>Use Rights Activities</i>	<i>Plants and Machinery</i>	<i>Industrial equipment e Commercial</i>	<i>Other assets</i>	<i>Total tangible fixed assets</i>
Start of year value					
Cost		20,830	97868	327686	446384
Depreciation (Depreciation fund)		13,787	28,427	148310	190523
Balance sheet value		7,043	69441	179376	255861
Changes in the year					
Increases due to acquisitions	1860800	37052	2,480	60520	1960852
Decreases for disposals and divestments (of the book value)					
Depreciation for the year	275676	9,471	10,960	45,399	341506
Other changes (decrease in depreciation fund)					
<i>Total variations</i>	<i>1585124</i>	<i>27581</i>	<i>-8480</i>	<i>15,121</i>	<i>1619346</i>
Year end value					
Cost	1860800	57882	100348	388206	2407235
Depreciation (Depreciation fund)	275676	23,257	39387	193709	532029
Balance sheet value	1585124	34625	60961	194497	1875206

Plants and Machinery

The item "Plants and Machinery" mainly refers to generic plants present at the operating offices of the Group companies.

Industrial equipment

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The item "Industrial and Commercial Equipment" mainly consists of IT equipment and equipment.

Other Goods

The item "Other assets" includes the costs relating to tangible assets which by their nature have not found a place in other items of tangible fixed assets; in particular, this item includes the furniture and furnishings of the operating offices of the companies and the personal computers used by the Group's employees.

It should be noted that there are no tangible assets for which monetary revaluations have been made.

4 Financial assets

The following table shows in detail the composition of the item Financial assets and the changes in the consistency with respect to the previous year.

Financial fixed assets

Description	31/12/2019	12/31/2018	change
Investments in subsidiaries	-	-	
Investments in associated companies	-	-	-
Investments in other companies	21,782	20157	1,625
Total	21,782	20157	1,625

Investments in other companies

The item Equity investment in other companies refers to the equity investment held indirectly in the South Competence Center (ICT SUD), a consortium company and in the ICT NEXT company, both based in Rende (CS).

5 Deferred tax assets

The prepaid taxes of the Group amount to € 262,691. This change is mainly attributable to changes in the income statement for the application of IAS / IFRS accounting standards. The following table shows the details of the changes that took place during the year as well as the difference that originated the registration of the prepaid taxes

Advance Taxes

Description	12/31/2018	increases	decreases	31/12/2019
Employee benefits	22,094	24,238	4,000	42332
Depreciation differences	-	275449	55090	220359
Total	22,094	299687	59090	262691

Deferred taxes

The Group Deferred Taxes amount to € 668,608. This is mainly attributable to changes in the income statement for the application of IAS / IFRS accounting standards. The following table shows the details of the changes that took place during the year as well as the difference that gave rise to the recognition of deferred taxes.

Deferred taxes

Description	12/31/2018	increases	decreases	31/12/2019
-------------	------------	-----------	-----------	------------

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Employee benefits	15,370			15,370
Depreciation differences	289509	439630	57,902	671238
Total	304879	439630	57,902	686608

6 Trade receivables

Commercial credits Trade receivables, equal to Euro 4,695.8.10, are shown net of the bad debt provision which, at 31 December 2019, amounts to Euro 36,754. The following table shows the breakdown by geographical area of the item Trade receivables.

Distribution of trade receivables by geographical area	31/12/2019	12/31/2018
Italy	3500066	1031919
EU (excluding Italy)	1195744	1745291
Total	4695810	2777210

For the year ended 31 December 2019, the item in question, equal to € 4,695,810, mainly includes:

- receivables from customers, including invoices and credit notes to be issued, equal to Euro 3,890 thousand net of the bad debt provision of Euro 37 thousand, of the Parent;
- receivables from customers, including invoices and credit notes to be issued, equal to Euro 18 thousand of the subsidiary company Ithea Srl;
- trade receivables, including invoices and credit notes to be issued, equal to Euro 487 thousand of the subsidiary Relatech Consulting Srl;
- receivables from customers, including invoices and credit notes to be issued, equal to Euro 301 thousand, from the subsidiary OKT Srl.

The bad debt provision was estimated on the basis of the recoverability of trade receivables through an analysis of the receivables and information available at the balance sheet date.

The table below shows in detail the movement of the fund in the first half of 2019.

Allowance for doubtful accounts	31/12/2019	12/31/2018
Opening balance	36.754	180700
Acc.to the exercise	-	-
Use in the exercise	-	143946
Total	36.754	36.754

The following table illustrates the composition of trade receivables by maturity on 31 December 2019, with evidence of the coverage of the bad debt provision.

in thousands of euro

Composition of trade receivables by maturity						
	by 31 december 2019	At expiring	To be expired between 30 and 60 days	Expired between 61 And 90 days	Expired between 91 and 120 days	Expired beyond 120 days
Commercial credits towards third parties (*)	4.283	4.120	120	43		
(*) at net of invoice to be issued equal to Euro 413 thousands.						
Impairment losses on receivables	37					

7 Other current assets

Other current assets total 1,967,071 compared to 2,481,961 euros in the previous year. The following table shows in detail the composition of the item as well as the changes compared to the previous year:

Other current assets

Description			
Tax credits		591053	1543744 (952,691)
Other credits		178820	31613 147207
Deferred income		1197198	786605 410593
Total		1967071	2481961 (514,891)

Below are detailed tables that highlight the composition of the individual items that make up the Other Current Activities.

Current tax assets

Description	31/12/2019	12/31/2018	change
Inland Revenue with VAT	311558	668607	-357048
Inland Revenue with various tax credits	27339	21,721	5,618
Tax credits from special laws	219024	490802	-271778
Inland Revenue with IRES advances	27821	299667	-271846
Inland Revenue with IRAP advances	5,311	62947	-57,636
Total	591053	1543744	-952691

Current tax assets, equal to 591,053 euros and 1,543,744 euros, respectively at December 31, 2019 and 2018, mainly include:

- the VAT credit, equal to Euro 311,558 thousand of which Euro 285,211 referring to the Parent Company and euro 26,347 referring to subsidiaries;
- tax credits from special laws refers to credits of the Parent Company for € 219,024, referring to the tax credit for Research and development activities;

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Other current assets

Description	31/12/2019	12/31/2018	Varian. Absolute
Security deposits	72834	35,360	37474
Other credits	178820	31613	147207
Total	251654	66973	184682

The item Other current assets amounts to € 251,654 and € 66,973 respectively at December 31, 2019 and 2018. For the year ended December 31, 2019, the item in question mainly includes guarantee deposits for € 72,834, and various receivables from third parties for € 178,820.

Accruals and Deferrals

Accrued income and prepaid expenses, calculated on the basis of the accrual principle, by dividing costs and / or revenues common to two financial years, amount to 1197,198 euros compared to 786,605 euros in the previous year. The following table highlights the composition of this item.

