

# Consolidated financial report as at 31 December 2020

**Parent company  
Digital360 S.p.A**

Registered office - Milan - Via Copernico, 38  
Share Capital: 1.737.747,50 i.v.

Tax Code 08053820968  
Business register (REA) no 2000431

## INDEX

Composition of the corporate bodies of Digital360 S.p.A. ....	2
Consolidated financial report as at 31 December 2020.....	3
Covid-19: market risks and opportunities, DIGITAL360's answers.....	4
Key economic and financial data.....	6
Reference market and Group activities .....	10
Competitive positioning.....	17
Main events of the reporting period .....	20
Key balance sheet and financial data .....	32
Environmental and personnel information.....	37
Main risks and uncertainties to which the company is exposed .....	38
Main events after 31/12/2020 and business outlook .....	41
Balance Sheet Assets .....	42
Balance Sheet Liabilities.....	42
Profit and Loss Account.....	44
Notes to the consolidated financial statements for the year ended as at 31 December 2020 .....	46
Introduction .....	46
Consolidation Perimeter .....	47
Principles of consolidation .....	48
Accounting principles and valuation criteria .....	49
Comments on Balance Sheet items .....	57
Comments on the items in the Consolidated Income Statement .....	75
Annex 1 - Cash flow statement .....	85
Annex 2 - Reconciliation between the statutory and consolidated financial statements.....	86

## Composition of the corporate bodies of Digital360 S.p.A.

### Board of Directors

Chairman of the Board of Directors

**ANDREA RANGONE**

Chief Executive Officer

**GABRIELE FAGGIOLI**

Chief Executive Officer

**RAFFAELLO BALOCCO**

Independent director

**GIOVANNI CROSTAROSA GUICCIARDI**

Director and Honorary President

**UMBERTO BERTELE'**

Director

**CARLO MOCHI SISMONDI**

Councillor

**PIERLUIGI NEGRO**

### Board of Auditors

Chairman of the Board of Statutory Auditors

**MARCO GIUSEPPE ZANOBIO**

Acting auditor

**VINCENZO MARIA MARZUILLO**

Standing auditor

**CARLO PAGLIUGHI**

### Auditing Company

BDO Italia S.p.A.

The three-year mandates of the Board of Directors and the Board of Statutory Auditors, appointed by the Shareholders' Meeting of 30 April 2020, will expire at the same time as the Shareholders' Meeting that will approve the financial statements for the year ending 2022.

## Consolidated financial report as at 31 December 2020

### Foreword

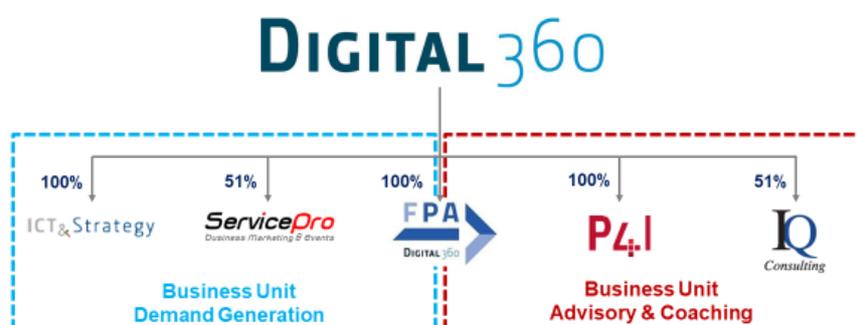
DIGITAL360 S.p.A., an innovative SME listed on the AIM Market of the Italian Stock Exchange since June 2017, was born from university research - by a group of professors from the Politecnico di Milano who are passionate about technology and innovation - and integrates in its growth path some of the most prominent figures in the world of digital innovation in Italy (entrepreneurs, managers, sector experts).

Its mission is to accompany companies and public administrations in understanding and implementing digital innovation, encouraging them to meet the best technology providers. It pursues this mission through two Business Units:

- The first, called *Demand Generation*, helps providers of digital services and solutions (tech companies) to communicate more effectively and connect with new customers;
- the second, called *Advisory&Coaching*, works alongside companies and public administrations to support them in their digital transformation.

Both business units follow an innovative approach, strongly based on proprietary assets (engineered know-how, online portals, technology platforms), which is revolutionising their markets.

The following chart outlines the structure of the DIGITAL360 Group at 31 December 2020, showing only the controlling interests, aggregated by Business Unit. For the two companies in which DIGITAL360 holds a 51% stake, it has an option, exercisable in 2021, to acquire the remaining 49% of the shareholding. Similarly, a put option for the same shares has been assigned to the shareholders holding the remaining shares.



For a detailed description of the Group's activities, please refer to the relevant section later in this report.

At the date of preparation of this report, the subscribed and paid-up share capital of DIGITAL360 S.p.A. amounts to Euro 1,737,747.50, made up of 17,377,475 ordinary shares, of which approximately 24.2% are freely traded on the AIM secondary market of the Italian Stock Exchange.

It should be noted that in the consolidated financial statements of DIGITAL360, since international accounting standards (IAS-IFRS) are not currently adopted, the consolidation differences generated by the acquisitions made are amortised. The "adjusted" figures shown in this report therefore aim to represent the economic results without taking these amortisations into account, thus making the figures in the financial report more comparable with those of other listed companies that adopt international accounting standards.

## **Covid-19: market risks and opportunities, DIGITAL360's answers**

The year 2020 will certainly be remembered as the year of the Covid-19 crisis, not only because of the health emergency that shook the world, but also because of the heavy economic fallout in almost all countries. According to ISTAT, Italy's GDP fell by 8.9% in 2020, which in absolute terms means EUR 160 billion less than in 2019, placing it among the worst countries in Europe, along with France, Spain, Greece and the United Kingdom.

In such a difficult context, however, the global pandemic has accelerated - in a sudden and unpredictable way - some dynamics that had been underway for years: it has made evident the strategic importance of information and communication technologies (ICT), it has pushed the digital transformation of businesses and public administrations, it has induced a change - on the part of individuals and organizations - of many habits and behaviors, making the importance and effectiveness of many tools, services and digital communication systems tangible. All of this has concretely accelerated the market's adoption of many services that DIGITAL360 has been offering for years and in which many resources have been invested - such as digital events, online communication, digital *lead generation*, remote *advisory* - and has increased the perception of the importance of issues such as *smart working*, *cybersecurity*, *Industry 4.0*, the development of digital skills, *digital marketing*, and *remote selling* - areas in which the Group has always operated.

The DIGITAL360 Network, which includes all the Group's publications and B2B portals dedicated to the themes of digital transformation and entrepreneurial innovation, dedicated a great deal of attention during the financial year to the hottest and most relevant themes linked to the use of digital tools to react to the emergency in progress. This contributed to determining in 2020 the repeated achievement of significant traffic peaks on the Group's portals, reaching a record of over 4.5 million unique visitors in April, to settle at a monthly average value of 2.6 million, with an increase of over 70% compared to 2019.

All this enabled the Group to grow again this year, albeit less than pre-pandemic expectations. There was a 4% increase in overall sales volumes (plus €1.1 million) despite the loss of several million euros in revenue due to the cancellation, due to the health emergency, of all in-person events that had been successfully organised for the Group's clients for years. Since the first lockdown in March, efforts have been made to turn this huge threat into an opportunity: by immediately focusing strongly on digital events, which had already been offered to the market for many years through a technology platform developed by a startup in which the company invested back in 2013. More than 580 digital events were organised in 2020, compared to 100 the previous year: they were attended by more than 130,000 managers and professionals and enabled our clients - businesses and public administrations - to continue their communication, marketing and business development activities, even during the lockdown months, and to successfully experiment with new forms of business.

More generally, in 2020, in response to the continuous lockdowns and forced smart working that have involved all businesses and public administrations, all the digital services of the Demand Generation Business Unit (in addition to events, also online communication, content marketing, marketing automation and lead generation) and all the remotely deliverable services of the Advisory&Coaching Business Unit (data protection, cybersecurity, smart working, training, etc.) were proposed and pushed.

The combination of all these actions made it possible to recover, with a surplus, the loss of turnover linked to events in attendance.

The change in the mix of services offered towards digital ones, which are by nature more efficient and scalable, has led to a significant increase in margins, to which has also contributed the increased weight of the most innovative subscription services, called "Digital-As-A-Service", which grew significantly in 2020: these include the Digital Marketing & Sales Engine, the Data Protection Officer As-a-Service, the Chief Information Security Officer As-a-Service, and the smart learning platforms (360DigitalSkill and FPA Digital School).

All these services are based on three fundamental assets, developed in recent years with significant investments: a highly engineered know-how, a unique commercial channel (go-to-market) represented by the online portals of the Digital360 Network, and the use of proprietary technological platforms provided in as-a-service mode.

In terms of internal work organisation, the Company also switched - from the beginning of the emergency - to the full use of Remote Working, making the most of all the eCollaboration tools (already widely used in the Group) to allow daily work to be carried out with maximum effectiveness and efficiency. In addition, a

number of innovative technological platforms were immediately introduced, explicitly aimed at guaranteeing more effective management of the more social and interpersonal aspects of people.

## Key economic and financial data

Total revenues earned at 31 December 2020 amounted to €26.3 million, an increase of approximately 4% compared to the same period in 2019, when they amounted to €25.2 million. As mentioned above, the increase is largely attributable to the net effect, on the one hand, of the decrease in revenues related to in-person events and, on the other hand, the significant increase in revenues from all digital services and those that can be delivered remotely.

The total value of production amounted to EUR 27.6 million, compared to EUR 26.7 million in the previous year.

At EUR 5 million, EBITDA essentially doubled from EUR 2.5 million in 2019, bringing its ratio to turnover (Ebitda/Margin) from 10% to 19%.

This important increase in marginality is due to two main factors:

- the acceleration of digital or remote services, which, being more efficient and scalable, led to a percentage reduction in production costs of around 5%, with a particularly significant reduction in service costs, which fell by EUR 1.4 million (-10%) compared to the 2019 financial year;
- the growth of subscription services called "Digital-As-A-Service", which generate recurring revenue. Already in 2019, well before the health emergency, the new subscription service offering had generated significant results, having been sold to 113 customers, for a contract value on an annual basis (Annual Recurrent Revenue) of approximately €4.3 million. During 2020, the growth in the sale of these services continued, reaching 213 customers with an increase of 88% and a year-on-year contract value that grew to €6.4 million (+50%).

A small contribution to the improvement in margins also came from the use of the redundancy fund permitted by the Cura Italia decree. Because of the signs of slowdown that emerged in some market segments at the beginning of the health emergency - which fortunately have since disappeared - it was decided, also on the basis of the principle of prudence that has always guided the management of DIGITAL360, to resort to the redundancy fund. The net benefit on the income statement for the period of this extraordinary measure was on the whole very modest and quantifiable at about 0.4 million euros.

EBIT for the year was EUR 2.5 million, whereas it was break-even in 2019, and Adjusted<sup>1</sup> EBIT was EUR 3.3 million, an increase of 164% compared to the amount recognised at 31 December 2019 (EUR 1.2 million).

Consolidated net income, which was negative by EUR 0.4 million in 2019, became positive by EUR 1.6 million at 31 December 2020.

Adjusted net profit was a positive EUR 2.35 million, more than 3 times higher than in the corresponding period of 2019 (EUR 0.72 million).

During 2020, the Group, despite having made investments amounting to EUR 1.7 million, generated a positive cash flow of almost EUR 5 million, consequently reducing its Net Financial Position (NFP) from EUR 6.3 million at 31 December 2019 to EUR 1.4 million at 31 December 2020, highlighting the Group's ability, despite the investments made, to transform Ebitda into cash.

These results significantly exceeded the expectations at 31.12.20 of all three analysts following the stock.

The table below summarises the most significant financial statement figures at 31 December 2020 compared to the previous year. The adjusted figures shown in the table refer to EBIT and profit net of amortisation of consolidation differences, as mentioned in the introduction to this report.

---

<sup>1</sup> *Adjusted figures are reclassified to neutralise the effect of amortisation of consolidation differences*

<b>Operating Results</b>	<b>31.12.19</b>	<b>31.12.20</b>	<b>Δ</b>
values in million euros			
<b>Value of production</b>	<b>26.7</b>	<b>27.6</b>	<b>4%</b>
<b>TOTAL REVENUES</b>	<b>25.2</b>	<b>26.3</b>	<b>4%</b>
<b>EBITDA</b>	<b>2.5</b>	<b>5.0</b>	<b>99%</b>
% Ebitda / Total revenues	10.0%	19.1%	
<b>EBIT</b>	<b>0.1</b>	<b>2.5</b>	<b>n.s.</b>
% EBIT / Total revenues	0.3%	9.6%	
<b>Adjusted EBIT</b>	<b>1.2</b>	<b>3.3</b>	<b>164%</b>
% Adjusted EBIT / Total revenues	4.9%	12.5%	
<b>Net profit</b>	<b>-0.4</b>	<b>1.6</b>	<b>455%</b>
% Net profit / Total revenues	-1.8%	6.0%	
<b>Adjusted net profit</b>	<b>0.72</b>	<b>2.34</b>	<b>224%</b>
% Adjusted net profit / Total revenues	2.9%	8.9%	

*\* Adjusted data is reclassified without taking into account the amortisation/depreciation of consolidation differences.  
 In addition, for 2019 only, the data is also net of one-off extraordinary costs  
 for the restructuring of certain Group companies*

From a financial point of view, due to an initial blocking of payments by some customers, the moratorium on loans granted by the so-called "Cura Italia" decree was activated between March and April. In the following months, however, thanks to careful management of credit collection and a good response from customers, the financial situation stabilised, and the overall level of trade receivables remained under control, comparable to that of previous years, without any particular impact of credit losses on the Group's income statement. The favourable trend in cash flow was probably also influenced by the significant liquidity created on the market and favoured by the banking system thanks to the public guarantees made available to companies that needed instruments to support their net working capital.

The moratorium obtained on mortgages, postponed from 31 October until the end of the year (and then subsequently extended to 30 June 2021), which effectively lengthens the debt amortisation periods while leaving the level of overall bank debt unchanged, is totally irrelevant in the improvement of the Group's financial results, the progress of which is entirely attributable to the business results achieved: a free cash

flow of approximately EUR 5 million was generated in 2020 compared to a negative value of 1.7 achieved in 2019. The NFP, as a result of the significant flows of the current financial year, fell sharply from 6.3 million at 31.12.19 to 1.4 million at 31.12.20.

<b>Balance Sheet indicators</b>	<b>31.12.19</b>	<b>31.12.20</b>	<b>Δ</b>
<b><i>Equity Net financial position</i></b>	<b>8,1</b>	<b>9,8</b>	<b>21%</b>
<b><i>Net financial position</i></b>	<b>6,3</b>	<b>1,4</b>	<b>-78%</b>

<b>Financial Indicators</b>	<b>31.12.19</b>	<b>31.12.20</b>	<b>Δ</b>
<b><i>Cash Flow for the period (CF)</i></b>	<b>-1,7</b>	<b>5,0</b>	<b>n.s.</b>
<b><i>Cash Flow Margin (CF/Revenues)</i></b>	<b>-7%</b>	<b>19%</b>	<b>n.s.</b>

We would like to conclude this paragraph with an important key to understanding the results obtained by DIGITAL360, which were already highlighted during the first half of 2020: against the more than probable future recovery of turnover from physical events, which decreased contingently during 2020, the increase obtained in revenue from the more innovative, digital, remote and recurring services, appears instead to be firmly established in the Group's business, laying the foundations for solid future growth.

The health emergency has therefore not only had a contingent impact on the business, but has encouraged it to evolve towards a model that had already been in place for some time, accelerating its effects thanks to the market's greater digital sensitivity and the increased need for innovative services.

## Reference market and Group activities

DIGITAL360's entrepreneurial project stems from the awareness that digital innovation is the main driver of economic growth and modernisation for businesses and public administrations. The current health crisis is helping to spread this awareness in all parts of our country: politicians, entrepreneurs, managers, civil servants, etc.

In this scenario, the mission of DIGITAL360, which is to accompany businesses and public administrations in understanding and implementing digital innovation by facilitating encounters with the best technology providers, becomes even more important and urgent.

DIGITAL360 accomplishes this mission through an innovative business model, centered on an ecosystem that involves all the main players in the world of Italian innovation: first and foremost the companies and public administrations that must invest more and more in digital transformation (tech buyers) and the providers of digital technologies, solutions and services (tech companies and startups), but also policy makers, institutions, scholars and politicians, who are increasingly understanding the strategic importance of digital innovation.

The Group's activity is divided into two Business Units that are deeply innovating their respective markets:

- the Demand Generation Business Unit, which supports digital innovation providers in making themselves known and getting in touch with new customers;
- the 'Advisory&Coaching' Business Unit, which supports companies and public administrations in their digital transformation process.

## Demand Generation Business Unit

The Demand Generation Business Unit addresses all suppliers of digital innovation (over 90,000 in Italy, including vendors, software houses, system integrators, start-ups, etc.), supporting them in marketing activities and generating business opportunities.

The Demand Generation business unit is based on three service lines:

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

### ***Custom services***

This category includes services designed 'ad hoc' and customised on the basis of the specific needs of clients, generally of medium to large size. These are projects, sometimes particularly articulated, which integrate:

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

The commercial strategy within this area is strongly oriented towards customer accounting, with the aim of positioning itself as the single point of contact for all customer marketing and lead generation activities, thus maximising up-selling and cross-selling opportunities.

