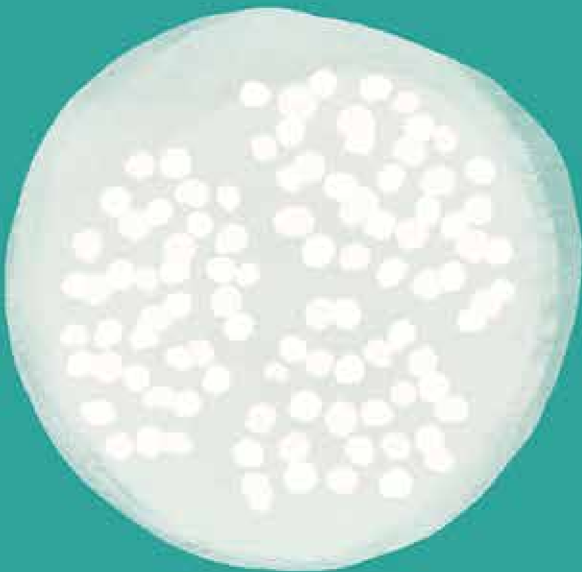
Report as at
March 31, 2019

二〇一九年度收支報告



Annual Report 2019

NTT DATA
Trusted Global Innovator

pomegranate s. f.

Symbol of productivity, wealth and prosperity. The seeds, inside the fruit, represent cohesion. The red juice is a metaphor for the energy's vitality.

NTT DATA Italia S.p.A.
Registered Office: Milan, Viale Cassala, 14/A
Share Capital: Euro 33.107.160 fully paid up.

Subject to direction and coordination by NTT DATA Emea Ltd
Tax Code and registration in Companies Register of Milan: 00513990010

Annual Report 2019

As at March 31, 2019

Courtesy translation

About us

NTT DATA – Trusted Global Innovator

We are a global company providing a wide range of IT services and solutions, including consultancy, system integration and outsourcing. Established in 1967 in Tokyo and listed on the stock exchange in 1995, today we employ over 110,000 professionals in 50 countries worldwide, including Italy.

We are therefore a key strategic partner for all our customers, combining a global presence with an ability to pay special attention to the local requirements of our customers.

People are central to our mission

Every day we make our contribution to a society ever more focused on wellbeing and harmony. We are committed to exploring new paths and creating new opportunities using technology as a tool for improving our lives.

Our vision

We do more than oversee projects for our customers: we build a relationship with them and help them to achieve their goals. We use the most advanced technology to create ecosystems in continuous evolution, embracing all cultures, encouraging inclusion and respecting diversity at all levels within our company.

Our values

Clients First

First, and above all else, we place the needs of our clients. We continuously work to understand your business and strive to resolve every concern to your satisfaction. We feel a responsibility to ensure your success. We let this obligation set the direction of our work and guide our actions.

Foresight

We never settle for the status quo. Instead, with speed and foresight, we anticipate challenges that lay ahead. We consider the future of IT as well as the future of your business, work to enhance our ability to picture the future, and with our ecosystems, adapt to the changing business environment. In this way, we help you to meet your goals and create a brighter future for society.

Teamwork

We put great importance on enabling our employees to achieve their best through their work with each other. We believe that when a diverse group of individuals brings their unique worldviews together, shares their wisdom, and works toward a common goal, the results are extraordinary and far beyond what can be achieved by any one person.