Accruals and Deferrals

Description	31/12/2019	12/31/2018	Varian. absolute
Accrued income	1083932	696825	387107
<i>PON Relatech - Truedetective project</i>	32948	0	32948
<i>PON Project - Nextshop</i>	322912	488841	-165929
<i>POR Project - Sistabene</i>	35715	47,434	-11,719
<i>OKT projects</i>	433909	160550	273359
<i>Customer orders</i>	258449	-	258449
Deferred income	113265	89780	23,485
<i>Software licenses</i>	9,308	19,202	-9894
<i>Property leasing</i>	-	31,760	-31,760
<i>Insurance</i>	11,720	10,367	1,353
<i>Financial charges</i>	2,071	6,026	-3955
<i>Rental fees</i>	7,039	1,502	5,537
<i>Car rent</i>	18,093	-	18,093
<i>Rents</i>	-	-	-
<i>Expenditure for personnel search</i>	21741	14,383	7357.17
<i>Marketing expenses</i>	25,334	6,000	19,334
<i>Software maintenance services</i>	-	-	-
<i>Consultations</i>	16,750	-	16,750
<i>Other expenses</i>	1,211	541	670
Total	1197198	786605	410593

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8 Non-fixed financial assets

This item, amounting to € 250,000, consists exclusively of units in mutual investment funds. The measurement was carried out taking into account the fair value of these funds as at 31 December 2019. It should be noted that there are no restrictions or restrictions on the alienability of the financial assets that make up the item.

9 Cash and cash equivalents

The balance of the Group's cash and cash equivalents amounts to € 3,804,959 compared to € 2,009,801 for the year ended 31 December 2018. The following table details the changes in the balances compared to the previous year.

Cash and cash equivalents

Description	31/12/2019	12/31/2018	change
Bank and postal deposits	3804726	2009590	1795136
Cash and cash on hand	233	211	22
Total	3804959	2009801	1795158

10. Shareholders' equity

Moving on to the examination of the balance sheet liabilities, the items making up the consolidated shareholders' equity are highlighted in detail. The following table shows the changes in the shareholders' equity items compared to the previous year.

Net assets	Sales on 31/12/2018	Dest. of the result	Other variations	Result of the year	Sales on 12/31/2019
Share capital	70,000		23349		93349
Share premium reserve			3328283		3328283
Legal reserve	14,000	894			14,894
Statutory reserves	503155				503155
Reserves from FTA	-61,502				-61,502
Reserve OCI	-10,769		-76,753		-87,522
Other reserves					
Consolidation reserve	12,889				12,889
Merger surplus	195378				195378
Extraordinary reserve	554276	923530	-43,981		1433825
Retained earnings (losses)	-66,547	640532			573985
Result of the year	1564957	-1564957		2534256	2534256
Total Net Equity of Group	2727482				8540990
Third party capital and reserves	85426	51478			136904
Third party result	51478	-51,478		48038	48038
Total Net Equity of Thirds	136904				184942
Total equity	2837977				8725932

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The Group's shareholders' equity amounts to € 7,240,119 compared to € 2,837,977 for the year ended 31 December 2018.

On 11 March 2019, the shareholders also resolved to increase the share capital free of charge by using the available reserves for a nominal amount of € 3,694.00 with the issue of no. 369,400 new shares and, subsequently, to increase the share capital by payment for a nominal value of € 776.00, without surcharge, with the exclusion of the option right pursuant to art. 2441, paragraph 5, code civ. by issuing n. 77,600 shares. The aforementioned capital increases were reserved for the members of the board of directors.

Subsequently, the Shareholders' Meeting resolved to increase the paid share capital, with the exclusion of the option right pursuant to art. 2441 paragraph 5, code civ., on a divisible basis, for a maximum nominal value of € 29,788.00 plus surcharge, by issuing a maximum of n. 2,978,800 without nominal value to service the listing operation on AIM Italia - Alternative Capital Market organized and managed by Borsa Italiana SpA, giving mandate to the administrative body to determine its placement conditions within the listing procedure .

The placement ended with the signing of n. 1,887,900 new shares at a price of 2.15 with a total funding of € 4,058,985.

This amount was recorded in the Share Capital item, for a total of € 18,879 and in the item Share premium reserve for € 3,328,283 net of the costs for the IPO, equal to € 987,272 directly attributable to the same and inclusive of the tax effects consequent to the application of the international accounting standard IAS 32 which led to the recording of deferred taxes for 275,448 Euros. The amount attributed to the Share premium reserve gross of the effects described above amounts to Euro 4,040,106 corresponding to an amount equal to Euro 2.14 per subscribed share.

The decrease in the extraordinary reserve, equal to euro 43,981, is attributable to the demerger transaction for a total of euro 40,285 while the residual part, equal to euro 3,694, was destined to increase the share capital as previously described.

The reconciliation between the Parent Company's Shareholders' equity at 31 December 2019 drawn up on the basis of the Principles is shown below Italian Accountants and Consolidated Shareholders' Equity at the same date drawn up on the basis of IFRS. The amounts are expressed in Euros and the adjustments are grouped by type.

Net assets	Result of the year	
31/12/2019	31/12/2019	
As per the financial statements of Relatech SpA	8292280	1677019
Elimination of Reserves unavailable from evaluation of the Subsidiaries to the PN	(596,967)	
Consolidation reserve	12,889	
Elimination of the effects of transactions between consolidated companies	4,112	4,112
Pro-quota results achieved by the investee companies	31934	31934
Pro quota results from previous years	715772	
Other variations		
Total Group Variations	8460021	1713065
Third party interest	136464	25,969
As per OIC consolidated financial statements	8596485	1739033
	74762	
IAS EFFECTS PREVIOUS YEARS		
	8671247	1739033

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Adjustment of non-capitalized intangible assets IAS 38	695.797	695797
IAS 19 TFR discount	(64087)	12666
IAS 32 application	142365	142365
IFRS 16 application	(719389)	(7566)
Total IAS Effects	54,685	843,261
Total equity with IAS / IFRS accounting standards	8,725932	2582294

The appendix details the effects of the changes in the balance sheet, financial position and income statement resulting from the application of the IAS IFRS accounting standards.

11 Provisions for risks and charges

The composition of the item in question is illustrated in the following table, as it is shown in the financial statements.

Description	31/12/2019	12/31/2018	change
Provision for future risks and charges	288,000	-	288,000
Total	288,000	-	288,000

The Provision for Future Risks and Charges represents a prudential provision, made in accordance with the accounting principles, in relation to a legal dispute that arose with a Client of the Company branch purchased from the Bankruptcy of Con.nexo Italia Servizi Srl. In the paragraph Relevant Facts of the Report on the Management, to which reference is made, information was given on the legal dispute in progress.

12. Provisions for employee and director benefits Employee benefits - Employee severance indemnity - TFM

Severance indemnity (TFR) is determined by applying an actuarial method assessed for the purposes of IAS 19; the amount of rights accrued by employees during the year is recognized in the income statement under the item labor costs, while the notional financial charge that the company would bear if a loan equal to severance indemnity was requested from the market is recognized among the proceeds (net financial charges). Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are recognized in the comprehensive income statement taking into account the remaining average working life of the employees.