### ***Marketing & Sales Engine***

The approach called Digital Marketing & Sales Engine was launched at the end of 2018 and is the basis of the Demand Generation As-A-Service offering, which integrates DIGITAL360's editorial and technological assets together with its multi-disciplinary expertise, to manage in an end-to-end logic all the online marketing and lead generation activities of client companies.

More specifically, the engine enables

- generate an effective continuous flow of communication, which integrates storytelling, SEO positioning, social amplification and digital PR for clients, leveraging content marketing based on both DIGITAL360 Network portals (outbound) and client web properties (inbound);

- generate - on an ongoing basis - profiled contacts and concrete sales opportunities, leveraging Marketing Automation and "gated content", such as white papers, reports, infographics, webinars, accessible to users only through registration.

This approach is able to guarantee higher revenue recurrence, greater scalability and, in perspective, higher margins.

Thanks to the Engine, the strategy of this Business Unit is oriented towards an "As-A-Service" model (Demand Generation As-A-Service), which foresees the management on a continuous basis of the online marketing and lead generation activities of the client company (both outbound and inbound), positioning DIGITAL360 as a true strategic partner that provides a multidisciplinary team (consisting of experts in content, digital communication, SEO, social media, marketing automation and lead generation), which operates as if it were an "extension" of the marketing department of the client company. This strategy aims to generate a service with recurring revenue streams for clients, with periodic pricing, and is particularly suitable for scaling up to multiple small and medium-sized technology providers, who are unable to internalise the specialised human resources needed to carry out online marketing and lead generation activities.

### ***Catalogue services***

These are 'standard' services, both in terms of the packages offered and the results to be obtained, and - for this reason - offered on the basis of a real catalogue. These services are occasionally purchased by customers, often with low growth potential.

They fall within this category:

- 'standard' communication services, such as digital advertising packages (e.g. banners, buttons, direct eMailing, etc.), or content packages (e.g. online advertorials, videos, etc.);
- physical or digital events with predefined formats and targets, e.g. webinars, round tables, multi-sponsor events, etc;
- bundled lead generation services with predefined targets and results, both online and based on telephone marketing.

The strategy for catalogue services is based, on the one hand, on minimising the commercial effort by leveraging marketing campaigns to push specific services and generate sales opportunities, and on the other, on a high level of attention in the pre-sales phase to verify the real "standardisation" of the service required and, therefore, the marginality.

The Demand Generation Business Unit incorporates the services of three Group companies: ICT&Strategy, ServicePro and, for the part of services related to it, FPA.

## Advisory&Coaching" Business Unit

The "Advisory&Coaching" Business Unit targets companies and Public Administrations, through a unique service model, strongly based on methodologies, data and engineered knowledge assets, which aims at overcoming the scalability and cost limits of traditional consulting models.

In particular, the services provided can be divided into three types:

- Custom projects, which use distinctive competencies to offer clients, typically medium-sized and large companies and public administrations, projects characterised by a high level of customisation in relation to their needs to implement digitisation processes; these projects also make it possible to develop methodologies and data that are easily reusable even with smaller or less innovative companies;
- Engineered services, characterised by a high level of standardisation and based on the use of structured methodologies, tools and data. Due to their low cost and low complexity, these services can also be made accessible to small and medium-sized customers;
- Advisory As-A-Service, which allows highly specialised digital activities to be taken over on an ongoing basis by corporate clients. These services are based on annual renewable or multi-year contracts and allow for recurring revenues with periodic pricing. The way they are conceived and designed, these types of services can be rendered to both medium-sized and large companies as well as to smaller clients.

During the last financial year, but even more so in 2020, it was decided to give a major boost to Engineered Services and, above all, to Subscription Services.

More precisely, strategic action was developed along three main directions:

- the acceleration of the development of Engineered Services with particular reference to some core areas of competence (e.g. GDPR, Audit&Compliance, CyberSecurity, Smart Working, Industry 4.0, Digital Capability, etc.), thanks also to the engineering of know-how developed in Custom Projects with large customers, which made it possible to standardise working methods and support tools;
- the development of some "Subscription" Services (Advisory As-A-Service) of annual or multi-year duration with periodic pricing (in particular the DPO - Data Protection Officer - GDPR "As-A-Service"

services of CISO - Chief Information Security Officer as-a-service) and the related software-as-a-service tools to support them;

- the launch of the 360DigitalSkills and the FPA Digital School, two smart learning platforms on digital transformation issues, aimed at businesses and public administrations respectively.

The "Advisory&Coaching" Business Unit incorporates the services of three Group companies, Partners4Innovation, IQ Consulting and, for activities in this area, FPA.

## Synergies between the two Business Units

The synergies between the two business units are important and two-way:

- on the one hand, the "Demand Generation" can rely on the experts and skills of "Advisory&Coaching" to produce more specialised content (articles, white papers, videos, etc.) and to animate events and workshops;
- on the other hand, the Advisory & Coaching Business Unit can use the Digital Marketing & Sales Engine to generate new prospects on an ongoing basis (especially among small and medium-sized enterprises) and its key resources can enjoy high visibility on the Group's portals and events, positioning themselves as opinion leaders.

The breakdown of revenue performance in the two business units as at 31.12.2020 and 31.12.2019 is shown below:

### Breakdown of Group Revenues

values in mln euro	<u>31.12.19</u>	<u>31.12.20</u>	<u>Delta 20 -19</u>
<b>TOTAL REVENUE</b>	<b>25,2</b>	<b>26,3</b>	<b>4%</b>
<b>Demand Generation revenues</b>	<b>13,8</b>	<b>13,5</b>	<b>-2%</b>
	55%	51%	
<b>Advisory revenues</b>	<b>11,4</b>	<b>12,8</b>	<b>12%</b>
	45%	49%	

As mentioned above, the growth in overall turnover volumes (4.5%) was recorded despite the loss of several million euros in revenue due to the cancellation, due to the health emergency, of all in-person events successfully organised by the Demand Generation BU for years. However, the more than 580 digital events organised in 2020 and the growth of all digital services enabled the Demand Generation BU to keep its 2020 turnover substantially unchanged.

The Advisory & Coaching Business Unit, on the other hand, managed to increase its revenues by 12% despite the health and economic crisis, thanks in particular to remote and subscription-based services.

The net effect of these dynamics led to a slight increase in the incidence on total revenues of the Advisory & Coaching Business Unit, which rose from 45% in 2019 to 49% in 2020.

It is worth repeating what has already been stated in the half-yearly report: it is believed that this contraction in revenues (but not in margins) deriving from the impossibility of organising events in attendance, which has affected, as mentioned above, above all the two subsidiaries of the Fpa Group and Service Pro, is only contingent, and therefore recoverable in the coming years, when the health emergency is expected and hoped for.

## **Digital As A Service subscription services**

As highlighted above, the most innovative and scalable services offered by the Group grew strongly during the year: those "subscription-based" services, called Digital As-A-Service, which generate recurring revenue. During 2020, they were sold to 213 customers, an increase of 88% compared to the end of 2019, generating a value of contracts on an annual basis (Annual Recurrent Revenue) of €6.4 million, up 50%.

In particular, the best-selling subscription service was the "Demand Generation As A Service" service, called Digital Marketing & Sales Engine, which had 90 customers at the end of 2020 (+34% compared to 67 customers at 31 December 2019), with a value of recurring revenue on an annual basis (Annual Recurrent Revenue) of more than EUR 3.9 million (+30% compared to the end of financial year 2019). To support this service with a proprietary technological platform, in May DIGITAL360 launched MarTech360, a marketing automation software proposed in software-a-service (SAAS) mode that allows client companies to implement inbound marketing campaigns in a simple and flexible way, which can be integrated with a wide range of digital marketing and lead generation services thanks to synergies with DIGITAL360's Network of portals.

The "Data Protection Officer (DPO) As A Service" and "Chief Information Security Officer (CISO) As A Service" packages are among the best-selling subscription services, and have been provided to 57 clients to

date, with an annual contract value (Annual Recurrent Revenue) of approximately 1.3 million euros. These services allow clients to outsource to DIGITAL360, through the payment of an annual subscription, the complete management of activities related to the protection of personal data (GDPR) and information security and the management of compliance with Law 231. To support the provision of these and other services with a proprietary technology platform, DIGITAL360 has launched the GRC360 (Governance, Risk and Compliance) solution. The platform, developed by the Keisdata company based on DIGITAL360's functional specifications, was created to manage GDPR compliance but is evolving to also allow management of compliance with the main international regulations and standards.

Two other subscription-based services, launched on the market more recently and discussed in more detail in the section on investments made during the year, are also worthy of comment: 360DigitalSkill and FPA Digital School. These are two online smart learning platforms aimed at businesses and public administrations, with the main objective of increasing the digital literacy of organisations, raising their awareness of all aspects of the digital transformation underway and helping to develop a mentality more oriented towards innovation and change.

These services represent the tip of the iceberg of the strategic infrastructure developed in recent years by DIGITAL360 thanks to the continuous investments made, which is opening up a true Blue Ocean for the Group, consisting of an innovative, unique offer aimed at supporting small and medium-sized Italian companies in their path to digital transformation. In fact, despite representing the heart of Italy's economic-productive fabric, Italian SMEs are still far behind in this modernisation process, partly because the traditional offer of consultancy and software services clashes with their low digital culture, lack of specific skills and very high fragmentation and dispersion throughout the country.

The new strategic space identified by DIGITAL360, its Blue Ocean, seeks to make up for these shortcomings by innovatively interpreting three neighbouring markets: consultancy for SMEs for digital transformation, software as a service (SAAS) technologies to support digital transformation, and online portals and digital content.

DIGITAL360 has developed an innovative business model which allows: i) simplify the advisory services for digital transformation offered to SMEs, through the engineering of the know-how developed by working together with large companies in custom projects and the development of standard packages offered by subscription (digital as-a-service); ii) integrate these advisory packages with as-a-service software platforms specifically designed to support them and make their delivery to SMEs effective and efficient; iii) to exploit the online portals and digital content of the DIGITAL360 Network as a powerful go-to-market channel for SMEs; it is the entrepreneurs themselves and their managers who are attracted to the Network's portals,

which are well positioned on search engines and social networks, and who, appropriately profiled, are then contacted to offer the services.

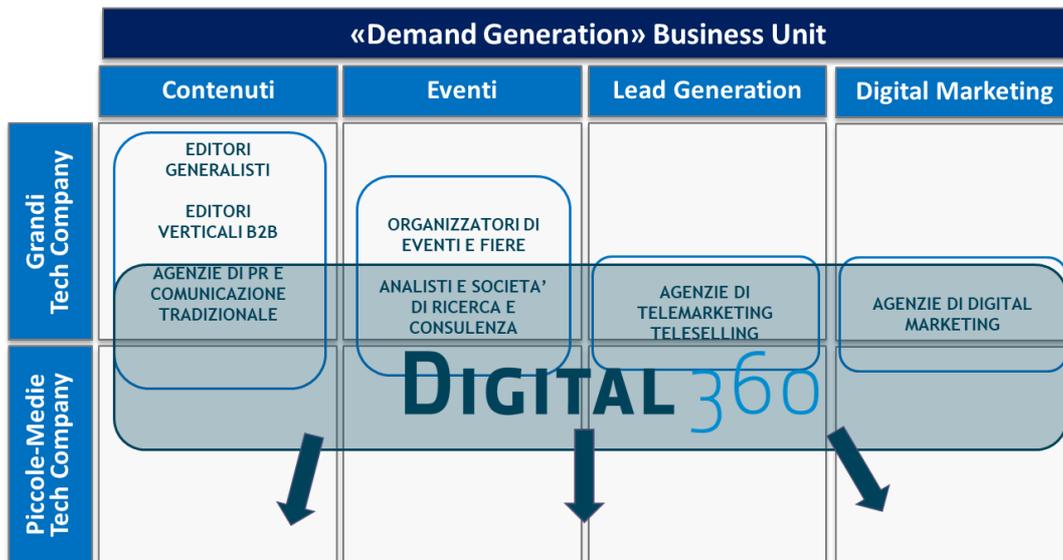
## Competitive positioning

Below is a brief representation, according to the Business Unit of reference, of the competitive positioning of DIGITAL360, with an indication of the evolution underway.

### Demand Generation Business Unit

Competitors in the Demand Generation Business Unit can be classified on the basis of two main variables (see figure below):

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



In this scenario it is possible to highlight three main distinctive elements of the Group:

- digital publishing assets, which constitute the largest online network focused on digital transformation and business innovation: 56 portals and newsletters, with over 2.6 million unique visitors/month (2020 average), 46,000 keywords on the first page of Google and around 540,000 followers on social media;
- the technological assets developed over years of investment, which constitute an integrated technological platform, capable of combining multiple solutions (content management system, marketing automation, customer relationship management, etc.) in a single environment;
- integrated positioning across the whole range of services, thanks to a critical mass that allows the coexistence of teams specialised in the different service lines (editorial content, events, lead generation and digital marketing).

These distinctive elements not only form the basis of DIGITAL360's competitive advantage, but also allow the Group to extend its offerings more and more to smaller clients (including startups), thus penetrating a market that has a much higher cardinality than that of the large suppliers sector, on which most of its competitors focus their offerings.

## **Advisory&Coaching" Business Unit**

The competitive environment in which the Advisory&Coaching Business Unit operates can also be analysed on the basis of two dimensions (see figure below):

- the type of consultancy services offered;
- the type of customers served.

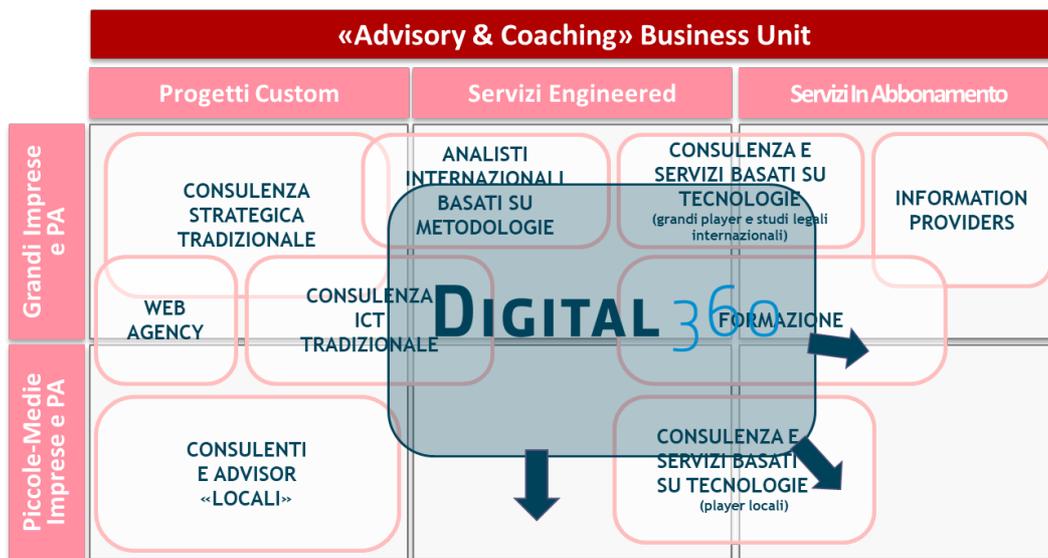
The type of consultancy services offered can in turn be classified into:

- custom projects, which are highly dependent on the effort in terms of people involved and characterised by a high level of customisation based on specific customer requirements;
- engineered services, characterised by a higher level of standardisation and based on the use of methodologies and data which, in some cases, can also be provided partially at a distance through the use of digital technologies and channels and in a logic of recurring services with monthly fees;

- subscription-based services that allow highly specialised digital-related activities of corporate clients to be taken over on an ongoing basis. These services are based on annual renewable or multi-year contracts and allow recurring revenues to be generated with periodic pricing.

The type of customers served can be classified into:

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



DIGITAL360's Advisory model is based on three distinctive pillars, which overcome the scalability and cost limitations of traditional models.

- methodological assets and 'engineered' knowledge from the university backgrounds of some of the founding members of DIGITAL360;
- software tools that allow certain advisory services to be based on a technology platform delivered as-a-service;
- the Group's network of online portals and events, which represent a privileged channel for positioning and market access.

Thanks to these elements, the Group already has access to the market of medium-sized companies and public administrations and will be able to further expand its position in this vast market by increasing its penetration also in smaller companies that today do not purchase - or purchase only marginally - consulting services for their digital transformation.

## Main events of the reporting period

This section contains information on:

- investments;
- minority shareholdings;
- lock-up agreement;
- buyback;
- stock performance;
- other operations.

## Investments

The value of the total investment expenditure incurred in 2020 amounted to EUR 1.7 million, mainly consisting of intangible assets. The main expenditure was on investments in technological innovation and the development of new digital services.

The main investments, aggregated at the level of:

- Business Unit Demand Generation;
- Business Unit Advisory&Coaching;
- Corporate functions.

### ***Investments in the Demand Generation Business Unit***

- Development of *the Martech360 platform*; during 2020, the development of the proprietary marketing automation platform "Martech360" was finalised, based on the Mautic open source software, a leading solution with over 200,000 installations worldwide. The platform is offered to customers as part of the 'Marketing & Sales Engine' service, as an alternative to the use of global vendor platforms. The first release, developed in "as a service" mode and customised to meet the needs of Italian tech companies, was released in June 2020. The 13 customers who have subscribed to the service in its first year of life represent a very positive initial response from the market.