Contents

グループ業績

Group results

01

Group results

REVENUES

376.697 € thousand

EBITDA

13.227 € thousand

NET RESULT

5.434 € thousand

OPERATING CASH FLOW

4.964

€ thousand

EMPLOYEES

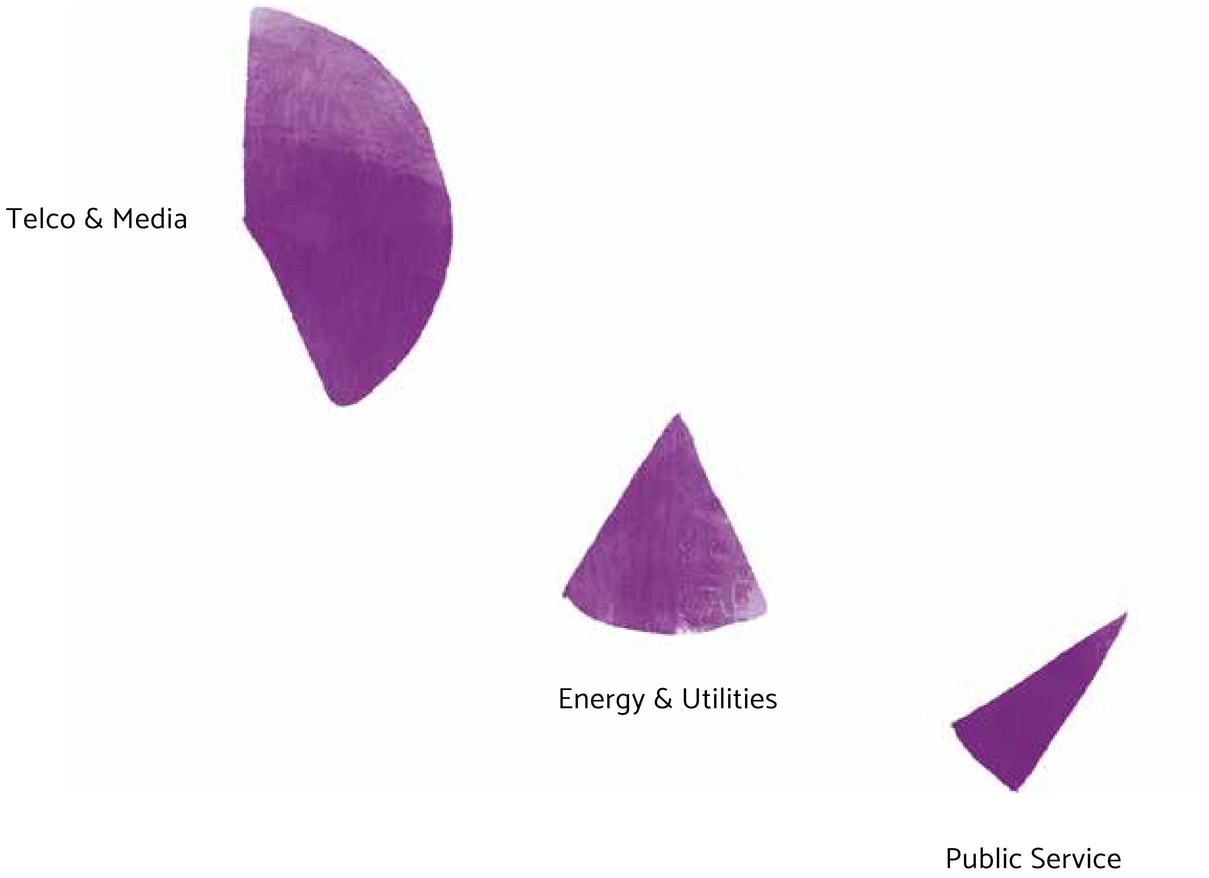
3.422

employees, number

Revenues

By industry

%, group results



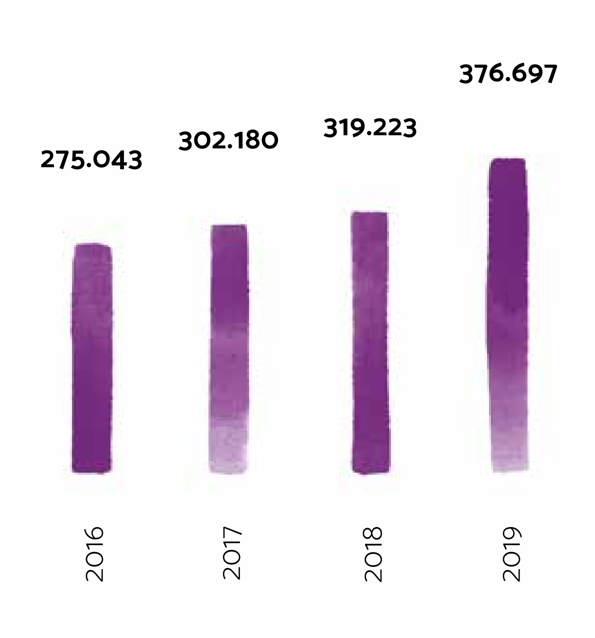
Telco & Media **43%** Energy & Utilities **16%**
Public Service **7%** Manufacturing, Retail & Services **14%**
Banking **15%** Insurance **5%**