	31/12/2019	12/31/2018
Present value of the obligation at the beginning of the year	632682	523025
Service Cost	456829	225590
Interest Cost	8,581	5,966
Advances and Liquidation	(153,228)	(132,668)
Other changes (reclassifications)		
(Profits) / Actuarial Losses	76753	10,769
Total	1021617	632682

The reference actuarial model for the evaluation of the TFR is based on various hypotheses, both demographic and economic. For some of the hypotheses used, where possible, explicit reference was

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made to the direct experience of the Company, for the others, reference best practice was taken into account. The economic technical bases used are shown below.

31.12.2019 31.12.2018

Annual discount rate	0.77%	1.57%
Annual inflation rate	1.20%	1.50%
Annual TFR increase rate	2.40%	2.625%
Annual rate of salary increase	1.00%	1.00%

In particular, it should be noted that:

- the **annual discount rate** used for the determination of the present value of the obligation was inferred, consistently with par. 83 of IAS 19, from the Iboxx Corporate AA index with duration 10+ recorded on the measurement date. For this purpose, the yield having a duration comparable to the duration of the collective of workers subject to the valuation was chosen;
- the annual rate of increase in severance indemnity as provided for by art. 2120 of the Civil Code is equal to 75% of inflation plus 1.5 percentage points;
- the **annual rate of salary increase** applied exclusively for companies with an average of less than 50 employees in 2006, it was determined on the basis of what was communicated by the managers of the company.

The demographic technical bases used are shown below.

SUMMARY OF THE DEMOGRAPHIC TECHNICAL BASES

Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables distinguished by age and gender
Retirement	100% upon reaching the AGO requirements

ANNUAL TURNOVER FREQUENCIES AND TFR ADVANCES

Advance Frequency	0.50%
Turnover frequency	5.00%

13 Financial Liabilities for Use Rights

In accordance with Accounting Standard IFRS 16, the assets owned by the entity are considered tangible fixed assets and are used in production, sale, for administrative purposes or for long-term use. It should therefore be noted that what qualifies the tangible asset as an asset, to be included in the assets of the balance sheet, is not the mere possession of the asset but, conversely, it is the use of the asset that makes this qualifiable as an asset.

The application of the Accounting Standard IFRS 16 which led to the registration of "User Rights Activities" for a total of € 1,860,800 and the recognition of negative economic components such as the amortization charge and interest expense on the debt entered in the balance sheet under the item "Liabilities for Use Rights". 1,592,690 of which 386,497 euros falling due within the twelve months following 31 December 2019 and 1,206,193 falling due beyond the following year.

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14 Financial liabilities

Financial liabilities, represented by payables to the banking system, totaled € 1,765,867 compared to € 3,379,465 in the previous year.

Description	31/12/2019	31/12/2018	Variation
Current financial liabilities	582.548	1.778.704	-1196157
Non current financial liabilities	1.177.219	1.594.663	-417.443
Total.	1.759.767	3.373.367	-1.613.600

The following tables show the Group's overall exposure to the credit system

Debts vs. Banks

Description	Deadline	Parent Company	Subsidiaries	Total
Banca Intesa financing No. 74528273	May-20	31619		31619
Banca Intesa loan No. 74954523	Jan 22	63412		63412
Banca Intesa financing OIR1048134336	May-20	41898		41898
Banca Intesa financing OIR1047250903	Jan 22	210129		210129
Banca Intesa financing OIR1048674251	Dec 23	363441		363441
BNL Bank Financing No. 1838397	Apr 20	85976		85976
Credit cards	-	5,733		5,733
Financed by the Polinice MPS Project	Dec 25		169241	169241
Financing MCC - Horizon2020 - NEXTSHOP	Jun 28		57962	57962
Banca Intesa financing N.OIC1048670382	Dec 23		524970	524970
Facilitated financing MCC - Horizon 2020 - OKT	Jun 28		177,000	177,000
Banca Credem OKT	-		28386	28386
Total		802208	957559	1759767

15. Trade payables

The following table shows in detail the breakdown by geographical area of the item Trade payables.

Commercial debts

Breakdown of trade payables by geographical area	31/12/2019	12/31/2018	change
Italy	744648	1339308	-594660
Eu (excluding Italy)	1,007	729	278
Extra-Eu	26675	-	26675
Total	772331	1340037	-567706

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Trade payables, equal to Euro 772,331 and Euro 1,340,037 respectively at December 31, 2019 and 2018, mainly include trade payables to third parties.

The decrease in the item is linked to better management of the Group's leverage.

16. Current tax liabilities

The details of current tax liabilities are shown below.

Description	31/12/2019	12/31/2018	change
VAT Revenue	135169	77780	- 35,193
Tax authorities withholding tax on employee income	245626	106550	81,721
Tax authorities withholding taxes on income autonomous	1,723	543	1,249
Tax authorities with substitute taxes on severance pay		85	299
Description	31/12/2019	12/31/2018	change
Inland Revenue c / IRES	351565	123295	- 42.371
Inland Revenue c / IRAP	20634	25,099	2,622
Total	754717	333352	8,327

17. Other current liabilities

The other current liabilities amount to 2,384,345 euros compared to 1,612,596 euros in the previous year. The following table details the composition of this item

Other current liabilities

Description	31/12/2019	12/31/2018	change
Payables to social security and social security institutions	536127	345395	190732
Other debts	883414	646967	236447
Accrued expenses and prepayments	964804	620234	344570
Total	2384345	1612596	771749

Payables to social security and social security institutions

Payables to social security institutions, equal to Euro 536,127, represent the contributions payable by the Group companies to be paid to social security institutions, pertaining to the month of December 2018. These fees are paid in January 2020.

Other debts

Description	31/12/2019	12/31/2018	change
Payables to administrators	20,891	35068	- 14.177
Sundry payables to third parties	13,040	6,100	6,940

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Staff wages	391995	292261	350429
Employees with deferred wages	463589	319638	254619
Total	889514	653067	236447

Payables to personnel, equal to 391,995 euros and 463,589 euros, they refer to accrued and unpaid skills relating to the month of December 2019, bonuses accrued during the year, holidays and unused leave, to the fourteenth month.

Accrued expenses and prepayments

Payables for accrued expenses and deferred income, equal to Euro 3,294 thousand, which are determined on the basis of the accruals criterion and mainly refer to positive income components pertaining to the year 2020;

Debts backed by collateral

There are no debts backed by collateral.