- *Development of the 'Event360' platform; during the year, the platform for organising and managing online events was developed and used for the first time at the ForumPA 2020 in July, which consisted of 158 digital events and more than 51,000 participants (non*

The platform evolved through the launch of additional functionality and was reused for the 2020 ForumPA in November, with the delivery of a further 66 digital events and 21,000 (non-unique) participants.) The platform - which leverages the Amazon AWS architecture to be natively scalable, Zoom software for managing roundtables, Vimeo for streaming to participants, a proprietary solution for using a moderated chat in real time and Amazon AWS Chime for interaction in private rooms by participants and companies - allows a large number of users to be managed in parallel online events. Content management (agendas, speakers, event partners, etc.) is integrated with the proprietary tools already in use by the DIGITAL360 group. New solutions have also been studied which in the future will lead the platform to be integrated with marketing automation services, with a view to making it the Group's technological solution for the management of digital and hybrid events.

- *Launch of the EnergyUp.Tech portal; January saw the launch of "EnergyUp.Tech", a new information portal on digital applied to energy development and sustainability.*
- *Launch of the Techcompany360.it portal; during the year the "Techcompany360.it" portal was further developed, as an editorial evolution and development of the previous Digital4trade.it site. The objective of Techcompany360 is to tell the entrepreneurial stories, strategic evolutions and transformation of business models of the main tech companies operating in the Italian market, creating a community of entrepreneurs and managers who represent the main clients of the Demand Generation Business Unit.*
- *Launch of the ESG360 portal; December 2020 saw the launch of the ESG360 portal, dedicated to ESG (Environmental Social Governance) issues, which are becoming increasingly important in the assessment of investments by Italian companies. The site offers news, research, expert and operator testimonials, market analysis and in-depth analysis on indices, ratings, regulations, tax benefits, incentives, obligations and compliance needs in the ESG field, as well as case histories and presentations of solutions to offer constant support to companies and operators. The portal aims to become a point of reference for all those involved in ESG, sustainability, the circular economy and CSR, with a view to digital development and innovation, and aims to become an important asset for the Group, developing significant synergies between its two Business Units.*
- *Development of methodologies and processes relating to the Digital Marketing & Sales Engine; the development and fine-tuning of the methodologies used for the provision of services continued;*

the pre-sales, sales and delivery processes were designed and engineered; specific tools were developed to support the various stages of the services sold. processes for pre-sales, sales and delivery of services were designed and engineered; specific tools were developed to support the various phases of the services sold. In particular; work was carried out on the following main areas:

- offer configurator; the software for configuring commercial offers has been optimised, taking into account what was learned during the launch year (2019);
- documentation and support in project management; a comprehensive online guide was produced on the entire Marketing & Sales Engine project management process, highlighting activities, phases, roles involved and tools/software to be used;
- dashboards for monitoring Key Performance Indicators (KPIs); during the year, a series of online dashboards were created based on Google Data Studio technology, with the aim of monitoring the main KPIs of projects at different stages.
- *Design and testing of a simplified version of the Marketing & Sales Engine; after a careful market analysis, the design of a simpler and more user-friendly version of the Marketing & Sales Engine was started, at a lower cost, to meet the specific needs of smaller tech companies with smaller budgets.*
- *Development of the offer for sales enablement services; a sales enablement offer was designed for customers, already used for the Marketing & Sales Engine service, with the aim of supporting them in enhancing the sales opportunity management phase. The design of this service required an internal process of significant development of technical and technological skills, the definition of new service delivery processes and the development of specific software to support the product. The new offer is currently being tested on the first customers.*
- *Enhancement of the DIGITAL360Hub portal; development and enhancement of the portal continued, which is aimed at all suppliers of digital solutions (tech companies), with the production of in-depth and educational content (articles, white papers, infographics, video-pills, etc.) on the most innovative B2B marketing strategies, techniques and tools. The portal aims to strengthen the brand and increase business opportunities for companies, offering news, research, testimonials from experts and operators, market analysis and in-depth information on indices, ratings, regulations, tax benefits, incentives, as well as case histories and presentations of solutions to offer constant support to companies and operators.*

### ***Investments in the Advisory&Coaching Business Unit***

- *Launch of the Empoware Care offer:* an ecosystem of consultancy services has been developed to support healthcare players in the digital innovation process. The initiative, created in response to the Covid-19 induced health emergency, has since evolved into a comprehensive service offering to support the new "connected health" model. Some examples of the services included in this new offer are: advisory to support video-visits, consultancy in the definition of continuity of care solutions aimed at guaranteeing integration between hospital and territorial care, consultancy on services that favour digital reception and the management of operational continuity, consultancy for the revision of healthcare logistics processes and for the scheduling of critical resources.
- *Engineering the 27001 Certification and Management Service:* a standard service was developed to certify the processes and activities carried out by enterprises according to the ISO 27001:2013 scheme. This activity involved the development of a documentary framework that can be autonomous or integrated with other reference standards, such as ISO 9001. The project is aimed at producing all the necessary deliverable templates (SOA, Policy, Procedures, Audit Reports, Management Review Reports, training material) in order to have a service that can be easily replicated on a large customer base, even employing resources with less specialisation.
- *Development of the Smart Working Risk Analysis service;* generated by the situation created by COVID-19, which saw an exponential increase in the number of companies using smart working, the service was developed on the basis of a standard model to determine all the potential risks arising from the introduction of smart working and identify the actions necessary to mitigate or eliminate them.
- *Development of the Silent Cyber Risk assessment service;* Silent Cyber Risk is a highly topical issue in the insurance field, where companies are increasingly concerned about intervention by regulators. The investment aims to create the tools to assess how connected devices can change the risk profile of traditional insurance products (such as theft and fire). A dedicated team has delved into the specific issues on this topic in order to offer advisory services to clients in this specific sector.
- *Development of the Data Governance and Monetisation service;* this new service aims to develop a system to help organisations manage and economically exploit their personal data. The investment is aimed at creating models and tools to build the organisation's Data Dictionary, identify the risks associated with improper data management and limit their impact, and define organisational and technical roles.
- The investment aims to create models and tools to build the organisation's Data Dictionary, identify the risks associated with improper data management and limit their impact, and define the organisational and technical roles associated with data management. An assessment model of the

maturity of an organisation to data governance (DGMA - Data Governance Maturity Assessment) was also created to measure the starting level of the organisation and data management and to address improvement actions for data use and storage in the most critical areas.

- *Development of the Sustainability Support Service (ESG Rating);* development of a new advisory service related to sustainability issues was launched. At a methodological level, the service consists of guiding organisations to obtain and improve their ESG (Environmental, Social and Governance) rating over time, which allows the weight given to sustainability in company management to be represented in objective terms.
- *Development of the Privacy Manager as a service;* a service has been developed that gives clients access to a team with multidisciplinary expertise able to ensure compliance with data protection regulations and practices, through the definition and implementation of appropriate technical and organisational measures, including in the management of day-to-day issues (e.g. personal data breaches, data subjects' rights), minimising on the one hand risks within the company organisation and on the other risks to the rights and freedoms of data subjects.
- *Development of the Cookie360 Inspection service;* this service enables clients to achieve the highest possible level of compliance of a website in relation to cookies and other tracking technologies, which are a crucial asset for companies. In particular, a summary report is prepared for clients, including observations, enriched by screenshots, with corrective actions to be implemented.
- *Development of the App360 Inspection service;* a service is being developed that offers the opportunity to check the level of compliance of one's own mobile applications from both a legal and a technical point of view, in compliance with existing regulations and guidelines at European level. The service provides a technical-legal analysis, starting from the verification of the existing state (user experience, privacy documents, consent requests, application security), producing an inspection report and proposing a new compliance model "to be", through the indication of specific corrective actions.
- *Further development of the GRC360 software platform;* the development of this project, which began last year and continued in 2020, was carried out in partnership with the company Keisdata. and data protection regulations (e.g. management of the register of data processing operations; management of data breaches), reducing companies' management costs and improving the ability to prove compliance with the principles of the regulations. During the year, the use of the system was also extended to include the 231 regulation, with a solution that makes it possible to cope with the management of the obligations required by the specific legislation (e.g. identification of sensitive activities; performance of risk assessment).

- *Launch of the 360 Digital Skill platform;* an online smart learning platform aimed at companies, their employees and collaborators to increase their awareness of all aspects of the digital transformation underway (Smart Working, Artificial Intelligence, Open Innovation, Blockchain, Digital Marketing, GDPR, Cyber Security, etc.). 360DigitalSkill makes it possible to build, in a flexible and personalised manner, continuous learning paths, based on video courses, multimedia content, constant updates thanks to news feeds and video interviews with experts in the sector, with the ultimate aim of developing a more innovation and change-oriented mentality.
- *Development of the FPA Digital School,* a platform for training and enhancing the value of people working in the Public Administration (PA) and for the PA itself, which is accompanying administrations and public workers in the digital transformation process towards organisational, technological and institutional innovation, providing "toolboxes" and useful knowledge, immediately usable within organisations, on processes, standards and procedures.

### ***Investments made in corporate functions.***

- *Launch of the 360On Channel;* DIGITAL360, consistent with its mission to spread the culture of digital in Italy, has recently launched the 360On Youtube channel "Voices and faces of digital and entrepreneurial innovation in Italy". 360On is a choral project, characterized by a precise editorial line, in which appear, in addition to the Key People of DIGITAL360 Group, editors of newspapers, journalists, consultants, professionals, entrepreneurs and managers expert in digital transformation. The channel focuses on topical content that tells the story of how digital technology is impacting the economy, organisations and even the lives of each of us, particularly in the current healthcare context.
- *Further CRM developments;* in 2020, work continued on the "data quality" of companies and their contacts in the CRM system; work was carried out to update company master data and databases, completing important mapping work and starting customisations to support the commercial phase.

Although it did not generate any capital expenditure, it is worth highlighting that in November a feasibility analysis was started with the aim of evaluating the entry - particularly by the Demand Generation BU - into some international markets. The analysis focused on some Spanish-speaking areas and countries, including Spain and Latin America, also following some explicit requests for international expansion from Italian customers.

## Minority shareholdings

With a view to enhancing the value of the portfolio of minority interests in non-strategic investments of the company, in May 2020, a stake of approximately 6.8% of the capital held in S.A.T.A. Applicazione Tecnologie Avanzate S.r.l. ("SATA") at a price of €244,000 (collected in a lump sum), thus generating a capital gain equal to 94% of the price collected. The stake held at the beginning of the year was 9.87%.

In the same month, another minority shareholding in DIGITAL360, Appquality, which was held at the beginning of the year for 7.92% with a book value of just EUR 1,547, was also greatly enhanced thanks to the successful conclusion of a EUR 3.5 million investment round led by some venture capital managers, which valued the company at EUR 10.5 million.

These facts generally highlight the good performance of minority interests in non-strategic investments held by the company and suggest that their real value is higher than their book value.

## Lock-up agreement

In June, the company's historic shareholders, including its founders, who represented 70.35% of the capital at the time of the agreement, and the company's employees, who hold another 2.03% of the shares, signed a lock-up commitment not to transfer their holdings for three years from the date of the agreement. This commitment constitutes a strong element of stability, and is the most real and concrete sign of the trust that these shareholders and employees place in the company and in its ability to grow and generate value in the medium and long term.

## Buy Back

DIGITAL360 S.p.A. has signed with Corporate Family Office SIM S.p.A. ("CFO") an agreement concerning the granting of a mandate, relating to the execution of the share buyback programme ("buy back") resolved by the Company's shareholders' meeting of 19 December 2017.

Consistent with the shareholders' resolution, the treasury share purchase programme pursued the following purposes:

- to support the liquidity of the shares, so as to favour the regular course of trading and avoid price movements not in line with market trends, in accordance with current market practices identified by the Supervisory Authority;
- use the shares as consideration in extraordinary transactions, including the exchange of shareholdings with other parties, in the context of transactions of interest to the Company itself pursuant to current market practices identified by the Supervisory Authority.

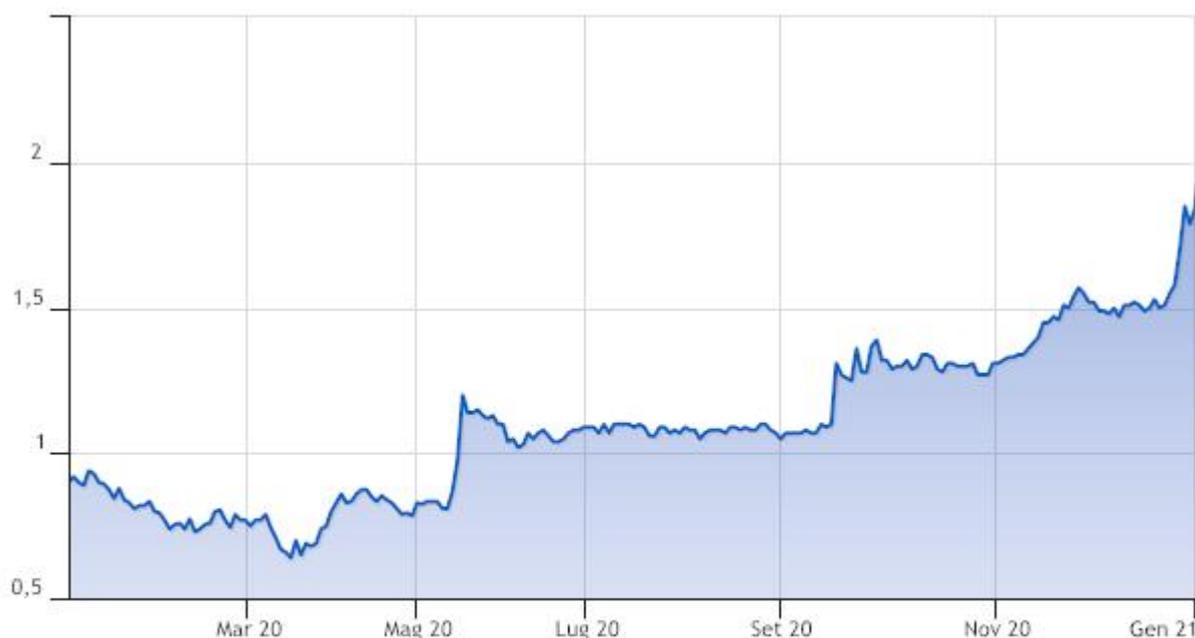
At 31 December 2020, the company had purchased 35,000 treasury shares, or 0.22% of the share capital, at a weighted average price of EUR 1.124 for a total value of EUR 39,344.

## Share performance

During the 2020 financial year, the value of the stock showed particularly significant growth, more than 100% compared to the value of EUR 0.90 at the start of the year, closing at EUR 1.84 in the last session on 30 December. This enabled DIGITAL360 stock to appear among the top 10 performers (in fourth place in particular) among the stocks listed on the AIM market, capturing the attention of operators and overcoming the many difficulties triggered by Covid-19.

The stock then continued to grow, remaining in the €2.00 area until mid-February 2021 when, following the publication of the preliminary 2020 results, it further increased its value, reaching the €2.70 area, with an increase, compared to the beginning of the 2020 financial year, of 200%.

Below is a graph showing the share price performance over the calendar year:



Performance of DIGITAL360 stock from 01.01.20 to 31.12.20. Source: Teleborsa

## Other operations

### ***Delegation of powers to the Board of Directors to increase the share capital and issue convertible bonds***

In January 2020, the Extraordinary Shareholders' Meeting of DIGITAL360 S.p.A. resolved to grant a proxy to the Board of Directors, after revoking the previous proxy granted on 21 March 2018:

- a) pursuant to Article 2443 of the Italian Civil Code, to increase the share capital against payment, also excluding option rights pursuant to Article 2441, paragraphs 4, first part, 5 and 8 of the Italian Civil Code;
- b) pursuant to Article 2420-ter of the Italian Civil Code, to issue convertible bonds, also with the exclusion of pre-emptive rights, including cum warrant bonds.

The proxy may be exercised by the deadline of 23 January 2023 and up to a maximum amount of EUR 10,000,000, including the share premium.

***Exercise of the "DIGITAL360 Stock Option Plan".***

In February 2020, the parent company DIGITAL360 S.p.A. exercised the proxy conferred on it by the shareholders' meeting of 19 December 2017, resolving to increase the share capital for cash and in divisible form, for a maximum amount of €250,000.00, plus any share premium, by issuing a maximum of 2,500.000 ordinary shares, with no indication of nominal value, having the same characteristics as those already in circulation, regular enjoyment, with the exclusion of option rights pursuant to art. 2441, fifth paragraph, of the Civil Code, to be reserved for subscription to the beneficiaries of the "DIGITAL360 Stock Option Plan" ("Plan") at a price of Euro 0.50. This Plan was reserved for certain directors, employees, collaborators and consultants of the Group (Option A), as well as for certain managers of the Business Units into which the Company is divided (Option B).

In February 2020, and then again in February 2021, the company announced that the conditions for the vesting of Options A and Options B granted under the DIGITAL360 Stock Option Plan Regulations had been met.