18. Revenues

In detail, revenues from sales and services amounted to 17,974,807 euros compared to 13,217,821 euros in the previous year. The breakdown of revenues by area is shown below

Geographical breakdown of revenues

Description	31/12/2019	31/12/2018	Variation
Italy	7.971.524	3.198.177	4.773.347
Eu (except Italy)	10.003.283	10.019.644	-16.361
Total	17.974.807	13.217.821	4.756.986

19 Increases in fixed assets for internal works

In 2019, the Group incurred Research and Development costs for a total of € 3,749,749, of which € 3,353,965 relating to the cost of personnel involved in the aforementioned activities and € 395,784 relating to external consultancy. Of these costs, the part relating only to Development costs corresponding to the cost of personnel employed in these activities, equal to € 2,596,109, is entered in the increase in fixed assets for internal works.

20. Other Revenues

Other Revenues at June 31, 2019 amounted to € 744,316 compared to € 607,938 in the previous year. This item is made up almost exclusively of public grants relating to research projects conducted with universities and research centers and of the tax credit for research and development activities conducted by the Group companies. The following table details the composition of this item.

Description	31/12/2019	31/12/2018	Change
Operating grants	592.593	525.164	67.789
Other revenues	151.363	82.774	68.589

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Total	744.316	607.938	-51.304
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21. Service costs

Costs for services at 31 December 2019 amounted to € 6,203,938 compared to € 5,943,066 referring to the same period of the previous year. The following table details the composition of this item.

Costs for services

Description	12/30/2019	12/30/2018	change
Third party works	3716444	4632097	-915653
Ordinary telephone charges and data lines	49764	11,061	38703
Electric energy	24283	17,044	7,239
Subscription fees for services	29477	25,968	3,509
Miscellaneous maintenance costs	4,886	0	4,886
Vehicle services and expenses depend.	30,800	10,932	19,868
Technical advice	100549	65276	35273
Labor consultancy and payroll processing	91,314	50514	40,800
Tax and administrative, legal and notary consultancy	80327	52036	28291
Marketing and advertising consultancy	416492	80689	335803
Directors' fees co.co.co.	430611	266278	164332
Professional auditor fees	39,410	30,000	9,410
Expenses for travel and business trips for employees	258527	209,100	49427
Travel and travel expenses for administrators	29,370	47829	-18,459
Reimbursement of directors' expenses	12,103	35130	-23,027
Description	12/30/2019	12/30/2018	change
Compulsory insurance	42118	26,358	15,760
Cleaning and surveillance	40,071	32,620	7451
Employee meal vouchers	99385	49218	50167
Reimbursement of personal expenses	105549	111609	-6060
Research, education and training	41111	74,313	-33,202
Commissions and bank charges	35044	25429	9615
Other production services	30,851	87965	-57,114
R&D consultancy and specific projects	495453	1,600	493853
Total	6203938	5943066	260872

The item costs for services amounts to Euro 6,203,938 and Euro 5,943,066 respectively for the year ended 31 December 2019 and 2018 and mainly includes the costs for consultancy, the costs for employee travel and shipments.

In detail:

- The costs for consultancy mainly refer to the costs incurred for the purchase of services provided by third parties and necessary for the provision of the service to end customers and amount to a total of € 3,716,444.
- Travel, business trips and shipments refer mainly to the costs incurred for the travel of employees to customers and amount to a total of 258,527 euros.

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- The item R&D Consulting and specific projects refers to the costs of external consultants for specific activities related to Research and Development projects and amounts to 495,453 Euros;
- The costs for marketing activities mainly include costs incurred for communication campaigns aimed at increasing brand awareness, digital activities, internal Group events and participation in external events as sponsors and amount to a total of € 416,492.

22 Costs for the enjoyment of third party assets

Costs for the enjoyment of third party assets at 31 December 2019 amounted to 294,336 euros compared to 402,955 euros at 31 December 2018,

The following table details the composition of this item.

Costs for the enjoyment of third party assets

Description	31/12/2019	12/31/2018	change
Property rental fees	43414	188946	-145532
Condominium and miscellaneous expenses	68365	35312	33,053
Can. and vehicle rental costs	54185	72879	-18,694
Rental equipment fees	22,270	25.452	-3182
Software use licenses	100860	66516	34344
Property leasing fees	5,242	13,850	-8608
Total	294336	402955	-108619

It should be noted that as a result of the application of the accounting principle IAS / IFRS 16, the value of this deputy was adjusted for the financial year ended December 31, 2019, by an amount equal to 286,594 euros.

23 Personnel costs

Personnel costs include all costs incurred up to June 31, 2019 relating to employees, including the cost for additional months and for accrued and unused holidays.

Description	31/12/2019	12/31/2018	change
Wages and payrolls	7437737	4521745	2915992
Social charges	1999343	1179518	819825
Employee severance indemnity	467869	285859	182010
Other costs	77733	31,622	46111
Total	9982681	6018744	3963937

It should be noted that an amount equal to € 3,353,965 relates to employees employed in Research and Development activities

The following table shows the evolution of the overall number of managers, middle managers and white collars present in the group for the years ended 31 December 2019 and 2018.

in numbers

	31.12.2019	31.12.2018	change
Paintings	24	5	19
Employees	193	144	39

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Apprentices	-	11	-11
Total	217	160	158

24 Different operating costs

The item shown in the income statement of € 66,235 is represented for € 40,291 by losses and contingent liabilities, for € 11,172 by taxes and fees, for € 6,818 by gifts and other entertainment expenses and other miscellaneous costs, including for a total of € 7,954.

25 Depreciation and write-downs

The item shown in the income statement of Euro 642,951 is represented by amortization of intangible and tangible fixed assets.

For details of depreciation, please refer to the comment on the balance sheet items.

Description	31/12/2019	31/12/2018	Variation
Amortization intangible assets	93.911	45.565	48.346
Ammortization tangible assets	341.506	38.959	302.547
Ammortization R&D	207.533		207.533
Total	642.951	84.524	558.427

Depreciation of tangible fixed assets amounts to Euro 341,506 and Euro 38,959, respectively for the year ended 31 December 2019 and 2018. The increase in the depreciation item is attributable to the introduction of depreciation on usage rights in application of the IFRS accounting principle 16 Leases for a total of 275,676 Euros. For further details, see the paragraph "Recently issued accounting standards".

Amortization of intangible fixed assets amounted to € 93,911 and € 45,565, respectively for the year ended 31 December 2019 and 2018. In the current year, the amortization process for development costs incurred in 2018 was initiated; this led to the recording of depreciation for a total of € 207,533.

26 Financial income and expenses

The details of financial income and charges are shown in the table below. The table shows the effect on financial charges resulting from the application of IAS / IFRS 16 and 19,

Description	31/12/2019	12/31/2018	change
Financial income	17	4,345	-4328
Bank financial charges	-38,439	-10,656	-27,783
Financial charges (IAS 19))	-8581	-5966	-2615
Financial charges (IFRS 16)	-18,483	0	-18,483
Foreign exchange gains / losses	-10,265	-3691	-6574
Total	-75,751	-15,968	-59,783

Financial income amounts to € 17 and € 4,345, respectively for the year ended December 31, 2019 and 2018.

For the year ended 31 December 2019, the item in question, equal to Euro 1,816 thousand, mainly includes:

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- interest income of Euro 17

Financial charges amount to 75.7686 and 19.443 euros, respectively for the year ended 31 December 2019 and 2018.