In particular, for the A Options, the exercise condition envisaged a reference price of DIGITAL360 shares of more than EUR 1.15 on the third and final anniversary following the date of approval of the Plan, and as a result of the occurrence of this circumstance, a total of 777,370 A Options vested, subject to payment of an exercise price of EUR 0.50, in an equal number of DIGITAL360 shares. Of these, 734,936 were exercised.

It should also be noted that on the outcome of the conditions for the maturity of the B Options, linked to the performance of the Business, 500,000 B Options were exercised in full, giving the right to subscribe an equal number of DIGITAL360 shares at a price of EUR 0.50 per share. It should be noted that the beneficiaries of the DIGITAL360 shares subscribed as a result of exercising the B Options have undertaken certain lock-up commitments towards the Company for a period of 36 months from the date of subscription of the shares.

The Company executed the Plan by issuing a total of 1,234,936 ordinary shares resulting from the capital increase to service the Plan approved by the Board of Directors on 18 February 2020, exercising the authority granted by the shareholders' meeting held on 19 December 2017.

***Closing of the second conversion period of the convertible bond known as "DIGITAL360 CONVERTIBLE 4.5% 2017 - 2022"***

On 31 December 2020, the second of the five periods for the exercise of the convertible bonds ("Convertible Bonds") relating to the bond known as "DIGITAL360 CONVERTIBLE 4.5% 2017 - 2022" ("Loan") closed. During this second window, 51 Convertible Bonds were exercised, for a nominal value of €81,600, and 51,000 convertible shares were consequently subscribed. Therefore, 1,199 Convertible Bonds remain outstanding, which may be exercised in subsequent exercise periods, as provided for by the Convertible Bonds regulations.

***Total change in capital in 2020***

Following the exercise of the Stock Option Plan and the partial conversion of the bond, the capital changed as follows:

	Share capital as at 31.12.2020			Share capital as at 31.12.2019		
	Euro	Number of shares	Nominal value	Euro	Number of shares	Nominal value
<b>Total</b>	1.737.747,50	17.377.475	-	1.609.153,90	16.091.539	-
<b>Ordinary shares</b>	1.737.747,50	17.377.475	-	1.609.153,90	16.091.539	-

***Appointment of the new Board of Directors, the new Board of Statutory Auditors and the Honorary Chairman of the Company***

The Shareholders' Meeting of DIGITAL360 S.p.A. - which met in ordinary and extraordinary session on 30 April 2020 - appointed, inter alia, the new Board of Directors, the new Board of Statutory Auditors and the Honorary Chairman of the Company. The main resolutions are summarised below:

- Amendment of Article 22 of the Articles of Association, in order to introduce the possibility of appointment by the Ordinary Shareholders' Meeting of an Honorary Chairman, chosen from among personalities who have contributed to the Company's success and/or development;
- appointment of the independent auditors BDO Italia S.p.A. for the years 2020-2022;
- on the occasion of the expiry of the previous Board of Directors, the Shareholders' Meeting appointed the new Board whose mandate will expire with the approval of the financial statements for the year ending 31 December 2022, thus remaining in office for three financial years.

The Directors elected unanimously by the shareholders present at the meeting are listed below:

- Andrea Rangone, born in Novara (NO) on 17 April 1968;
- Raffaello Balocco, born in Biella (BI) on 5 October 1972;
- Umberto Bertelè, born in Villafranca di Verona (VR) on 22 September 1944;
- Giovanni Crostarosa Guicciardi, born in Rome (RM) on 3 May 1965;
- Gabriele Maria Faggioli, born in Milan (MI) on 9 July 1970;
- Carlo Mochi Sismondi, born in Rome (RM) on 14 September 1952;
- Pierluigi Negro, born in Milan (MI) on 23 November 1958.

Director Giovanni Crostarosa Guicciardi declared that he meets the independence requirements set forth in the Articles of Association. The Shareholders' Meeting also resolved

- to appoint Andrea Rangone as Chairman of the Board of Directors, and
- to set the maximum gross annual remuneration for the Board of Directors at EUR 224,000.00;
- to appoint Umberto Bertelè as Honorary Chairman of the Company, who will remain in office until the expiry of the current Board of Directors;
- on the occasion of the expiry of the term of office of the previous Board of Statutory Auditors, the Shareholders' Meeting appointed a new Board of Statutory Auditors whose term of office will expire with the approval of the financial statements for the year ending 31 December 2022.

The members of the Board of Statutory Auditors elected unanimously by the shareholders present at the meeting are listed below:

**Statutory Auditors**

- Marco Giuseppe Zanobio, born in Milan (MI) on 20 March 1964;
- Vincenzo Maria Marzuillo, born in Naples (NA) on 26 March 1969;
- Carlo Pagliughi, born in Milan (MI) on 1 September 1973.

**Alternate Auditors**

- Adriano Albani, born in Bergamo (BG) on 28 April 1971;
- Carlo Rigamonti, born in Erba (CO) on 6 December 1977.

The Shareholders' Meeting also resolved (i) to appoint Marco Giuseppe Zanobio as Chairman of the Board of Statutory Auditors; and (ii) to pay the members of the Board of Statutory Auditors an annual fee of € 8,000 for the Chairman and € 7,000 for each Standing Auditor.

Also on 30 April 2020, the newly elected Board of Directors of the Company met and resolved to (i) appoint Raffaello Balocco and Gabriele Faggioli as Managing Directors of the Company, granting them the respective powers, (ii) determine the remuneration to be awarded to the individual members of the Board of Directors, within the limits established by the Shareholders' Meeting. The Board of Directors also verified that the director Giovanni Crostarosa Guicciardi met the independence requirements set forth in the Company's Articles of Association.

**Change of Specialist assignment**

On 10 November 2020, the Company formally notified Corporate Family Office SIM S.p.A. ("CFO SIM") of its intention to withdraw from the Specialist Operator assignment contract with effect from 10 February 2021. DIGITAL360 entrusted the task of Specialist Operator to MIT SIM S.p.A., which took over from CFO SIM with effect from the same date.

**Key balance sheet and financial data**

The following table summarises the main balance sheet figures as of 31 December 2020, compared to those as of 31 December 2019. Some comments are provided in the Notes to the financial statements in order to better understand the dynamics of the balance sheet indicators presented.

The subsidiary Pinevent S.r.l., following its liquidation, is no longer included in the consolidation area. Following its liquidation, Pinevent S.r.l. has been removed from the consolidation area; considering the insignificance of the company's assets and liabilities, the change in the consolidation area is not such as to alter the informative value of the comparison with the previous year's data.

Reclassified balance sheet	31.12.2019	31.12.2020	Change	Change %
values in millions of euros				
<b>Fixed assets</b>				
<i>Tangible assets</i>	0,5	0,5	-0,1	n.s.
<i>Intangible assets</i>	9,3	8,5	-0,8	-8%
<i>Financial assets</i>	0,1	0,1	0,0	n.s.
<b>Total Fixed Assets A</b>	<b>9,9</b>	<b>9,1</b>	<b>-0,8</b>	<b>-8%</b>
<b>Net Working Capital (NWC)</b>				
<i>Trade receivables</i>	9,4	10,2	0,8	9%
<i>Trade payables</i>	-3,1	-3,4	-0,3	8%
<i>Other assets/liabilities</i>	-0,7	-3,5	-2,7	369%
<b>Total Net Working Capital (NWC) B</b>	<b>5,6</b>	<b>3,4</b>	<b>-2,2</b>	<b>-39%</b>
<b>Net Invested Capital (NIC) A+B</b>				
	<b>15,5</b>	<b>12,5</b>	<b>-3,0</b>	<b>-19%</b>
<b>Equity and third parties</b>				
<i>Equity Net Financial Position</i>	8,1	9,8	1,7	21%
<i>Net Financial Position</i>	6,3	1,4	-5,0	-78%
<i>Other Funds</i>	1,0	1,3	0,3	25%
<b>Total equity and minority interests</b>				
	<b>15,5</b>	<b>12,5</b>	<b>-3,0</b>	<b>-19%</b>

The value of fixed assets decreased by 8% mainly due to depreciation, which reduced their book value. Slightly less than half of the total value of fixed assets, amounting to approximately €4.1 million, is represented by consolidation differences arising in previous years from acquisitions; the remainder is mainly attributable to investments in R&D, technological development and the launch of new services on the market that have been made or are in the process of being made, as mentioned above.

In particular, the overall change in fixed assets during the year can be summarised as follows:

Reconstruction of fixed assets

*Amounts in millions of euros*

<b>Fixed assets as at 31/12/2019</b>	<b>9,9</b>
Investments realised in 2020	1,7
Depreciation of merger deficits	-0,8
Depreciation of other fixed assets	-1,8
<b>Fixed assets as at 31/12/2020</b>	<b>9,1</b>

Fixed assets in financial assets deserve special mention: these are essentially made up of minority interests in other companies - the legacy of previous investment activity in digital start-ups. For some of the investee companies, extraordinary transactions were carried out, as mentioned above, consisting in the partial sale or capital increases and/or the entry of industrial and/or financial partners into the share capital.

In general, the values at which the investments have been valued and the development prospects of the investee companies suggest that the current book values, determined at historical cost, may include some significant "value reserves".

Details of non-controlling interests are given further down in the notes to the financial statements.

Trade receivables increased by 9% compared to 31/12/2019. The increase compared to the end of last year is mainly due both to the increase in revenue during the year, but also to the fact that this increase was concentrated almost entirely in the last quarter of the year. Debt collection, which is particularly effective, did not slow down even considering the particular period the economy is going through.

The change in Net Working Capital (NWC) recorded in the financial year was EUR 2.2 million. The aforementioned increase in receivables is offset by an increase in trade payables due to improved average payment terms and an increase in the net balance of other short-term liabilities.

This positive effect for the NCC is mainly due to three factors:

- the collection of tax credits arising from investments in research and development;
- the increase in tax payables for current taxes calculated during the year on the profits recorded;
- an increase in deferred income on revenues that will be recognised on an accrual basis in 2021.

For details of the individual items and related changes, please refer to the Explanatory Notes.

The company's Net Financial Position is summarised in the following table:

**Consolidated Net Financial Position as at 31.12.19 and at 31.12.20**

values in mln euro	<u>31.12.19</u>	<u>31.12.20</u>
Net bank debt	4,1	-0,6
Other financial payables/Vendor Loan (*)	0,2	0,0
Debts to Bondholders	2,0	1,9
<b>TOTAL NET FINANCIAL POSITION</b>	<b>6,3</b>	<b>1,4</b>

*(\*)Item included in "Other payables"*

The change in the Net Financial Position compared to the end of the previous year, despite investments made for approximately € 1.7 million, reflects the positive cash flows generated by operations, which reduced net debt to the banking system by the same amount.

Debts due to Bondholders are entirely attributable to the "DIGITAL360 CONVERTIBLE 4.5% 2017 - 2022" bond issue ("POC"). The POC, which matures in June 2022, gives holders the right to convert the bonds into DIGITAL360 shares on the basis of a conversion ratio of 1,000 (one thousand) shares for each convertible bond presented for conversion and therefore at a unit price per share of €1.60. At the current share price (above € 2.50), the conversion option is highly convenient, i.e. "in the money". If, therefore, at maturity the

POC holders decide to convert the bonds into DIGITAL360 shares, this debt component, which at 31 December 2020 represents the entire Net Financial Position, would potentially be converted into Equity.

No dividends were paid during the period.

## Related Party Transactions

During the period, transactions with related parties were carried out at normal market conditions and in the interest of the company and the Group.

Economic transactions mainly relate to relationships of a commercial nature, defined on the basis of market conditions similar to those applied to transactions with third parties, and mainly refer to transactions deriving from the provision of technological, administrative, financial and commercial services.

It should be noted that as of 31 December 2020, DIGITAL360 S.p.A. controlled the following companies:

- ICTandStrategy S.r.l. ("ICT"), 100% share;
- Partners4Innovation S.r.l. ("P4I"), 100% share;
- FPA S.r.l. ("FPA"), 100% share;
- IQ Consulting S.r.l. ("Iqc"), 51% stake
- ServicePro S.r.l. ("Spro"), 51% stake

The following table, prepared on the basis of the Parent Company's accounting data, shows the main intercompany transactions of an equity nature existing between DIGITAL360 and the Group companies at 31 December 2020.

Digital360 S.p.a.						
Description	P4I	ICT	Spro	Iqc	FPA	Totale
Receivables from financial subsidiaries		116.991				116.991
Receivables from commercial subsidiaries	(144.619)	12.329	12.200	18.300	118.950	17.160
Receivables from subsidiaries for transfer of dip	12.057	62.375				74.432
Receivables from subsidiaries for group VAT		1.105.940			72.054	1.177.994
Receivables from subsidiaries for tax consolidation	186.628	24.062		60.042	50.222	320.954
Receivables from subsidiaries for dividends						-
Intercompany invoices to be issued	450.000	547.000	5.000	15.000	7.500	1.024.500
Payables to subsidiaries for financial transactions	(57.287)		(736.980)			(794.267)
Payables to commercial subsidiaries	(7.636)	(37.940)				(45.576)
Payables to subsidiaries for group VAT						0
Payables to subsidiaries for tax consolidation			(9.131)			(9.131)
Intercompany invoices to be received	(275.000)					(275.000)
<b>TOTAL</b>	<b>164.144</b>	<b>1.830.757</b>	<b>(728.911)</b>	<b>93.342</b>	<b>248.726</b>	<b>1.608.058</b>

For the sole purpose of facilitating the understanding of the table, a reading example is provided: at 31.12.20, the financial payables of DIGITAL360 to the subsidiary P4I amounted to 57,287 euros.

The table below, again prepared on the basis of the Parent Company's accounting data, shows the main intra-group transactions of an economic nature entered into between DIGITAL360 and the Group companies in 2020.

Digital360 S.p.a.						
Description	P4i	ICT	Spro	Iqc	FPA	Totale
Revenues from intercompany services	1.800.000	1.897.000	20.000	60.000	300.000	4.080.750
Intercompany serv/acq costs	(276.500)	(22.000)				(298.500)
Interest income from group		1.991				1.991
Interest expense vs group	(626)		(21.210)			(21.836)
<b>TOTAL</b>	<b>1.522.874</b>	<b>1.876.991</b>	<b>(1.210)</b>	<b>60.000</b>	<b>300.000</b>	<b>3.777.754</b>

The revenues earned by DIGITAL360 for services rendered to its subsidiaries refer almost entirely to services rendered as the operational parent company and in particular to: 1) strategic and market analyses for the definition of the development plans of the subsidiaries and for the launch of new services; 2) technological support for the development of online portals, technological platforms and software for the digitalisation of internal processes; 3) general services for Administration Finance and Control, Personnel Management, Legal Affairs, Logistics, Spaces, etc.; 4) services for the management of the company's business activities; 5) services for the management of the company's business activities.

Interest income and expenses refer to intra-group loans between the Parent Company and affiliated companies at normal market conditions.

With regard to transactions between related parties, it should be noted that:

- the debt of a financial nature existing as of 31 December 2019 to the shareholder Andrea Rangone for € 199,596 was entirely paid off during the year;
- the CEO of the parent company Gabriele Faggioli, during 2020 received remuneration from the subsidiary Partners4Innovation S.r.l. for professional services rendered to the same, the remuneration is in line with normal market conditions.

## Environmental and personnel information

Given the specific activity of the company, there are no significant elements: there is no damage caused to the environment, nor are there any inherent sanctions or charges. There were no failures to comply with the security measures required to contain the effects of the Covid-19 virus, also due to the complete use of

remote working, both after and during the various lockdowns, which made it possible to limit the risks of contagion among the company population.

There were no events at work that led to injuries of any kind to employees, and more generally, relations with staff are not particularly critical. The table below summarises the number of employees at the end of the two periods:

<b>Qualification</b>	<b>31.12.2019</b>	<b>31.12.2020</b>
Managers	2	2
Frameworks	15	18
Employees	119	129
Others (fixed-term employees)	56	45
<b>TOTAL</b>	<b>192</b>	<b>194</b>

In the table of the number of employees, it is clear that the decrease in fixed-term employment contracts is offset by the increase in permanent employees (white-collar workers), with the total number almost unchanged, confirming a trend already recorded in June 2020.

## Main risks and uncertainties to which the company is exposed

### Risks associated with the sector in which the Company operates

The Digital Innovation market is characterised by its large size and is undergoing a strong development phase. However, the fact that it operates in a highly innovative context exposes the Group to the risk that innovation and the development of new technologies may not be as fast as expected, also due to the uncertainties that generally characterise the political framework of our country and the recent health emergency related to the spread of the Corona Virus.

The latter emergency, in particular, could have potentially negative consequences in the reference market, causing a slowdown in the Group's decisions to purchase services.

In the current framework, the Group's economic, equity and financial situation can be influenced by various factors that make up the national and international macro-economic framework, including the increase or decrease in the gross national product and the level of investment confidence of companies and individuals.

According to the European Commission, Italy closed 2020 with a drop in GDP of 8.9%, compared to the - 9.9% hypothesised in November; a growth of 3.5% is forecast for 2021, compared to the 4.1% previously expected. But - various studies point out - despite the development of anti-Covid vaccines, the difficulties regarding economic recovery could persist. 2021 is likely to be a year still marked by the pandemic, high uncertainties and widespread vulnerabilities of households and businesses. In light of these uncertainties and weak demand, it is not surprising that businesses are reluctant to embark on new investment projects. According to a recent survey by the European Investment Bank (EIB), more than 80 per cent of European companies consider uncertainty to be the main obstacle to investment; the figure is as high as 96 per cent in Italy.

At the moment, in addition to having adopted all the measures suggested by the authorities to protect the health of employees and collaborators, the Company and its subsidiaries have promptly put in place all the technological tools to support remote work to allow, as far as possible, the continuation of business activities. The Group has also significantly strengthened its offer on the market of digital services, which - given the current lockdown - are the only ones that allow companies to continue to operate and continue to reach their markets .

In conclusion, therefore, in this context, it cannot be ruled out that, should the economic recession in our country persist, this could have a negative impact on the Company's business and growth prospects as well as on its economic, equity and financial position.

## **Credit risk in relation to commercial relationships with customers**

The Group, despite the concerns that arose at the beginning of the lockdown with the slowing down or blocking of payments by many customers, which were subsequently and progressively overcome, has a solid portfolio characterised by primary customers that do not raise concerns in terms of solvency. The value of receivables shown in the financial statements takes into account the risk of non-collection, with appropriate write-downs.

However, it cannot be ruled out that a possible worsening of the economic and financial framework of our country, also as a consequence of a possible revival in the autumn of the health emergency in relation to the spread of the Corona Virus, could significantly increase the difficulty of collecting receivables with the same timing as in the 2020 financial year.

However, the Group is adequately structured for credit recovery activities and, as already mentioned above, the client portfolio is solid and composed of subjects of primary standing.

## **Interest rate risks**

It is the Group's policy not to make speculative investments in financial products.

The current conditions of the financial market, with very low interest rates, thanks also to the creditworthiness of the Group companies, do not give rise to concerns about interest rate trends.

## **Exchange rate risks**

The Group operates almost entirely in the euro area. Transactions denominated in currencies other than the euro are very limited and relate to the sale of services abroad. Therefore, there are no significant exchange rate risks.

## **Liquidity risks**

The Group currently has a bank NFP in credit and has several approved and undrawn credit lines, also thanks to the moratorium obtained on bank loans, which can be used to face the investments planned in 2021 and the financial commitment necessary to finalise the new business model, as well as to support a possible growth in Net Working Capital as a consequence of the foreseeable expansion of sales in the future.

## **Outstanding disputes**

There are no outstanding disputes as at 31 December 2020.

## Main events after 31/12/2020 and business outlook

In the months following the end of the 2020 financial year, DIGITAL360 continued to develop its revenue from digital and remote services.

The pandemic has profoundly changed the perception of the importance and urgency of digital transformation in businesses and public administrations, but also in political and institutional decision-makers, as is well demonstrated by the Next Generation EU plan and the corresponding substantial funds made available by the European Union. It is therefore expected that some of the positive dynamics triggered in 2020 will hopefully continue in the coming years, leading to a significant, structural and irreversible acceleration in the adoption of digital services by businesses and public administrations.

In addition to the good sales performance, there were also signs of growth in commercial orders, which points to an overall positive trend for 2021 and in line with the planned budget for the current year.

## Balance Sheet Assets

<b>DIGITAL360 S.p.A.</b> Registered office: Via Copernico 38, Milan Share capital: 1,630,921 euros (fully paid up) Milan Companies Register no. 08053820968 REA no. 2000431 <b>CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020</b>		
BALANCE SHEET - ASSETS	31.12.2020	31.12.2019
A) SUBSCRIBED CAPITAL, UNPAID		
B) FIXED ASSETS		
I. Intangible fixed assets:		
2) development costs	3,087,436	2,994,447
3) industrial patents and intellectual property rights	758,356	611,351
4) concessions, licences, trademarks	12,682	
5 bis) consolidation differences	4,102,790	4,887,870
7) other assets	550,509	781,677
<b>Total intangible fixed assets</b>	<b>8,511,773</b>	<b>9,275,344</b>
II. Tangible fixed assets		
1) land and buildings	300,234	310,264
4) other assets	166,486	210,341
<b>Total</b>	<b>466,720</b>	<b>520,605</b>
III. Financial fixed assets		
1) investments in:		
b) associated companies	24,005	24,005
d) other companies	98,759	110,354
Total investments	122,764	134,359
<b>Total</b>	<b>122,764</b>	<b>134,359</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>9,101,256</b>	<b>9,930,307</b>
II. Receivables		
1) trade receivables	10,232,407	9,416,209
of which due beyond the financial year	-	-
4 bis) tax receivables	115,377	401,366
of which due beyond the financial year	-	-
4 ter) deferred tax assets	250,288	383,138
of which due beyond the financial year	-	-
5) other receivables	294,992	286,701
of which due beyond the financial year		
<b>Total</b>	<b>10,893,064</b>	<b>10,487,413</b>
IV. Cash and cash equivalents		
1) deposit accounts	6,317,406	1,999,739
3) cash at hand	13,823	136
<b>Total</b>	<b>6,331,228</b>	<b>1,999,876</b>
<b>TOTAL CURRENT ASSETS (C)</b>	<b>17,224,292</b>	<b>12,487,289</b>
D) ACCRUALS AND DEFERRALS		
a) prepaid expenses and accrued income	81,262	389,911
<b>TOTAL ACCRUALS AND DEFERRALS (D)</b>	<b>81,262</b>	<b>389,911</b>
<b>TOTAL ASSETS (A+B+C+D)</b>	<b>26,406,811</b>	<b>22,807,507</b>

## Balance Sheet Liabilities

<b>DIGITAL360 S.p.A.</b> Registered office: Via Copernico 38, Milan Share capital: 1,630,921 euros (fully paid up) Milan Companies Register no. 08053820968 REA no. 2000431 <b>CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020</b>		
BALANCE SHEET - LIABILITIES	31.12.2020	31.12.2019
<b>A) SHAREHOLDERS' EQUITY</b>		
I. Group share capital	1,630,921	1,609,154
II. Share premium reserve	6,823,642	6,680,476
IV. Legal reserve	15,467	7,562
V. Treasury shares portfolio reserve	-39,345	-34,782
Merger surplus reserve	20,964	20,964
Reserve for hedging expected cash flow operations	-5,919	-5,230
Other reserves	26,706	26,706
VIII. Euro rounding reserve	-6	-4
IX. Reserve for share capital increase	-	-
X. Group retained earnings (accumulated losses)	-961,206	-109,101
XI. Group profit (loss) for the financial year	1,070,745	-821,014
<b>TOTAL SHAREHOLDERS' EQUITY group share</b>	<b>8,581,968</b>	<b>7,374,731</b>
Minority share capital and reserves	763,135	394,221
Profit (loss) for the financial year attributable to minority interests	497,394	378,023
<b>TOTAL MINORITY INTERESTS</b>	<b>1,260,529</b>	<b>772,244</b>
<b>TOTAL SHAREHOLDERS' EQUITY (A)</b>	<b>9,842,497</b>	<b>8,146,974</b>
<b>B) PROVISIONS FOR LIABILITIES AND CHARGES</b>		
1) provision for pensions and similar obligations	24,527	24,527
3) other	7,788	6,882
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES (B)</b>	<b>32,315</b>	<b>31,409</b>
<b>C) EMPLOYEE SEVERANCE INDEMNITIES (C)</b>	<b>1,229,321</b>	<b>980,043</b>
<b>D) PAYABLES</b>		
2) convertible bonds	1,918,400	2,000,000
of which due beyond the financial year	1,918,400	2,000,000
4) due to banks	5,781,229	6,134,769
of which due beyond the financial year	3,950,981	2,985,791
6) payments on account	50,212	62,577
of which due beyond the financial year	-	-
7) trade payables	3,388,033	3,098,299
of which due beyond the financial year	-	-
12) tax payables	1,153,901	601,776
of which due beyond the financial year	-	-
13) due to social security and welfare institutions	333,575	418,964
of which due beyond the financial year	-	-
14) other payables	916,101	1,114,542
of which due beyond the financial year	-	-
<b>TOTAL PAYABLES (D)</b>	<b>13,541,451</b>	<b>13,430,927</b>
<b>E) ACCRUALS AND DEFERRALS</b>		
a) accrued expenses and deferred income	1,761,228	218,155
<b>TOTAL ACCRUALS AND DEFERRALS (E)</b>	<b>1,761,228</b>	<b>218,155</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E)</b>	<b>26,406,811</b>	<b>22,807,507</b>

## Profit and Loss Account

<b>DIGITAL360 S.p.A.</b> Registered office: Via Copernico 38, Milan Share capital: 1,630,921 euros (fully paid up) Milan Companies Register no. 08053820968 REA no. 2000431 <b>CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020</b>		
INCOME STATEMENT	31.12.2020	31.12.2019
A) VALUE OF PRODUCTION		
1) revenue from sales and services	26,098,668	24,884,197
4) increases in fixed assets from internal work	1,305,942	1,426,564
5) other income and revenues	244,968	360,815
<b>TOTAL VALUE OF PRODUCTION (A)</b>	<b>27,649,579</b>	<b>26,671,576</b>
B) PRODUCTION COSTS		
6) for raw and auxiliary materials, consumables and goods	23,511	13,743
7) for services	12,860,100	14,220,292
8) for rents and leases	751,861	754,751
9) personnel costs:		
a) salaries and wages	6,352,562	6,288,679
b) social security contributions	1,499,545	1,575,856
c) employee severance indemnity	441,789	405,443
e) other personnel costs	5,230	347,451
Total personnel costs	8,299,126	8,617,429
10) amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	2,424,161	2,327,172
b) depreciation of tangible assets	83,542	87,120
c) current asset write-downs	76,400	34,840
Total amortisation, depreciation and write-downs	2,584,104	2,449,132
14) other operating expenses	612,543	535,693
<b>TOTAL PRODUCTION COSTS (B)</b>	<b>25,131,245</b>	<b>26,591,040</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)</b>	<b>2,518,333</b>	<b>80,536</b>
C) FINANCIAL INCOME AND EXPENSES		
15) income from investments		
- other	212,942	
16) other financial income		
- other	250	11,096
Total financial income	213,192	11,096
17) interest expenses and financial charges:		
- to others	293,872	350,424
Total interest and other financial charges	293,872	350,424
17 bis) exchange rate gains and losses	-890	-1,401
<b>TOTAL FINANCIAL INCOME/EXPENSES</b>	<b>81,569</b>	<b>340,729</b>
D) VALUATION ADJUSTMENTS OF FINANCIAL ASSETS		
18) revaluations (write-ups)	-	-
Total revaluations (write-ups)	-	-
19) devaluations (write-downs)		
a) of investments	11,246	-
Total devaluations (write-downs)	11,246	-
<b>Income before taxes (A-B+C+D+E)</b>	<b>2,425,518</b>	<b>-260,193</b>
22) current, deferred and prepaid income taxes for the financial year		
current taxes	731,471	411,596
deferred tax assets	133,068	2,474
income (expenses) from participation in tax consolidation system	4,975	-228,638
tax for previous financial years	-12,135	-2,634
Total current, deferred and prepaid income taxes for the financial year	857,379	182,798
<b>23) profit (loss) for the financial year</b>	<b>1,568,139</b>	<b>-442,991</b>
Group	1,070,745	-821,014
Minority interests	497,394	378,023

**Notes to the consolidated financial  
statements for the year ended  
as at 31 December 2020**

**Parent company  
Digital360 S.p.A**

Registered office - Milan - Via Copernico, 38  
Share Capital: 1.737.747,50 i.v.

Tax Code 08053820968  
Business register (REA) no 2000431



## Notes to the consolidated financial statements for the year ended as at 31 December 2020

Dear Shareholders,

the consolidated financial statements for the year ended 31 December 2020, of which these notes form an integral part, have been prepared on the basis of the results of the accounts duly kept and in accordance with statutory regulations.

### Introduction

As at 31 December 2020, DIGITAL360 S.p.A., the company heading the group, held majority stakes in the following companies:

- ICTandStrategy S.r.l. (or ICT&, 100% owned), which offers communication and marketing services, lead generation, events and webinars, in the field of digital transformation. ICT&Strategy addresses the B2B market of all providers of digital solutions and technological innovation, offering them multiple services to make themselves known and get in touch with their customers (businesses and PA).
- Partners4Innovation S.r.l. (or P4I, 100% owned), which, through professionals highly specialised in the various areas of digital transformation, provides advisory and coaching services to companies and public administrations that want to understand and evaluate the opportunities offered by digital technology to improve their processes, products and services;
- FPA S.r.l. (100% owned), which promotes the meeting and collaboration between public administration, enterprises, research and civil society. In particular, FPA supports central and local public administrations in their technological, institutional and organisational innovation paths and addresses all suppliers of digital solutions and technological innovations interested in these paths. FPA performs this accompanying role through a variety of services: from the organisation of events and exhibitions to communication, from research to advisory and training;
- ServicePro S.r.l. (51% owned), which operates as a "full service" marketing agency specialising in the creation of complex events and the management of demand and lead generation campaigns. In particular, it targets large technology vendors and acts as a preferred agency for some of them, managing important components of their marketing budgets;
- IQ Consulting S.r.l. (or IQC, 51% owned), an academic spin-off company active in the field of Industry 4.0 and Supply Chain Management. IQC supports the innovation and strategic

management of supply chains that design, supply, produce and distribute products and services, providing integrated logistics, technological, organisational and IT skills.

- The company Pinevent S.r.l. (80% owned) was put into liquidation in the last quarter of 2020 due to the reduced volume of business and its no longer strategic importance for the Group. The liquidation was completed during the year and therefore the company is no longer included in the scope of consolidation at 31.12.2020.

## Consolidation Perimeter

The companies included in the scope of consolidation and consolidated on a line-by-line basis at 31 December 2020 are shown in the table below:

### List of companies included in the consolidated financial statements as at 31 December 2020

Name and registered office	Capital Social	Share owned %
<b>DIGITAL360 S.p.A.</b>  Via Copernico, 38 - Milan	Euro 1,630,921	
<b>ICTandStrategy S.r.l.</b>  Via Copernico, 38 - Milan	Euro 19,697	100%
<b>Partners4Innovation S.r.l.</b>  Via Copernico, 38 – Milan	Euro 14,286	100%
<b>FPA S.r.l.</b>  Via Ostiense, 92 - Rome	Euro 58,000	100%

<b>ServicePro S.r.l.</b>	Euro	50,000	51%
--------------------------	------	--------	-----

Via Mazzini, 5 - Cernusco Sul Naviglio  
(MI)

<b>IQConsulting S.r.l.</b>	Euro	10,000	51%
----------------------------	------	--------	-----

Via Copernico, 38 - Milan

As mentioned above, Pinevent Srl is no longer included in the consolidation area following its liquidation. Given the small amount of the company's assets and liabilities, the change in the consolidation area is not such as to alter the informative value of the comparison with the previous year's data.

Where deemed necessary, the effects of the change in the scope of consolidation have been disclosed in the notes to the financial statements.

## Principles of consolidation

The Consolidated Financial Statements at 31 December 2020 have been prepared in accordance with the provisions of the Italian Civil Code.

The main consolidation criteria adopted for the preparation of the consolidated financial statements are as follows:

- the carrying amount of investments in consolidated subsidiaries is eliminated against the corresponding portion of shareholders' equity, against the assumption of the assets and liabilities resulting from the respective financial statements according to the line-by-line method. Any positive differences arising at the date of acquisition are allocated to individual asset items, where possible, or to the item "Consolidation difference", which is amortised on a straight-line basis over a period deemed to be reasonable in relation to the expected future usefulness. Any negative differences are allocated to "Consolidation reserves";
- unrealised gains and losses arising from transactions between consolidated companies are eliminated, as are accounts payable and receivable and all other transactions between consolidated companies;

- the amount of capital and reserves of subsidiaries corresponding to minority interests is recorded under the equity heading "Capital and reserves of minority interests";
- the portion of the consolidated profit or loss corresponding to minority interests is recorded under the heading "Profit or loss for the year attributable to minority interests".

## Accounting principles and valuation criteria

The Consolidated Financial Statements at 31 December 2020 have been prepared in accordance with the provisions of the Italian Civil Code.

The valuation of the items in the financial statements is in line with the general criteria of prudence and accrual, with a view to the continuity of the company's business.

The application of the principle of prudence entailed the individual valuation of the components of the individual items of assets or liabilities, in order to avoid offsetting losses that had to be recognised and income that had not to be recognised because it had not been realised. In particular, profits were included only if realised by the end of the period, while risks and losses pertaining to the period were taken into account, even if known after the end of the period.

The application of the accrual principle has meant that the effect of transactions has been recognised and attributed to the period to which these transactions relate and not to the period in which the related receipts and payments were made.

During the period, there were no exceptional cases that made it necessary to deviate from the valuation criteria provided for by law. There were also no revaluations of assets during the period pursuant to special laws on the subject.

The preparation of financial statements requires the use of estimates that affect the reported amounts of assets and liabilities and related disclosures. Actual results may differ from those estimates. Estimates are reviewed periodically and the effects of changes in estimates, if not arising from incorrect estimates, are recognised in the income statement for the period in which they are necessary and appropriate, if those changes affect only that period, and also in subsequent periods if the changes affect both the current and subsequent periods.

## Intangible fixed assets

They are valued at purchase or production cost, including any incidental expenses, and amortised systematically on a straight-line basis over their expected useful life.

Industrial patent and intellectual property rights, licences, concessions and trademark registration fees are amortised over a period of 5 years.