For the year ended 31 December 2019, the item in question mainly includes:

- bank interest expense of € 38,439 referring to current account advances and interest expense on loans outstanding on the same dates;
- exchange rate losses of 10,265 euros;
- TFR discount costs, equal to Euro 8,483 deriving from the application of the accounting principle IAS 19 concerning the adjustment to the fair value of the provisions for employee benefits;
- interest on usage right liabilities of Euro 10,265 as required by IFRS 16 Leases.

27 Taxes

The breakdown of the income tax item for the years ended 31 December 2019 and 2018 is shown below.

in units of Euros	31.12.2019	31.12.2018	change
IRES and other current income taxes	599740	317733	282007
IRAP	127613	126238	1,375
Total current taxes	727353	443971	283382
Deferred tax liabilities	440818	304309	136509
Deferred tax assets			
Total deferred taxes / (prepaid)	440818	304309	136509
Total income tax	1168172	748280	419891

The following table shows the reconciliation between theoretical and actual taxes for the years ended 31 December 2019 and 2018. The income tax item amounts to 1,168,172 and 748,280 euros for the year ended 31 December 2019 and 2018 respectively.

28 Earnings per share

The basic result per share is calculated by dividing the result for the year attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

The diluted earnings per share is calculated by dividing the result attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year and those potentially deriving from the exercise of the warrants in existence on the closing date of the reference period (in the money).

The result and information on the shares used to calculate the basic and diluted earnings per share are shown below:

Net profit attributable to shareholders	2,534,256
Weighted number of shares outstanding 01/01 - 31/12/2019	8,390,950
Basic and diluted earnings per share	0.31

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It should be noted that the weighted average number of treasury shares used for the purposes of basic earnings per share takes into account the weighted average effect of the change consequent to the operations on treasury shares during the year.

Transactions with related parties

In accordance with IAS 24, the related parties of the Group are companies and individuals who are able to exercise control, joint control or significant influence over the Group and its subsidiaries.

The relationships between the companies are commercial and financial in nature and are formalized by contracts. These reports are carried out at market value and carefully monitored by the Board of Directors. Transactions relating to the normal operations of the individual entities have been entered into with the counterparties in question; there are no atypical or unusual transactions.

The main economic, equity and financial items of the Relatech Group relating to related party transactions are shown below, specifying that L. Partners Srl is related as a company controlled by the Chairman of the Board of Directors.

In Euro			
ASSET RELATIONS	31/12/2019	L Partners S.r.l.	Nature of transaction
Different commercial credits	4.568	4.568	Cost claims
ECONOMIC RELATIONS	2019	L. Partners S.r.l.	Nature of the transaction
Other revenues	3.744	3.744	Revenues for charge costs
Cost of enjoyment third party assets	24.000	24.000	Rental rates

Other information

The other information required by the civil code or otherwise useful to better understand the Group's equity, financial and economic situation is reported below.

Information on significant events which occurred after the end of the financial year

Pursuant to art. 2427 point 22-quater and art. 2428 paragraph 3, no. 5 of the Italian Civil Code, it should be noted that significant events subsequent to the end of the reference period have been shown in the specific paragraph of the Management Report to which reference is made.

Remuneration of directors, auditors and independent auditors

It should be noted that there are no advances and credits in favor of the administrative body. Furthermore, the same did not enter into commitments on behalf of this body due to guarantees of any kind given.

Group companies have approved fees for the administrative and control bodies. The amount of these fees at December 31, 2019, calculated according to the accrual basis, are indicated in the following table:

Compensation	Amount as of December 31, 2019
Administrative body	430611
Board of statutory auditors	14,870
Auditing firm	34910

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It should be noted that, with a resolution of the Shareholders' Meeting of 11 March 2019, the administrative body and the Board of Statutory Auditors were appointed and will remain in office until the approval of the financial statements for the year ended 31/12/2021.

Subsequently with the shareholders' meeting of 18 April 2018, in accordance with the provisions contained in the Issuers' Regulations, the administrative body was integrated with the appointment of the independent director; appointment suspended conditionally on the presentation of the application for admission to trading of the Company's shares on AIM Italia.

The auditing firm BDO Italia SpA, appointed with the Shareholders' Meeting of April 27, 2018, was assigned the task of statutory audit of the accounts pursuant to articles 2409-bis and following, of the civil code, for the duration of three financial years until the approval of the financial statements as at 31 December 2020.

Details on the other financial instruments issued by the company

The company has not issued other financial instruments pursuant to article 2346, paragraph 6, of the civil code.

Information relating to financial derivative instruments pursuant to art. 2427-bis of the Civil Code

In compliance with the requirements of art. 2427-bis of the civil code, we certify that the company has not signed contracts relating to derivative financial instruments.

Commitments, guarantees and contingent liabilities not resulting from the balance sheet

The commitments and guarantees subsequently issued by the group companies are listed below.

Description	Amount	Society	beneficiary
Warranty provided	650,000	Parent Company	Relatech Consulting

The commitments and guarantees described below refer exclusively to the Parent Company Relatech S.p.A. The latter has issued guarantees of € 650,000 in favor of the credit institution BANCA INTESA and of the subsidiary to guarantee a medium-term bank loan granted to the subsidiary Relatech Consulting S.r.l.

No potential liabilities other than those that led to the allocation of risk provisions in the financial statements were identified, such as to be mentioned in these explanatory notes.

Disclosure of the carrying amount of financial instruments

In order to provide information capable of illustrating the exposure to financial risks, the information provided by the companies regarding the fair value measurement of the financial instruments as required by the accounting principle IFRS 7 assumes considerable importance.

The "Fair Value hierarchy" has three levels:

- level 1: if the financial instrument is listed on an active market;
- level 2: if the fair value is measured on the basis of valuation techniques which refer to parameters observable on the market, other than the prices of the financial instrument;
- level 3: if the fair value is calculated on the basis of valuation techniques which refer to parameters that are not observable on the market.

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The disclosure relating to the book value of the financial instruments for the year ended 31 December 2019 is shown below:

Description	Balance sheet value	Fair value	Fair value hierarchy
Investments	21,782	21,782	Level 3

Description	Balance sheet value	Fair value	Fair value hierarchy
Investments	21,782	21,782	Level 3
Financial credits	72834	72834	Level 3
Commercial credits	4695810	4695810	Level 3
Financial assets not fixed	250,000	250,000	Level 3
Cash and cash equivalents	3804959	3804959	Level 1

Description	Balance sheet value	Fair value	Fair value hierarchy
Non-current financial payables and liabilities			
Payables to banks and other lenders	1183319	1183319	Level 3
Financial liabilities for usage rights	1206193	1206193	Level 3
Current financial payables and liabilities			
Payables to banks and other lenders	582548	582548	Level 3
Financial liabilities for usage rights	386497	386497	Level 3
Trade payables	772331	772331	Level 3

Transactions deriving from atypical and / or unusual operations

In accordance with the provisions of the Consob Communication of 28 July 2006, it should be noted that in the financial year ended 31 December 2018, no atypical and / or unusual transactions were carried out as defined by the Communication itself.