Deferred charges that include development costs are capitalised when their future usefulness is demonstrated, there is an objective correlation with the related future benefits to be enjoyed by the Group and their recoverability can be estimated with reasonable certainty. These costs are amortised over a period of 5 years. Acquisitions made during the period are amortised at a rate of one half.

The "Consolidation difference" consists of the residual portion of the higher value paid with respect to the net book value of the consolidated companies at the date of their acquisition, after taking into account the capital gains that can be allocated to the specific asset items. The "Consolidation difference" is shown net of amortisation charges determined according to the period of expected future usefulness. The expected future usefulness is determined taking into account the specific characteristics of the sector in which the acquired companies operate and which supported the economic and financial reasons underlying the acquisition of the same.

Leasehold improvements are depreciated over the lower of the period of future usefulness of the expenditure incurred and the remaining term of the lease.

## Tangible fixed assets

They are recorded at purchase or production cost, including directly attributable expenses, and adjusted for accumulated depreciation.

Property, plant and equipment are systematically depreciated in each period on a straight-line basis at economic-technical rates determined in relation to the remaining useful lives of the assets.

Purchases made during the period are depreciated at half the rate.

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

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

No discretionary or voluntary revaluations were carried out and the valuations made are limited to the objectively determined value in use of the asset.

If there are indicators of impairment of intangible and tangible assets at the balance sheet date, their recoverable amount is estimated.

If their recoverable amount, being the higher of value in use and *fair value* less costs to sell, is less than the corresponding net carrying amount, the fixed assets are written down. When it is not possible to estimate the recoverable amount of an individual asset, such analysis is performed with reference to the so-called "cash-generating unit" (hereinafter "CGU"), i.e. the smallest identifiable group of assets that includes the asset being measured and generates autonomous cash inflows that are largely independent from the cash inflows generated by other assets or groups of assets.

If there is an impairment loss, it is first recognised as a reduction in the value of goodwill/consolidation difference allocated to the same CGU and recognised in the balance sheet, if any, and then to other assets in proportion to their net carrying amount.

A write-down is not maintained in subsequent periods if the reasons for the write-down no longer apply. A reversal of an impairment loss shall be made up to the amount that the asset would have had if the

impairment loss had never been recognised, i.e. taking into account the depreciation that would have been recognised had no impairment loss been recognised. A reversal of an impairment loss recognised for goodwill/consolidation difference and deferred charges is not possible.

## Financial fixed assets

Equity investments in subsidiaries and non-consolidated equity investments in other companies are valued at acquisition or subscription cost including incidental expenses, adjusted downwards for any impairment losses. The original value is reinstated in subsequent periods if the reasons for the write-down no longer apply. Receivables in the nature of financial assets are valued at cost. Financial fixed assets include guarantee deposits.

Investments in associates are accounted for using the equity method. Associated or controlling interests in non-operating or non-significant companies are stated at cost of acquisition or subscription adjusted for any impairment losses.

## Credits

They are stated at estimated realisable value. The nominal value of receivables is adjusted to the estimated realisable value by means of a specific allowance for doubtful accounts, in order to take into account already manifest, feared or latent uncollectable situations and general economic conditions, sector conditions and also country risk.

For these receivables, the company did not measure them at amortised cost or discount them to present value, as all the receivables recognised have maturities of less than 12 months.

## Cash and cash equivalents

Cash in hand is valued at nominal value while bank and post office accounts receivable are valued at estimated realisable value.

## Financial assets not constituting fixed assets

Securities, participations and other financial assets not constituting fixed assets are recorded at the lower of purchase cost including incidental expenses and realisable value based on market performance.

## Accruals and deferrals

Accruals and deferrals relate to portions of costs and income common to two or more consecutive periods, the amount of which is determined on an accrual basis.

## Provisions for risks and charges

Provisions are made to cover losses or debts of a determinate nature and of certain or probable existence, the amount or date of occurrence of which could not be determined at the end of the period. Provisions are quantified on the basis of estimates that take into account all information available at the date of preparation of these financial statements.

## Derivative financial instruments

Derivative financial instruments are financial assets and liabilities recognised at fair value and are mainly used as hedging instruments to manage risks arising from exchange and interest rate fluctuations.

Derivatives are classified as hedging instruments only when, at the inception of the hedge, there is a close and documented relationship between the characteristics of the hedged item and those of the hedging

instrument and that hedging relationship is formally documented and the effectiveness of the hedge, verified periodically, is high.

When derivatives hedge the risk of changes in the future cash flows of the hedged instruments (cash flow hedge), the effective portion of any gain or loss on the derivative financial instrument is suspended in equity. Gains and losses associated with a hedge for the ineffective portion are recognised in profit or loss. When the related transaction is realised, the cumulative gains and losses, which have been recognised in equity up to that time, are recognised in the income statement at the time the related transaction takes place (as an adjustment or addition to the income statement items impacted by the hedged cash flows). Therefore, changes in the relative fair value of hedging derivatives are recognised:

- in the income statement in items D18 or D19 in the case of a fair value hedge of a recognised asset or liability as well as changes in the fair value of the hedged items (if the change in fair value of the hedged item is greater in absolute terms than the change in fair value of the hedging instrument, the difference is recognised in the income statement item affected by the hedged item);
- in a separate equity reserve (under item AVII "Reserve for hedging transactions of expected cash flows") in the case of cash flow hedges that offset the effects of the hedged flows (the ineffective component is classified under items D18 and D19).

For derivative financial instruments classified as trading, because they do not qualify for hedge accounting, changes in fair value are recognised in the balance sheet and are taken to profit or loss in either D18 or D19.

## Severance pay

The termination benefit corresponds to the total of the individual indemnities accrued in favour of employees at the balance sheet date, net of advances paid, and is equal to the amount that would be payable to employees in the event of termination of employment on that date.

The employee severance indemnity accrued at 31 December 2020 represents the actual debt accrued to employees in accordance with the law and current employment contracts, considering all forms of remuneration of an ongoing nature.

## Debts

They are recognised at their nominal value, which is considered representative of the redemption value.

It should be noted that the company has not measured financial payables over 12 months at amortised cost as transaction costs, commissions and any other differences between initial value and maturity value are not material.

## Foreign currency transactions and items

Receivables and payables originally expressed in foreign currencies, recorded at the exchange rates in force on the date they arose, are aligned with the exchange rates in force at the balance sheet date.

In particular, assets and liabilities not constituting fixed assets, as well as financial receivables not constituting fixed assets, are recorded at the spot exchange rate at the end of the period. Gains and losses arising from the translation of receivables and payables are respectively credited and debited to the Profit and Loss Account under item 17a), "Foreign exchange gains and losses".

## Revenues and costs

They are shown in the financial statements in accordance with the principles of prudence and accrual, with recognition of the related accruals and deferrals, net of any returns, discounts and rebates.

Revenues and costs from the provision of services and financial income and expenses are recognised on an accrual basis as the service progresses.

The sale and purchase of products are recognised when the exchange has taken place or title has been transferred.

## Income tax

Taxes for the period are determined on the basis of a realistic forecast of the tax charges to be paid, in application of current tax legislation.

The amount of deferred tax assets and liabilities is determined on the temporary differences between the asset and liability values determined according to statutory criteria and the corresponding values determined for tax purposes. In particular, deferred tax assets, in accordance with the principle of prudence, are recognised only if there is reasonable certainty of their future recovery.

Any changes in estimates (including rate changes) are allocated to taxes for the period. No provision for taxes is made against taxable provisions or reserves in the event of distribution if such distribution is not probable.

As from the 2019 financial year, the parent company DIGITAL360 S.p.A. has adhered to the national tax consolidation regime, together with the subsidiaries ICT& S.r.l., P4I S.r.l., IQC S.r.l., Pinevent S.r.l., FPA S.r.l. and ServicePro S.r.l..

As a result of this option, the IRES is determined on a tax base corresponding to the algebraic sum of the positive and negative taxable amounts of the individual participating companies.

The economic relationships, as well as the mutual responsibilities and obligations, between the consolidating company and its subsidiaries are defined in the Consolidation Agreement signed between the Group companies.

## Comments on Balance Sheet items

### Activities

#### A) Receivables from shareholders for payments still due

The item has no value at 31 December 2020.

#### B) Fixed assets, with finance leases shown separately

At 31 December 2020, this item amounted to €9,101,256 (€9,930,307 at 31 December 2019), of which €8,511,773 was intangible fixed assets, €466,720 tangible fixed assets and €122,764 financial fixed assets.

#### B I - Intangible fixed assets

Intangible assets at 31 December 2020 amounted to €8,511,773 (€9,275,344 at 31 December 2019) and are composed as follows:

- research, development and innovation costs: €3,087,436
- industrial patents and intellectual property rights: €758,356
- concessions, licences, trademarks: €12,682
- consolidation difference: €4,102,790
- other intangible fixed assets: €550,509

Changes in intangible assets during the year are shown below:

The stocks of the largest items are detailed below.

Description	31/12/19	Increases	Amortisation	Decreases	Other movements	31/12/20
2) research and development costs						
Original cost	5.827.432	1.246.367				7.073.800
Amortisation	2.832.985		1.153.379			3.986.364
<b>Net value</b>	<b>2.994.447</b>					<b>3.087.436</b>
3) industrial patents and intellectual property rights						
Original cost	1.166.048	351.790			(13.024)	1.504.813
Amortisation	554.698		195.188		(3.428)	746.458
<b>Net value</b>	<b>611.351</b>					<b>758.356</b>
4) Concessions, licences and trademarks						
Original cost	1.392	4.034			13.024	18.451
Amortisation	1.392		948		3.428	5.769
<b>Net value</b>	<b>-</b>					<b>12.682</b>
5a) Consolidation differences						
Original cost	7.829.546					7.829.546
Depreciation	2.941.677		771.730	13.350		3.726.757
<b>Net value</b>	<b>4.887.870</b>					<b>4.102.789</b>
7) Other assets						
Original cost	1.960.900	81.131				2.042.031
Depreciation	1.179.224		302.916	9.382		1.491.522
<b>Net value</b>	<b>781.677</b>					<b>550.509</b>
<b>Total</b>	<b>9.275.344</b>	<b>1.683.322</b>	<b>2.424.161</b>	<b>22.732</b>	<b>-</b>	<b>8.511.773</b>

## 2) Development and innovation costs

This item amounted to €3,087,436 at 31 December 2020 (€2,994,447 at 31 December 2019) and showed a net increase of 3% (€92,989) compared to 31 December 2019.

Confirming its vocation strongly focused on development and innovation, in 2020 the company continued to make important investments, which are described in more detail in the Report on Operations, in the section on Group investments, with significant involvement also of its own structure and with the aim of preparing and enhancing the Company's range of services.

## 3) Industrial patent and intellectual property rights

The item at 31 December 2020 amounted to EUR 758,356 (EUR 611,351 at 31 December 2019) and consisted of software licences and the newspaper "Corriere delle Comunicazioni". The increase in the period is largely due to investments, both by internal resources and third parties, in software development for the Group.

#### 4) Concessions, licences and trade marks

The item at 31 December 2020 amounted to €12,682, the balance is entirely due to costs incurred for the filing and registration of certain trademarks relating to the new services offered including: "ENGINE360 marketing & sales as a service", "CISO360 cybersecurity as a service" and "DPO360 data protection as a service".

#### 5a) Consolidation difference

The item at 31 December 2020 amounted to EUR 4,102,790 (EUR 4,887,870 at 31 December 2019) and related to the following companies:

Company	Amount
ICTandStrategy S.r.l.	1.172.257
Partners4Innovation S.r.l.	300.820
FPAS.r.l.	795.205
IQC S.r.l.	230.898
ServicePro S.r.l.	1.603.609
<b>Total</b>	<b>4.102.790</b>

Movements during the period are shown below:

Company	Balance as at 31 December 2019	Increases	Decreases	Amortisation	Balance as at 31 December 2019
ICTandStrategy S.r.l.	1.433.075	-	-	260.818	1.172.257
Partners4Innovation S.r.l.	387.844	-	-	87.025	300.820
FPAS.r.l.	957.020	-	-	161.815	795.205
Pinevent S.r.l.	13.350	-	13.350	-	-
IQC S.r.l.	263.883	-	-	32.985	230.898
ServicePro S.r.l.	1.832.696	-	-	229.087	1.603.609
<b>Total</b>	<b>4.887.869</b>	<b>-</b>	<b>13.350</b>	<b>771.730</b>	<b>4.102.790</b>

The consolidation difference is amortised over a period of 10 years, assuming that the companies listed can show their profitability for a period of not less than this duration. In fact, these are companies that have already been present in their respective sectors for several years and have an established position, or more recently established companies with excellent medium-term potential thanks to the skills they have acquired and the products/services they offer.

The change in the period is mainly due to the amortisation carried out in the year, plus the reduced decrease due to the removal from the scope of consolidation of the subsidiary Pinevent S.r.l., whose liquidation was completed at the end of 2020.

No impairment indicators were identified at 31 December 2020.

It is therefore believed that the amount of the consolidation differences is reflected in the real economic value of the investments held and recoverable over the next few periods, given the expected profitability of the consolidated companies. In support of this, the following table summarises, for each company, (i) the balance at 31 December 2020 of the consolidation difference, (ii) the net profit for the year and (iii) equity at 31 December 2020.

Company	Balance as at 31.12.2020	Net profit 2020 (Group share)	Equity 31.12.2020 (Group share)
ICTandStrategy S.r.l.	1.172.257	473.861	1.017.913
Partners4innovation S.r.l.	300.820	697.738	3.043.753
FPA S.r.l.	795.205	111.016	473.421
IQC S.r.l.	230.898	153.979	317.624
ServicePro S.r.l.	1.603.609	363.716	994.358

## 7) Other intangible assets

This item amounted to EUR 550,509 at 31 December 2020 (EUR 781,677 at 31 December 2019).

The item includes, among others, the expenses related to the listing of DIGITAL360 S.p.A. on the AIM Italia market, which took place during the 2017 financial year, and the expenses related to the implementation of unprotected ERP software.

The decrease is mainly due to depreciation for the period.

## B II - Tangible fixed assets

Property, plant and equipment at 31 December 2020 amounted to €466,720 (€520,605 at 31 December 2019) and are composed as follows:

Description	31/12/19	Increases	Decreases	Amortisation	31/12/20
1) land and buildings					
Original cost	415.028				415.028
Depreciation	104.764			10.030	114.794
<b>Net value</b>	<b>310.264</b>				<b>300.234</b>
4) other assets					
Original cost	639.376	42.121	(37.588)		643.909
Depreciation	429.035		(25.124)	73.513	477.423
<b>Net value</b>	<b>210.341</b>				<b>166.486</b>
<b>Net value</b>	<b>520.605</b>	<b>42.121</b>	<b>(12.464)</b>	<b>83.542</b>	<b>466.720</b>

The item land and buildings refers exclusively to the building owned by ServicePro S.r.l., where the company's activities are carried out.

The remaining tangible assets mainly refer to electronic machines and furniture and fittings owned by the Group companies. Movements in the period relate almost entirely to the purchase of Personal Computers and the sale of some disused or irretrievably broken PCs at an advantageous price.

## B III - Financial fixed assets

This item amounted to EUR 122,764 at 31 December 2020 (EUR 134,359 at 31 December 2019).

The change compared to 31.12.19 is due to:

- the sale of 6.8% of the shareholding in SATA S.r.l., a transaction that generated a capital gain of approximately €213,000 and which is discussed in greater detail in the report.
- the subscription of 10% of the share capital of the newly-formed company Innovation Post S.r.l., owner of the newspaper of the same name. The agreements in place envisage that Digital360 will

come to hold full control of 100% of the shareholding, as in fact occurred at the date of publication of this Report.

Below is a list of the participations held:

a) *Associated companies*

Company name and registered office	Capitale sociale	Share capital	Shareholders' equity	Share held	Book value
Solvo S.r.l.	20.000	14.368	1.478	50%	10.000
Sparkling Lab Sagl (CH)	30.000 CHF	54.642	46.836	40,00%	14.005
<b>Total</b>					<b>24.005</b>

The figures for Shareholders' Equity and Profit/Loss for the year of Spakling Lab Sagl are as at 31/12/2019

b) *Other enterprises*

Company name and registered office	Capitale sociale	Share capital	Shareholders' equity	Share held	Book value
AppQuality S.r.l.	18.954	468.418	10.863	5,04%	1.547
Club Italia investimenti S.p.A.	5.640.821	4.904.443	332.868	0,003%	300
Eurofidi	300	n.d.	n.d.	n.d.	300
Digital magics S.p.A.	7.415.148	16.636.428	-484.228	0,07%	37.500
Idri S.r.l.	1.057.324	2.566.098	859.381	1,25%	17.361
Primo round S.r.l.	14.286	30.780	6.661	15,00%	28.018
SATA S.r.l.	125.613	1.308.560	645.982	3,08%	6.832
Wear S.r.l.	12.593	449.649	21.325	8,82%	5.901
Innovation Post S.r.l.	10.000	n.d.	n.d.	10,00%	1.000
<b>Total</b>					<b>98.759</b>

Balance sheet data as at 31.12.2019

The figures for shareholders' equity and profit/loss for the year of Club Italia Investimenti S.p.A. refer to 30/06/2020, the date of closure of the company's fiscal year.

With reference to the investee AppQuality S.r.l., held at the beginning of the year for 7.92% with a carrying value of only EUR 1,547, it should be noted that it was strongly enhanced in 2020 thanks to the successful conclusion of a EUR 3.5 million investment round led by some venture capitalists, through a dedicated capital increase. This operation implies a "post-money" valuation of the company of approximately EUR 10.5 million. As a result of the capital increase, DIGITAL360's ownership share has been reduced to 5.04%.

An initial assessment of the fair value of these assets would lead to a valuation of the portfolio that would certainly be higher than its current book value.

### C) Current assets

The item as at 31 December 2020 was EUR 17,224,292 (EUR 12,487,289 as at 31 December 2019) comprising EUR 10,893,064 in Receivables and EUR 6,331,228 in Cash and cash equivalents.

#### C II - Receivables

Receivables in current assets amount to €10,893,064 and are composed as follows:

Receivables	31/12/20	31/12/19
1) Due from customers	10.232.407	9.416.209
4-bis) tax receivables	115.377	401.366
4-ter) prepaid taxes	250.288	383.138
5) from others	294.992	286.701
<b>Total</b>	<b>10.893.064</b>	<b>10.487.412</b>

The change in receivables compared to the beginning of the period is mainly attributable to:

- the increase in receivables from customers of €816,198 (+9%). The increase compared to the end of last year is due both to the increase in revenue during the year and to the fact that this increase was almost entirely concentrated in the last quarter of the year. The particularly effective debt collection activity did not slow down, even considering the particular period that the economy is going through following the Covid19 pandemic;

- the decrease in tax credits of €285,989, due in particular to the use of tax credits for Research and Development activities recorded at 31 December 2019, offset against tax debts between May and June. As of 31 December 20, these credits are lower by approximately €220,000, due to the change in the regulations on how they are calculated.
- the use of deferred tax assets of €132,850, almost entirely represented by deferred tax assets on previous losses of ICT companies, used to offset IRES taxable income for the period.

The breakdown of the maturity of receivables at 31 December 2020 is as follows:

Receivables	Italy	Abroad	31/12/20
1) Due from customers	10.009.327	223.080	10.232.407
4-bis) tax receivables	115.377	-	115.377
4-ter) prepaid taxes	250.288	-	250.288
5) from others	294.992	-	294.992
<b>Total</b>	<b>10.669.984</b>	<b>223.080</b>	<b>10.893.064</b>

The breakdown of receivables by geographical area as at 31 December 2020 is shown below:

Receivables	Within 12 months	Over 12 months	31/12/20
1) Due from customers	10.232.407	-	10.232.407
4-bis) tax receivables	115.377	-	115.377
4-ter) prepaid taxes	250.288	-	250.288
5) from others	294.992	-	294.992
<b>Total</b>	<b>10.893.064</b>	<b>-</b>	<b>10.893.064</b>

The stocks and changes in the items are detailed below:

### 1) Receivables from customers

Receivables from customers, totalling €10,232,407, are adjusted by a provision for bad debts of €241,733 (€209,585 as at 31 December 2020) in order to bring the nominal value down to its estimated realisable value. During the year, €44,252 of the provision was used for bad debt write-offs. The provision for the period amounted to €76,400.

Receivables from foreign customers amounted to EUR 223,080.

### 4-bis) Tax credits

They amount to EUR 115,377 (EUR 401,366 as at 31 December 2019). Details are given below:

Description	31/12/20	31/12/19
IRES	13	60.548
IRAP	21.588	29.983
IVA	4.238	1.080
Other receivables	89.538	309.755
<b>Total</b>	<b>115.377</b>	<b>401.366</b>

The decrease in this item, mainly due to the decrease in tax credits for Research and Development activities, has already been commented upon above.

#### 4-ter) Deferred tax assets

The item includes prepaid taxes for a total of €250,288. This value refers to the recognition of deferred tax assets calculated on temporary differences for costs deductible in subsequent years and on tax losses. For further details, please refer to the specific table attached to comment on taxes.

#### 5) Receivables from others

This item totals €294,992, in line with the previous year (€286,701) and is composed as follows:

Description	31/12/20
Guarantee deposits	49.541
Advances to suppliers	195.984
Other receivables	49.467
<b>Total</b>	<b>294.992</b>

#### C IV - Cash and cash equivalents

Cash and cash equivalents amount to €6,331,228 and are composed as follows:

Description	31/12/20	31/12/19
Bank and postal deposits	6.317.406	1.999.739
Cash	13.823	136
<b>Total</b>	<b>6.331.228</b>	<b>1.999.876</b>

The balance as at 31 December 2020 shows a significant increase compared to 31 December 2019, mostly a consequence of the cash flow generated during the period. A lesser effect is a consequence of the recourse to the loan moratorium, which brought a positive effect on cash and cash equivalents of approximately EUR 1.3 million.

This balance sheet component should be examined as a whole together with the financial debts: for a comment on this item, reference should be made to the more detailed discussion of the Group's Net Financial Position in the Report on Operations.

#### D) Accruals and deferrals Assets

These amount to €81,262 (€389,911 as at 31 December 2019) and mainly relate to prepaid expenses pertaining to future periods.

In particular, the item includes, among others, prepaid expenses for office rentals and the cost of software licences whose duration straddles the year.

The balance is significantly lower than in the previous year, on the one hand due to the effect of the alignment to the calendar year of some user licences and on the other hand due to lower deferrals on other activities and services. Details are shown in the table below:

Accrued income and prepaid expenses	31/12/20	31/12/19
Accrued income	1.705	136
Prepayments	79.557	389.775
<b>Total</b>	<b>81.262</b>	<b>389.911</b>

## Liabilities

### A) Net assets

Consolidated shareholders' equity is made up as follows:

Description	31/12/20	31/12/19
I. Group capital	1.630.921	1.609.154
II. Share premium reserve	6.823.642	6.680.476
III. Revaluation reserve	-	-
IV. Legal Reserve	15.467	7.562
V. Reserve for own shares in portfolio	(39.345)	(34.782)
VI. Statutory Reserves	-	-
VII. Other reserves:	-	-
Consolidation reserve	-	-
Merger surplus reserve	20.964	20.964
Cash flow hedge reserve	(5.919)	(5.230)
Other reserves	26.706	26.706
Reserve Arr.to Euro	(6)	(4)
VIII. Group retained earnings (losses)	(961.206)	(109.101)
IX. Profit (loss) for the year of the group	1.070.745	(821.014)
<b>TOTAL NET ASSETS of the group</b>	<b>8.581.968</b>	<b>7.374.731</b>
Minority interest in capital and reserves	763.135	394.221
Profit (loss) for the year pertaining to minority interest	497.394	378.023
<b>TOTAL SHAREHOLDERS' EQUITY OF THIRD PARTIES</b>	<b>1.260.529</b>	<b>772.244</b>
<b>Total NET EQUITY</b>	<b>9.842.497</b>	<b>8.146.974</b>

The overall change between the two years is mainly attributable to profits made during the period.

The sum of items VIII and IX in 2019 does not coincide with item VIII in 2020 mainly due to the change in the scope of consolidation resulting from the deconsolidation of the company Pinevent, as better shown in the table below.

The reconciliation between the parent company's equity and results and the values of the consolidated financial statements is shown in Appendix 2.

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

Description	Balance as at 31/12/19	Destination result Previous year	Aucap of February 2020 (a)	Aucap conv PO (b)	Other movements	Effects of changes in the scope of consolidation	Result dell'eserc.	Balance as at 31/12/20
Share capital	1.609.154		16.666	5.100				1.630.921
Share premium reserve	6.680.476		66.666	76.500				6.823.642
Legal reserve	7.562	7.905						15.467
Merger surplus reserve	20.964							20.964
Negative reserve For acquisition Own sha	(34.782)				(4.563)			(39.345)
Cash flow hedge reserve	(5.230)				(689)			(5.919)
Other reserves	26.706							26.706
Reserve Arr.to Euro	(4)					(2)		(6)
Retained earnings (losses carried forward)	(109.101)	(828.919)				(23.186)		(961.206)
Profit (loss) for the year	(821.014)	821.014					1.070.745	1.070.745
<b>Total</b>	<b>7.374.731</b>	<b>0</b>	<b>83.333</b>	<b>81.600</b>	<b>(5.253)</b>	<b>(23.188)</b>	<b>1.070.745</b>	<b>8.581.968</b>
Profit (loss carried forward)	394.221	378.023				(9.109)		763.135
Result for the year	378.023	(378.023)					497.394	497.394
<b>Total third-party shareholders' equity</b>	<b>772.244</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9.109)</b>	<b>497.394</b>	<b>1.260.529</b>
<b>Total shareholders' equity</b>	<b>8.146.974</b>	<b>0</b>	<b>83.333</b>	<b>81.600</b>	<b>(5.253)</b>	<b>(32.297)</b>	<b>1.568.138</b>	<b>9.842.497</b>

(a) Capital increase to subscribe to the first tranche of the Digital 360 2017-2020 stock option plan

(b) Capital increases by partial conversion of the convertible bond loan

## I - Share capital

At 31 December 2020, the fully paid-up share capital of the parent company DIGITAL360 S.p.A. amounted to EUR 1,630,921. The increase compared to 31 December 2019 is determined by (i) the exercise of the first of the two tranches of options accrued under the "DIGITAL360 2018-2020 Stock Option Plan", approved by the Shareholders' Meeting on 19 December 2017 and subsequently amended on 28 November 2019 as explained in detail in the Report on Operations (ii) the exercise of no. 51 Convertible Bonds, for a nominal value of €81,600, with the consequent subscription of 51,000 conversion shares, on the occasion of the second conversion period of the five provided for by the Convertible Bond Loan (POC).

## II - Share premium reserve

As of 31 December 2020, the Share Premium Reserve of the parent company DIGITAL360 S.p.A. amounted to €6,823,642, also in this case the increase is due to the exercise of options accrued under the aforementioned Stock Option Plan and the conversion of shares of the POC mentioned above.

**IV - Legal Reserve**

At 31 December 2020, the Legal Reserve amounted to €15,467.

**IV - Negative reserve for purchase of own shares**

At 31 December 2020, the negative reserve for the purchase of treasury shares amounted to EUR (39,345) and consisted of the countervalue of 35,000 DIGITAL360 shares purchased during 2018, 2019 and 2020. The book value of the shares, EUR 1.12, is more than half of its current market value. For further details on the purchase plan, please refer to the Report on Operations.

**VI - Merger surplus reserve**

The item Merger surplus reserve for EUR 20,964 is the result of mergers carried out in previous years. No change occurred during the year.

**VII - Other reserves**

This item consists of (i) a cash flow hedge reserve of €(5,919), net of deferred tax assets, related to the fair value at 31 December 2020 of a derivative instrument hedging the change in the variable interest rate of a loan taken out in February 2019 and (ii) other reserves of €26,706, which did not change during the period.

**X-Earnings (Losses) to new of the group**

Retained earnings (losses) of the group amounted to €(961,206).

## IX- Profit (loss) for the year

The profit for the period amounted to 1,568,139 euros, of which 1,070,745 euros belonged to the Group and 497,394 euros to third parties.

### B) Provisions for risks and charges

Provisions for risks and charges at 31 December 2020 amounted to €32,315 and consisted of the provision for agents' termination indemnity for €24,527 and, for the remainder, the provision for risks against the fair value of the IRS hedging derivative signed in February, the value of the IRS being gross of deferred tax assets recognised in the balance sheet.

### C) Employee severance pay

It amounts to €1,229,322 (€980,043 at 31 December 2019) and represents the debt accrued to employees at 31 December 2020. Details of the movements in the period are provided below:

<b>Balance as at 01/01/20</b>	<b>980.043</b>
Provision	441.788
Liquidated severance pay	-79.191
Payment to other Funds	-113.319
<b>Balance at 31/12/2020</b>	<b>1.229.322</b>

### D) Payables

Payables amounted to €13,541,451 (€13,430,927 as at 31 December 2019) and are composed as follows:

Description	31/12/20	31/12/19
2) Convertible bonds	1.918.400	2.000.000
4) Due to banks	5.781.229	6.134.769
6) advances	50.212	62.577

7) trade payables	3.388.033	3.098.299
12) Taxes payable	1.153.901	601.776
13) Amounts due to social security institutions	333.575	418.964
14) other payables	916.101	1.114.542
<b>Total</b>	<b>13.541.451</b>	<b>13.430.927</b>

The item shows a slightly higher balance compared to 31 December 2019 mainly due to the combined effect of the following factors:

- a decrease in bank borrowings as a net effect, on the one hand, of new loans obtained during the period of €1.4 million, and, on the other, of repayments of principal made up to the activation of the moratorium of €0.4 million and less use of bank lines of approximately €1.3 million. As mentioned with regard to the Group's cash and cash equivalents, this change should be seen in the context of the overall NFP, which improved by €4.9 million during the period, from €6.3 million to €1.4 million;
- Despite the decrease in costs, the increase in trade payables of €289,734 is mainly related to improved payment conditions;
- Increase in tax payables of €552,125: the change is strictly related to the provision for current taxes on the result for the period. Please note that as of 2019, the Group has adhered to the national tax consolidation.

The following is a breakdown of the maturity of the payables at 31 December 2020:

Debts	Within the next financial year	Beyond the next financial year	31/12/20
2) Convertible bonds	-	1.918.400	1.918.400
4) Payables to banks	1.830.248	3.950.981	5.781.229
6) Advances	50.212	-	50.212
7) Accounts payable to suppliers	3.388.033	-	3.388.033
12) Taxes payable	1.153.901	-	1.153.901
13) Payables to social security institutions	333.575	-	333.575
14) Other payables	916.101	-	916.101
<b>Total</b>	<b>7.672.071</b>	<b>5.869.381</b>	<b>13.541.451</b>

Foreign debts are not of a significant amount.

#### 4) Payables to banks

At 31 December 2020, they amounted to EUR 5,781,229 (EUR 6,134,769 at 31 December 2019) and are detailed as follows:

Description	Within the next financial year	Beyond the next financial year	31/12/20
Opening of current account credit	185	-	185
C/ Advances	-	-	-
Medium-term loans	1.830.063	3.950.981	5.781.044
<b>Total</b>	<b>1.830.248</b>	<b>3.950.981</b>	<b>5.781.229</b>

There are no third-party guarantees on the company's assets.

It should be noted that the company has taken advantage of the moratorium on both the principal and interest portions of almost all the outstanding loans. It should also be noted that interest on suspended loans has been allocated to the income statement, in accordance with the accrual principle.

#### 6) Advances

This item amounted to EUR 50,212 at 31 December 2020 (EUR 62,577 at 31 December 2019). These are advance payments received from customers relating to contracts not yet completed.

#### 7) Payables to suppliers

The item at 31 December 2020 totalled €3,388,033, an increase of approximately 9% compared to 31 December 2019, due, as mentioned above, to an improvement in the payment terms obtained.

#### 12) Tax debts

They amounted to EUR 1,153,901 at 31 December 2020 (EUR 601,776 at 31 December 2019). The item Taxes payable includes liabilities for certain and determined taxes, VAT and payables related to withholding taxes as withholding agent.

Details are given below:

<b>Tax debts</b>	<b>31/12/20</b>	<b>31/12/19</b>
IRES	466.465	8.848
IRAP	112.498	4.968
IVA	150.771	203.945
Withholding taxes	423.856	383.587
Other payables	311	427
<b>Total</b>	<b>1.153.901</b>	<b>601.776</b>

The increase compared to 31 December 2019 is almost entirely due to the increase in current tax liabilities (IRES and IRAP) as a result of the positive economic result for the period.

As of 31 December 2020, there are no overdue and unpaid tax liabilities.

### 13) Payables to social security institutions

Payables to social security institutions as at 31 December 2020 amounted to €333,575 (€418,964 as at 31 December 2019), the item mainly relates to payables to INPS and social security funds.

At 31 December 2020, there were no overdue and unpaid debts.

### 14) Other payables

Other payables at 31 December 2020 amounted to €916,101 (€1,114,542 at 31 December 2019).

Compared to 31 December, the financial payable to the shareholder Andrea Rangone, amounting to €199,596, has been fully extinguished, which is also highlighted in the Report on Operations in the section on Related Parties.

A breakdown of other debts by maturity is provided below:

<b>Other payables</b>	<b>Within 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Payables to employees	702.217	-	702.217
Other payables	213.885	-	213.885
<b>Total</b>	<b>916.101</b>	<b>-</b>	<b>916.101</b>

Payables to employees were fully settled, according to the ordinary due dates, in the days immediately following the reference date.

#### E) Accrued expenses and deferred income

These amounted to €1,761,228 as at 31 December 2020 (€218,155 as at 31 December 2019) and mainly consisted of deferred revenue pertaining to subsequent periods. The net increase compared to last year is due to an increase in revenues at year-end pertaining to the year 2021.

Accrued expenses and deferred income	31/12/20	31/12/19
Accrued expenses	112.322	27.313
Deferred income	1.648.906	190.841
<b>Total</b>	<b>1.761.228</b>	<b>218.154</b>

## Comments on the items in the Consolidated Income Statement

#### A) Value of production

The value of production amounted to EUR 27,649,579 (26,671,576 as at 31 December 2019, +4%) and is made up as follows:

Value of production	31/12/20	31/12/19
Revenues from services rendered	26.098.668	24.884.197
Increases in fixed assets for internal work	1.305.942	1.426.564
Other revenues and income	244.968	360.815
<b>Total</b>	<b>27.649.579</b>	<b>26.671.576</b>

The growth in sales of recurring services in SAAS mode was offset during the year by a reduction in revenue from events organised in person.