Information pursuant to Law 124/2017

Law 4 August 2017, n. 124 introduced, starting from the 2018 financial statements, some transparency obligations for subjects who receive "grants, contributions, paid assignments and in any case economic benefits of any kind" from public administrations and a series of subjects assimilated to them with which they have economic relationships. In consideration of the fact that this provision has raised unresolved interpretative and application questions, the Company has carried out the necessary investigations and, also in light of the most recent guidelines, believes that they do not fall within the scope of the publication obligation:

- the sums received as consideration for public works, services and supplies;
- the paid positions falling within the typical business activity of the company;

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- the general measures that can be used by all companies within the general structure of the reference system defined by the State (for example: ACE);
- selective economic advantages, received under an aid scheme, accessible to all companies that meet certain conditions, on the basis of predetermined general criteria (for example: contributions on research and development projects and tax breaks);
- public resources attributable to public entities from other states (European or non-European) and European institutions;
- training grants received from interprofessional funds (for example: Fondimpresa and Fondirigenti); as associative funds and legal entities of private law entities, which are financed with contributions paid by the companies themselves.

In relation to this obligation, it should be noted that during the 2019 financial year the group companies received contributions for a total of € 297,177, of which € 237,720 relating to Research and Development projects falling within the scope of the PONs (National Operational Plans) financed by the MiSE, € 40,641 relating to Research and Development projects falling within the scope of the POR Calabria (Regional Operational Plans) and € 18,816 by way of contributions to digitization provided by the MiSE.

Final thoughts

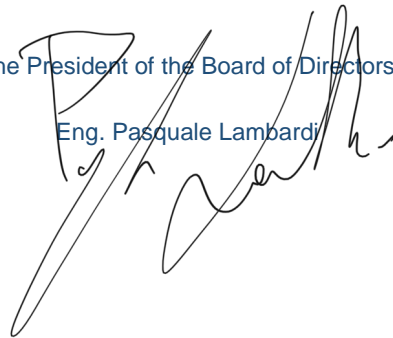
Dear Shareholders,

We confirm that this Annual Financial Report, consisting of the Consolidated Financial Statements, Balance Sheet, Income Statement, Explanatory Notes and Management Report, represents the true and fair financial position of the Relatech SpA group as well as the consolidated economic result as at 31 December 2019.

Milan, April 7, 2020

The President of the Board of Directors

Eng. Pasquale Lambardi



Attachments

Appendix 1 IAS / IFRS Reconciliation Tables

Relatech Group - appendix to the 2019 consolidated financial statements - IAS / IFRS reconciliation statements

Appendix 1

Effects of the adoption of the IAS / IFRS accounting principles on the historical statement of financial position

General principle

The directors of Relatech SpA have exercised the option to voluntarily adopt the International Accounting Standards (hereinafter also "IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Commission for the preparation of the consolidated financial statements of the Group headed by it starting from the year which ended on 31 December 2019. By IFRS we mean the new International Financial Reporting Standards, the revised International Accounting Standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called Standing Interpretations Committee ("SIC").

This option was adopted for the Group's consolidated financial statements prepared on a voluntary basis on the basis of art. 19, Part One, of the AIM Italia Regulations for Issuers, since the requirements required by Legislative Decree 127/1991.

The date of transition to IFRS, as defined by IFRS no. 1 "First-time adoption of IFRS", is January 1, 2018 and these 2019 financial statements present a comparative year (the 2018 financial year). The consolidated financial statements at 31 December 2019 are therefore the first financial statements prepared in compliance with the International Accounting Standards approved by the European Commission. In this regard, it should be noted that the IFRS accounting standards applied in the preparation of the financial statements for the year ended December 31, 2019 are those in force on that date and comply with those adopted for the preparation of the opening balance sheet as of January 1, 2018, as well as the financial statements. as at 31 December 2018, as restated according to IFRS, with the exception of the new standards which entered into force subsequently such as, for example, IFRS 16 Principle – Lease.

This Appendix provides a description of the significant adjustments made to the Statement of Financial Position and to the Income Statement, together with the relative explanatory notes, as required by IFRS no. 1 First-time adoption of IFRS and reconciliation of consolidated shareholders' equity.

Reconciliation schedules required by IFRS 1

IFRS no. 1 identifies the transition procedures that must be followed when the International Accounting Standards are adopted for the first time. The first financial statements of an entity prepared in accordance with IFRS is that in which the same entity explicitly and without reservation declares full compliance with IFRS.

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Effects of the adoption of the IAS / IFRS accounting principles on the Statement of Financial Position at January 1, 2018

Below is the summary statement of the statement of financial position at the date of transition to the international accounting standards as provided for by the accounting standard IFRS 1, reclassified taking into account the nature and degree of liquidity of the assets, the destination and the maturity of the liabilities.

For a better understanding of the effects, the most significant changes are analyzed for each budget line.

values in Euro	Balance Sheet and Financial Situation as of 1 January 2018 drawn up with i Italian Accounting Standards and exposed according to IFRS	IAS 38	IAS 19	Balance sheet and financial position at 1 January 2018 drafted in agreement with IFRS	Note
Intangible assets	229669	(4113)		225556	(1)
Activities for rights of use				-	
Tangible assets	132087			132087	
Financial activities	26,264			26,264	
Other non-current assets	14,555			14,555	
Deferred tax assets			18503	18503	(2)
Non-current assets	402576	(4113)	18503	416966	
Commercial credits	2268738			2268738	
Other current assets	3224085			3224085	
Financial assets not fixed					
Cash and cash equivalents	1888463			1888463	
Current assets	5112548			5112548	
Total activity	5515124	(4113)	18503	5529513	
Net assets					
Share capital	70,000			70,000	
Share premium reserve					
Reserves from FTA		(4113)	(57,389)	(61,502)	(3)
Legal reserve	14,000			14,000	
Statutory reserves	503155			503155	

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Reserve OCI					
Other reserves					
Profit (loss) carried forward	(73,900)			(73,900)	
Group profit (loss) for the year	907468			907468	
Group equity	1533151	(4113)	(57,389)	1471649	
Shareholders' equity of third parties					
Total equity	1533151	(4113)		1471649	
Provisions for risks and charges					
Deferred tax liabilities			380	380	(2)
Funds for beneficiaries to departments and administrators	451930		75512	527442	(4)
Financial liabilities for usage rights				0	
Financial liabilities	707279			707279	
Non-current liabilities	1159209		75892	1235101	
Commercial debts	1340037			1340037	
Tax payables	333352			333352	
Financial liabilities for usage rights					
Financial liabilities	442844			442844	
Other current liabilities	706530			706530	
Current liabilities	2822763			2822763	
Total passivity	5515124	(4113)	18503	5529513	

1-Intangible assets (IAS 38)

The adjustment includes the different treatment and exposure adopted by the group for:

- Start-up and expansion costs
- Development costs

2- Deferred taxes

The items include the tax impacts of the adjustments made.