Despite this reduction linked to physical events, revenues from services show an increase of 5% thanks to the significant increase in digital and "as a service" services, as described in detail in the Report.

The value of production also includes the item "Increases in fixed assets for internal work" in the amount of €1,305,942 (€1,426,564 as at 31 December 2019).

The item "Other revenues and income" amounted to €244,968, the decrease compared to the previous year is due to the sum of several opposing factors: i) a decrease in revenues for the recharging of travel expenses to customers for approximately €50,000; ii) a decrease in tax credits for Research & Development, following changes in the regulations, for approximately €220,000; iii) an increase in revenues related to the Covid emergency (non-repayable grants and overdrafts); iv) an increase in revenues related to the Covid emergency (non-repayable grants and overdrafts).000 euros ii) a decrease in tax credits for Research & Development, following the change in regulations, for about 220,000 euros iii) an increase in revenues related to the Covid emergency (non-repayable grants and contingencies from the cancellation of the IRAP balance) for about 120,000 euros iv) an increase in other contingencies for the residual amount.

## **B) Costs of production**

The cost of production as at 31 December 2020 amounted to EUR 25,131,245 (EUR 26,591,040 as at 31 December 2019).

The decrease compared to the corresponding period of 2019 is 5.5% (EUR 1,459,795), despite the increase in revenue. In detail, the decrease is mainly dictated by the combined effect of various factors:

- Lower costs for services of approximately €2 million, mainly related to the reduction in physical events, including those of the companies ServicePro and FPA. In this regard, it should be noted that the partial transformation of physical events into digital events made it possible to achieve part of the revenue initially forecast, with a much mitigated impact on the loss of margins. The effect was partly offset by an increase in the costs of services of the other Group companies, which instead increased their value of production. The net decrease amounted to €1.36 million;
- Decrease in the item personnel costs of approximately EUR 0.3 million, a value substantially equal to the extraordinary costs of personnel restructuring and reorganisation that affected the result of the corresponding period of 2019.
- Increase of about EUR 0.1 million in depreciation and amortisation, mainly due to investments made during the year.

<b>Costs of production</b>	<b>31/12/20</b>	<b>31/12/19</b>
6) Raw materials, consumables and goods for resale	23.511	13.743
7) for services	12.860.100	14.220.292
8) for use of third party assets	751.861	754.751
9) for personnel	8.299.126	8.617.429
10) amortisation, depreciation and write-downs	2.584.104	2.449.132
14) Other operating expenses	612.543	535.693
<b>Total</b>	<b>25.131.245</b>	<b>26.591.040</b>

### 6) For raw and ancillary materials, consumables and goods

Costs for the purchase of consumables and goods amounted to EUR 23,511 (EUR 13,743 as at 31 December 2019) and relate to purchases of consumables mainly of an administrative nature.

### 7) For services

Expenditure on services amounted to €12,860,100 (€14,220,292 as at 31 December 2019) and detailed figures are provided below for the two years compared:

<b>Production costs for services</b>	<b>31/12/20</b>	<b>31/12/19</b>
Expenses for project professionals	5.034.172	4.917.212
Direct production costs	5.005.347	6.693.820
Professional consultancy	335.981	297.352
Travel costs	279.446	651.960
Commercial and advertising costs	68.702	82.339
IT and technology costs	1.423.298	803.109
Costs for directors, Board of Auditors, Supervisory Board	674.924	636.311
Bank charges	4.634	4.521
Other services	33.596	133.668
<b>Total</b>	<b>12.860.100</b>	<b>14.220.292</b>

The decrease in service costs has already been explained, as well as reported, in the previous section. Here we give some further details.

The costs incurred for professionals dedicated to projects include both services in the "Advisory" area (e.g. professionals involved in consulting projects, etc.) and in the "Demand Generation" area (e.g. writing articles for the Group's publications, external experts at events organised by Group companies, etc.), as

well as services in the technical and technological, administrative, tax and legal areas of the Group. After the increase in this item that took place in 2019, due to the acquisition of top-level professional skills to ensure the quality of the services sold, the trend stabilised in 2020 with a slight increase linked to the growth in turnover in the areas that recorded the development, mainly therefore in consulting and digital services, whose scalability has in fact made it possible to significantly limit the increase.

Direct production costs include expenses for the organisation of physical events, hence the strong reduction. A significant portion of these expenses is related to costs for locations, set-ups and communication related to the 'ForumPA' event and the events organised by the subsidiary ServicePro. Following the cancellation, physical events were replaced, where possible, with digital events with a consequent lower impact on costs.

Offsetting the decrease in direct production costs was an increase in IT and technology costs, albeit to a much lesser extent. The increase in these costs was due to the aforementioned growth in the purchase of digital services, including webinars and online events.

The decrease in travel expenses is of course due to the lock-down period, which effectively prevented any travel from mid-March until June, but remained very limited for the rest of the year.

## **8) For use of third party assets**

These expenses amounted to €751,861 (€754,751 at 31 December 2019) and mainly relate to those incurred for the rental of offices used by the Group in Milan and Rome. The cost is practically in line with last year, despite an increase in the rental costs of the new offices in Rome to which FPA moved in the second half of 2019, offset by a revision of the monthly cost of the Milan offices.

In these early months of 2021, taking advantage of the smart working experience successfully experimented due to the pandemic, the Group is proceeding with a reorganisation of the office space in the Milan headquarters that will lead to a further reduction in costs.

## **9) Personnel expenses**

This amounted to €8,299,126 (€8,617,429 as at 31 December 2019). This item includes all employee expenses, including merit improvements, category upgrades, contingency increases, the cost of untaken

leave and provisions required by law and collective agreements. The change is due to the net effect of various factors, which have opposite signs:

- expenses incurred in 2019, amounting to approximately EUR 0.3 million, relating to incentives paid to encourage the exit from the Group of profiles no longer suited to the new business models were saved;
- about 0.4 million euros were saved in the current year through the use of social shock absorbers, mainly concentrated in the first months of the emergency when the future scenario was still uncertain;
- on the other hand, there was a slight increase due to the transfer of some employees from fixed-term to permanent contracts and to a lesser extent due to a modest increase in net staff.

The composition of the workforce is reported in the section "Other information" of these Notes.

## 10) Depreciation and write-downs

### *a) Amortisation of intangible assets*

This expenditure amounts to €2,424,161 (€2,327,172 as at 31 December 2019).

The amount at 31 December 2020 includes the amortisation of consolidation differences in the amount of €771,730.

The increase compared to the value as at 31 December 2019 is attributable to the investments made during the year and the full amortisation of those made in the previous year, which enabled the business opportunities to be significantly expanded, as demonstrated by the results for the period.

### *b) Depreciation of tangible fixed assets*

Depreciation of tangible fixed assets amounted to EUR 83,542 (EUR 87,120 as at 31 December 2019).

### *c) Write-down of receivables included in current assets*

The alignment of receivables to their estimated realisable value led to a provision in the year of €76,400, mainly related to projects with the public administration. Until now, the Group has not had any significant problems in recovering its receivables, despite the economic crisis due to the pandemic. The

company's counterparties have always been primary customers characterised by high financial solidity and reliable solvency.

#### 14) Operating expenses

Operating expenses amounted to €612,543 (€535,693 at 31 December 2019) and are broken down as follows:

Miscellaneous operating costs	31/12/20	31/12/19
Sopp. Liabilities	358.260	231.132
Travel and representation	26.877	145.049
Stationery and consumables	16.823	28.592
Taxes, stamps and endorsements	20.178	29.469
Membership fees	20.288	20.042
Losses on credits	27.150	12.765
Other expenses	142.968	68.644
<b>Total</b>	<b>612.543</b>	<b>535.693</b>

The increase compared to the same period last year is mainly due to a higher impact of contingent liabilities recognised in the period and the settlement of a lawsuit with a former employee.

Travel and representation expenses decreased due to the limitations imposed in 2020 by the pandemic.

#### C) Financial income and expenses

##### 16) Other financial income

This item amounted to EUR 2,000 13.192 (EUR 11,096 as at 31 December 2019) and, almost entirely, refers to the capital gain arising from the sale of part of the investment in S.A.T.A. S.r.l. mentioned above.

**17) Interest and financial charges**

This item amounted to €293,872 (€350,424 as at 31 December 2019) and refers for approximately €90,000 to financial expenses related to the Convertible Bond Loan (C.B.O.) issued at the IPO for the value of €2 million (fixed rate 4.50%, maturity date June 2022) and, for the remaining part, to interest expenses and charges for bank loans. The decrease compared to the same period of the previous year is due to both the slight decrease in bank loans payable (repaid up to the moratorium) and the lower use of bank advances.

**17-bis) Exchange gains and losses**

This item shows a positive balance of EUR 889 (EUR 1,401 as at 31 December 2019).

**D) Value adjustments on financial assets**

The item changed in the current year due to the write-down of the residual value of the investment in the subsidiary Pinevent S.r.l., which was liquidated during the year.

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

The period under review was burdened by current taxes of EUR 857,379 (EUR 182,798 as at 31 December 2019).

The item deferred tax assets shows a utilisation of €133,068 (provision of €2,474 at 31 December 2019), due to the utilisation of the ICT company's past losses accumulated prior to the signing of the tax consolidation option.

The table below shows deferred tax assets as at 31 December 2020.

RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES AND THEIR EFFECTS	Amount of temporary differences	Fiscal impact
<b>Deferred tax assets:</b>		
Costs deductible in future years (IRES)	70.347	16.884
Costs deductible in subsequent years (IRAP)	-	-
Costs deducted from previous years (IRES)	(73.895)	(17.735)
Costs deducted from previous years (IRAP)	(1.750)	(68)
Losses deductible in subsequent years (IRES)		0
Losses recovered during the year (IRES)	(550.619)	(132.148)
<b>Total</b>		<b>(133.068)</b>

**Determination of IRES taxable income**

	31/12/20	31/12/19
Profit before tax	2.425.515	(260.194)
Theoretical tax charge (rate 24%)	582.123	(62.447)
Taxable temporary differences	70.347	-
Temporary deductible differences	-	-
Reversal of temporary differences from previous years	(624.513)	(88.847)
Differences that will not be reversed in subsequent years	(178.618)	(383.756)
Amortisation of consolidation difference	751.954	754.179
Taxable income	<u>2.444.685</u>	<u>21.382</u>
Current income taxes for the year	586.725	327.673
Effective tax rate	24,19%	211,64%

**Determination of IRAP taxable income**

	31/12/20	31/12/19
Difference between value and cost of production	2.518.329	80.536
Costs not relevant for IRAP purposes	8.599.361	7.572.392
Costs deductible under specific legal provisions	7.922.565	7.060.686
Total	<u>3.195.125</u>	<u>592.242</u>
Theoretical tax charge (rate 3.9%)	124.610	23.097
Temporary taxable differences	-	5.500
Temporary deductible differences		
Permanent differences	627.819	382.222
Amortisation of consolidation differences	751.954	754.179
Reversal of temporary differences from previous years	-	-
Taxable income	<u>4.574.898</u>	<u>1.734.143</u>
Current income taxes for the year	188.306	83.923
Imputed advance payment DL 34/2020 Art.24	43.560	
Net tax	<u>144.746</u>	<u>83.923</u>
Effective tax rate	5,89%	14,17%

**OTHER INFORMATION****Human Resources**

As of 31 December 2020, the number of employees of the Group was 194 and was composed as follows:

QUALIFY	30.06.2020	31.12.2019
Managers	2	2
Frameworks	18	15
Employees	129	119
Others (fixed-term employees)	45	56
<b>TOTAL</b>	<b>194</b>	<b>192</b>

**Disclosures relating to financial assets carried at a value greater than *fair value***

(Ref. art. 2427-bis first paragraph point 2, C.C.)

The Group has no financial assets recognised in the consolidated financial statements at a value higher than their *fair value*.

**Information on financial instruments issued by the Group**

(Ref. art. 2427, first paragraph, no. 19, C.C.)

DIGITAL360 S.p.a., as described in detail in the Report on Operations, has issued the following financial instruments:

- Shares: IT0005254252
- Convertible Bonds: IT0005254484

### Information on the *fair value* of derivative financial instruments

(Ref. art. 2427-bis, first paragraph, no. 1, C.C.)

In February 2019, the company signed an IRS (Interest Rate Swap) to hedge the interest rate risk of a bank loan, at variable rate, contracted with Unicredit. The amount of the loan is EUR 500,000 maturing in 2024.

The effects of changes in the market value of the instrument are recognised in the balance sheet.

### Own and parent company shares

At 31 December 2020, the company had purchased 35,000 treasury shares, equal to 0.22% of the share capital, at a weighted average price of €1.124 for a total value of €39,344.

### Remuneration of corporate bodies for the period

The remuneration allocated for the period for the Board of Directors of DIGITAL360 S.p.A. amounts to EUR 225,300.

The remuneration allocated to the Board of Statutory Auditors and the auditing company totalled EUR 75,795.

For the Board of Directors

The Chief Executive Officer

## Annex 1 - Cash flow statement

<b>Cash Flow Statement 31 December 2020</b>	<b>31/12/20</b>	<b>31/12/19</b>
<b>A. Cash flows from operating activities (indirect method)</b>		
<b>Profit (loss) for the financial year</b>	<b>1,568,139</b>	<b>(442,991)</b>
(Capital gains)/capital losses arising from the disposal of assets	(212,688)	
<b>1. Profit (loss) for the financial year before income taxes, interest, dividends and gains/losses on disposals</b>	<b>1,355,451</b>	<b>(442,991)</b>
<i>Adjustments for non-cash items with no offsetting item in net working capital</i>		
Severance indemnity provisions	441,789	405,443
Amortisation/depreciation of fixed assets	2,507,703	2,414,292
Write-downs for impairment losses	76,400	-
Other adjustments for non-cash items	(32,080)	6,880
<i>Total adjustments for non-cash items</i>	<b>2,993,812</b>	<b>2,826,615</b>
<b>2. Cash flow before changes in net working capital</b>	<b>4,349,264</b>	<b>2,566,422</b>
<i>Changes in net working capital</i>		
Decrease/(increase) in trade receivables	(739,798)	(1,073,333)
Increase/(decrease) in trade payables	289,734	(336,382)
Decrease/(increase) in prepaid expenses and accrued income	308,649	317,218
Increase/(decrease) in accrued expenses and deferred income	1,543,073	28,855
Other changes in net working capital	866,472	446,198
<i>Total changes in net working capital</i>	<b>2,268,130</b>	<b>(617,443)</b>
<b>3. Cash flow after changes in net working capital</b>	<b>6,617,393</b>	<b>1,948,979</b>
<i>Other adjustments</i>		
(Income taxes paid)	(155,266)	(479,844)
(Use of provisions)	(192,510)	(418,474)
<i>Total other adjustments</i>	<b>(347,776)</b>	<b>(898,318)</b>
<b>Cash flows from operating activities (A)</b>	<b>6,269,617</b>	<b>(99,340)</b>
<b>B. Cash flows from investing activities</b>		
<i>Tangible and intangible fixed assets</i>		
(Investments)	(1,690,248)	(1,869,105)
<i>Financial fixed assets</i>		
(Investments)	(1,000)	-
Proceeds from disposals	227,721	-
<b>Cash flow from investing activities (B)</b>	<b>(1,463,527)</b>	<b>(1,869,105)</b>
<b>C. Cash flows from financing activities</b>		
<i>Third-party equity</i>		
Increase (decrease) in accounts due to banks	(1,304,156)	316,475
New loans	1,700,000	2,687,254
Net proceeds from convertible bonds		
Loan repayments	(749,384)	(933,693)
Payables for acquisition of equity investments (vendor loans)	(199,995)	(1,150,000)
<i>Own equity</i>		
Paid capital increase	83,333	-
Disposal (purchase) of treasury shares	(4,536)	-
<b>Cash flow from financing activities (C)</b>	<b>(474,738)</b>	<b>920,036</b>
Increase (decrease) of cash and cash equivalents (A±B±C)	4,331,352	101,591
<b>Cash and cash equivalents as at 1 January</b>	<b>1,999,876</b>	<b>1,898,285</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>6,331,228</b>	<b>1,999,876</b>

## Annex 2 - Reconciliation between the statutory and consolidated financial statements

### Reconciliation statement between the statutory financial statements as at 31 December 2020 and the consolidated financial statements (euro)

	Heritage Net	Result Net
<b>SHAREHOLDERS' EQUITY AND RESULTS OF THE PARENT COMPANY</b>	<b>8.322.947</b>	<b>28.615</b>
Shareholders' equity and net results of consolidated companies	<b>7.109.565</b>	<b>2.291.475</b>
Elimination of carrying value of consolidated investments	<b>(9.617.704)</b>	
Consolidation differences	<b>7.541.791</b>	
Amortisation of consolidation difference	<b>(3.500.751)</b>	<b>(781.730)</b>
Amortisation of goodwill in ICT&		<b>29.776</b>
Change in consolidation scope (diff. Conso Pinevent)	<b>(13.350)</b>	
Roundings		
<b>TOTAL EQUITY/NET PROFIT</b>	<b>9.842.497</b>	<b>1.568.138</b>
of which minority interests	<b>1.260.530</b>	<b>497.394</b>
<b>GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND RESULT</b>	<b>8.581.968</b>	<b>1.070.742</b>