3- First Time Adoption Reserve "FTA" (IFRS 1)

The item in question includes an adjustment relating to the entry of the "FTA reserve" which includes the effect, net of the tax effect, of the adjustments made on the first conversion to IFRS (January 1, 2018).

4- Employee severance indemnity fund and other benefits (IAS 19R)

The employee termination indemnity fund and the employee severance indemnity fund have been recalculated according to the actuarial methods envisaged by IFRS 19R.

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Net Equity Reconciliation Prospectus as of January 1, 2018

The reconciliation between the Shareholders' equity as of January 1, 2018 drawn up on the basis of Italian Accounting Standards and that on the same date drawn up on the basis of IFRS is shown below. The amounts are expressed in Euros and the adjustments are grouped by type.

	Net assets
	01/01/2018
As per OIC consolidated financial statements	1533151
IAS 38 (4,123)	
IAS 19 (57,389)	
Total IAS Effects	(61,502)
Total equity with IAS / IFRS accounting standards	1471649

Effects of the adoption of the IAS / IFRS accounting standards on the Statement of Financial Position and on the Income Statement at 31 December 2018

The summary statement of the Statement of Financial Position and the Income Statement at 31 December 2018 is shown below, as resulting from the adjustments made at the transition date and those made to the Income Statement for the year.

The adjustment of the Statement of Financial Position at 31 December 2018 according to the IFRS implies the same logic of structure and use of the accounting principles adopted for the opening Statement of Financial Position.

For a better understanding of the effects, the most significant changes are analyzed for each budget line.

Balance Sheet values in Euro	12/31/2018 Situation Assets e Financial as of December 31, 2018 drawn up with the Principles Italian Accountants and exposed according to IFRS	adjustments FTA all'1.1.2018	IAS 38	IAS 19	Balance sheet e financial statement as at 31 December 2018 drawn up in accordance with IFRS	Note
Intangible assets	1777152	(4113)	799828		2572866	(1)
Activities for rights of use					-	
Tangible assets	255861				255861	
Financial activities	20157				20157	
Other non-current assets	35,360				35,360	
Deferred tax assets		18503		3,591	22,094	(2)
Non-current assets	2088529	14,390	799828	3,591	2906337	
Commercial credits	2777210				2777210	
Other current assets	5139171		120,000		5259171	(1)

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Financial assets not fixed	250,000				250,000	
Cash and cash equivalents	2009801	-	-		2009801	
Current assets	7398972	-	120,000		7518972	
						0
Total activity	9487502	14,390	919828	3,591	10425310	
Net assets						
Share capital	70,000				70,000	
Share premium reserve						
Reserves from FTA		(61,502)			(61,502)	(3)
Legal reserve	14,000				14,000	
Statutory reserves	503155				503155	
Reserve OCI				(10,769)	(10,769)	(4)
Other reserves	762543				762543	
Profit (loss) carried forward	(66,547)				(66,547)	
Group profit (loss) for the year	1444331				1564957	
Group equity	2727482	(61,502)		(10,769)	2775836	
Shareholders' equity of third parties	110495		26,409		136904	
Total equity	2837977	(61,502)	26,409	(10,769)	2912740	
Provisions for risks and charges						0
Deferred tax liabilities		380	289509	14,990	304879	(2)
Funds for beneficiaries to departments and administrators	604667	75512		(47,497)	632682	(4)
Financial liabilities for usage rights						0
Financial liabilities	1600761				1600761	
Non-current liabilities	2205427	75892	289509	(32,507)	2538322	
Commercial debts	985579				985579	
Tax payables	597369				597369	
Financial liabilities for usage rights						0
Financial liabilities	1778704				1778704	
Other current liabilities	1082445		530152		1,612,596	(1)
					0	
Current liabilities	4444097		530152		4974249	
Total passivity	9487502	14,390	846070	(43,277)	10425310	
Income statement values in Euro	Consolidated Income Statement as at 31 December 2018 drawn up with the Italian Accounting Standards and shown according to the IFRS		IAS 38	IAS 19	Income statement for the year ended 31 December 2018 drawn up in accordance with IFRS	Note

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Revenues	13217821			13217821	
Increases in fixed assets for internal works		1037667		1037667	(1)
Other income	1138090	(530,152)		607938	(1)
Total revenues and other income	14355911	5 07.516		14863427	
Costs for materials	58179			58179	
Costs for services	5823946	122244	(3124)	5943066	(1)
Costs for the enjoyment of third party assets	402955			402955	
Staff costs	6018744		(64,510)	5954234	
Different management charges	18,232			18,232	
Total Costs	12322055	122244	(67,634)	12376666	
EBITDA	2033856	385272	67634	2486761	
Depreciation					
Amortization of intangible assets	49969	(4404)		45565	(1)
Depreciation Tangible fixed assets Provisions and write-downs	38959			38959	
Depreciation and provisions	88928	(4404)		84524	
EBIT	1944928	389676	67634	2402237	
Financial income	4,345			4,345	
Financial charges	(10,656)		5,966	(16,622)	
Foreign exchange gains / losses	(3691)			(3691)	
Financial management	(10,002)		(5966)	(15,968)	
Financial asset adjustments	(21,554)			(21,554)	
EBT	1913371	389676	61667	2364715	
Current taxes	443971			443971	
Deferred / prepaid taxes		289509	14,800	3 04.309	(2)
Profit (loss) for the year	1469400	100167	46867	1616434	
<i>Minority income (loss) for the year</i>	25,069	26,409		51478	
Group profit (loss) for the year	1 .444.331	73758	46867	1564957	
Actuarial gains / losses from benefit plans net of tax effect			(10,769)	(10,769)	
Total other components of the comprehensive income statement			(10,769)	(10,769)	
Total net result for the year			36098	1 .554.187	(4)

1- Intangible assets (IAS 38)

The adjustment includes the different treatment and exposure adopted by the group for:

- Start-up and expansion costs
- Development costs

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Consequently, the related tax credits, deferred income and amortization were adjusted.

2- Deferred taxes

The items include the tax impacts of the adjustments made.

3- First Time Adoption Reserve "FTA" (IFRS 1)

The item in question includes an adjustment relating to the entry of the "FTA reserve" which includes the effect, net of the tax effect, of the adjustments made upon first conversion to the IFRS (January 1, 2018), unchanged compared to the previous period.

4- Employee severance indemnity fund and other benefits (IAS 19R)

The employee termination indemnity fund and the employee severance indemnity fund have been recalculated according to the actuarial methods envisaged by IFRS 19R.

Equity reconciliation statement as at 31 December 2018

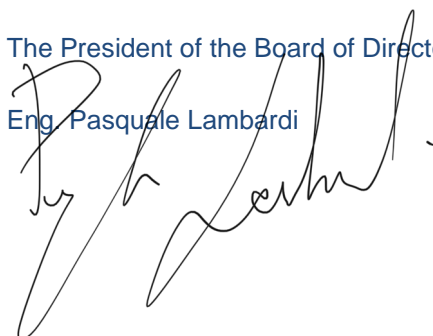
Below is the reconciliation between the Shareholders' equity at December 31, 2018 drawn up on the basis of the Italian Accounting Standards and that on the same date drawn up on the basis of the IFRS. The amounts are expressed in Euros and the adjustments are grouped by type.

	31.12.2018	31.12.2018
RECONCILIATION OF SHAREHOLDERS 'EQUITY (In euros)	Effects on PN	Effects on the result
SHAREHOLDERS 'EQUITY ACCORDING TO ITALIAN ACCOUNTING PRINCIPLES	2837977	1444331
	(61,502)	
Reserve FTA	100167	
IAS 38	100.167	100-167
IAS 19	36098	46867
Total IAS Effects	74762	147034
Total shareholders' equity IAS IFRS accounting standards	2912740	1591365

Milan, April 7, 2020

The President of the Board of Directors

Eng. Pasquale Lambardi



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Relatech S.p.A.
Report from the Independent
Auditors Company pursuant
to Article 14 of Legislative
Decree no. 39, 27 January 2010

Balance sheet at 31st December 2019

FBR/GNC/ggn - RC082252019BD1370

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Report from the Independent Auditors Company

pursuant to Article 14 of Legislative Decree no. 39,
27 January 2010

To the shareholders of
Relatech S.p.A.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AUDIT

Opinion

We carried out an audit of the consolidated financial statements of the TPER Group (the Group), consisting of the statement of financial position as at 31 December 2017, the income statement, the comprehensive income statement, the statement of changes in equity, the financial statement for the financial year ending on that date, and the explanatory notes to the financial statements which also include a summary of the most significant accounting principles applied.

In our view, the separate financial statements provide a true and correct representation of the Company's financial and financial statements as of December 31, 2018, the operating result and cash flows for the end of year in accordance with the International Financial Reporting Standards adopted by the European Union.

Basis for opinion

We conducted the audit in accordance with the international standards on auditing (ISA Italy).

Our responsibilities under these standards are further described in the section of the report - Responsibility of the independent auditor on the audit of the consolidated financial statements. We are unrelated to the Company, in compliance with the rules and principles on ethics and independence applicable within the Italian legal system for auditing the financial statements. We believe that we have gathered sufficient and appropriate documentary evidence for supporting our opinion.

Other aspects

In our opinion, the financial statements provide a true and fair view of the Company's financial position and operation results as at 31 December 2018. They also provide a true and fair view of its cash flows for the year ended, in accordance with the Italian regulations governing the preparation of financial statements. The explanatory note "Effects of the adoption of the IAS / IFRS accounting standards on the historical balance sheet and financial position" included in Appendix 1 illustrates the effects of the

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transition to the International Financial Reporting Standards adopted by the European Union and includes information relating to the prospectuses. of reconciliation envisaged by the international accounting standard IFRS 1.

Responsibilities of the directors and the Board of Statutory Auditors for the consolidated financial statements

Directors are responsible for the preparation of the financial statements which provide a true and correct representation in compliance with the Italian rules governing the basis of preparation and, within the terms provided for by law, for that part of the internal control they deem necessary to allow the preparation of a financial statement which does not contain significant errors due to fraud or unintentional behaviour or events.

Directors are responsible for assessing the company's ability to continue operating as a going concern and, in the preparation of the financial statements, for the appropriateness of the use of the going concern assumption, as well as providing adequate information on the matter. The directors use the assumption of business continuity in the preparation of the financial statements unless they have assessed that the conditions exist for the liquidation of the company or for the interruption of the activity or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for supervising, within the terms established by law, the process of preparing the Group's financial information.



Responsibility of the auditors for the audit of annual financial statements

Our goals are to obtain reasonable assurance that the financial statements as a whole do not contain significant errors, whether due to fraud or unintentional conduct or events, and to issue an audit report that includes our opinion. Reasonable assurance means a high level of security, which, however, does not guarantee that an audit carried out in accordance with international auditing standards (ISA Italy) always identifies a significant error, if any. Misstatements can result from fraud or unintentional conduct or events and are considered significant when it can reasonably be expected that they, individually or collectively, can influence economic decisions taken by users based on the financial statements.

As part of the audit carried out in accordance with international auditing standards (ISA Italy), we exercised our professional judgement and maintained our professional scepticism throughout the audit. In addition:

- we have identified and assessed the risks of significant misstatements in the financial statements, due to fraud or unintentional behaviour or events; we have defined and carried out audit procedures in response to these risks; we have acquired sufficient and appropriate audit evidence on which to base our opinion. The risk of not identifying a significant misstatement due to fraud is higher than the risk of not identifying a significant misstatement deriving from unintentional behavior or events, since fraud can imply the existence of collusion, falsification, intentional omission, misleading representation or manipulation of internal control;
- we have acquired an understanding of the internal control relevant for auditing purposes in order to define suitable audit procedures in the circumstances and not to express an opinion on the effectiveness of the internal control of the company;
- we have assessed the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by the directors, including the relative disclosure;
- we have come to a conclusion on the appropriateness of applying the assumption of business continuity by the directors and, based on the audit evidence, on the existence of significant uncertainty regarding events or circumstances that may give rise to significant doubts on the company's ability to continue operating as a functioning entity. In the presence of significant uncertainty, we are obliged to call attention to the audit report on the related disclosures in the financial statements, or, if this report is inadequate, to reflect this fact in the formulation of our opinion. conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a going concern;
- we have assessed the presentation, the structure and the content of the consolidated financial statements as a whole, including the report, and whether the consolidated financial statements represent the underlying transactions and events in order to provide a correct representation;

We have notified the persons in charge of corporate governance, identified at an appropriate level as required by ISA Italy standards, concerning, among other aspects, the audit's scope and timing schedules and the significant results that emerged, including any significant internal control deficiencies identified during the course of the audit.



Report on other legal and regulatory provisions

Opinion pursuant to Art. 14(2) (e) of Legislative Decree 39/10

The directors of Relatech SpA are responsible for preparing the report on the management of the Relatech Group at 31 December 2019, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures indicated in auditing standard (ISA Italy) no. 720B in order to express an opinion on the consistency of the management report with the financial statements of Audibel S.r.l. dated December 31, 2019, and on its compliance with the law, as well as issuing a declaration on any significant errors.

In our opinion, the management report is consistent with the consolidated financial statements of Travelport Italia S.r.l. as at 31 December 2018 and has been prepared in accordance with the law. With reference to the declaration pursuant to Art. 14 2, letter e) of Legislative Decree no. 39/10, issued based on the knowledge and understanding of the company and its context acquired during the audit, we have nothing to report.

Milan, April 21, 2020

A handwritten signature in black ink, appearing to read 'S. Magagnoli'.

shareholder