Insurance
Banking
Manufacturing,
Retail & Services

Revenues

By year

€ thousand, group results



By geography

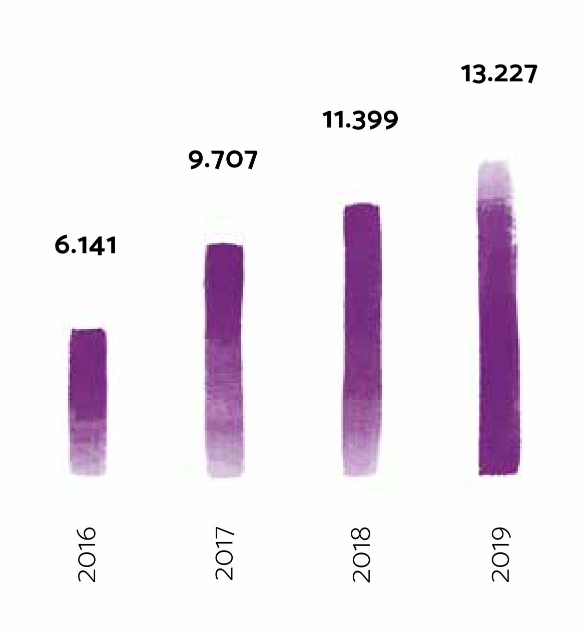
€ thousand, group results

Italy 371.983
Vietnam 2.991
Turkey 1.723

EBITDA

By year

€ thousand, group results



By geography

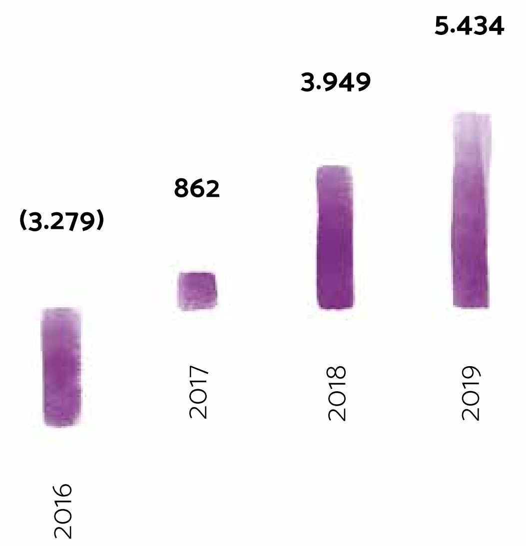
€ thousand, group results

Italy 12.785
Vietnam 482
Turkey (39)

Net result

By year

€ thousand, group results



By geography

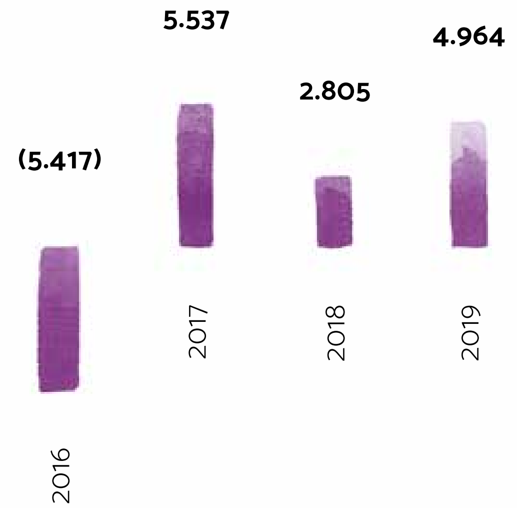
€ thousand, group results

Italy 4.968
Vietnam 327
Turkey 139

Operating cash flow

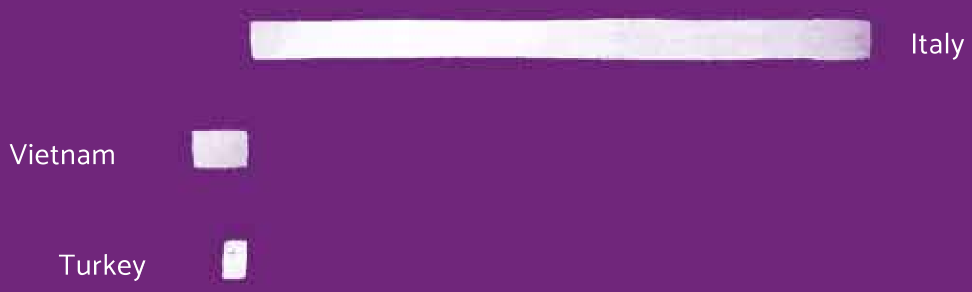
By year

€ thousand, group results



By geography

€ thousand, group results



Italy 5161
Vietnam (143)
Turkey (53)

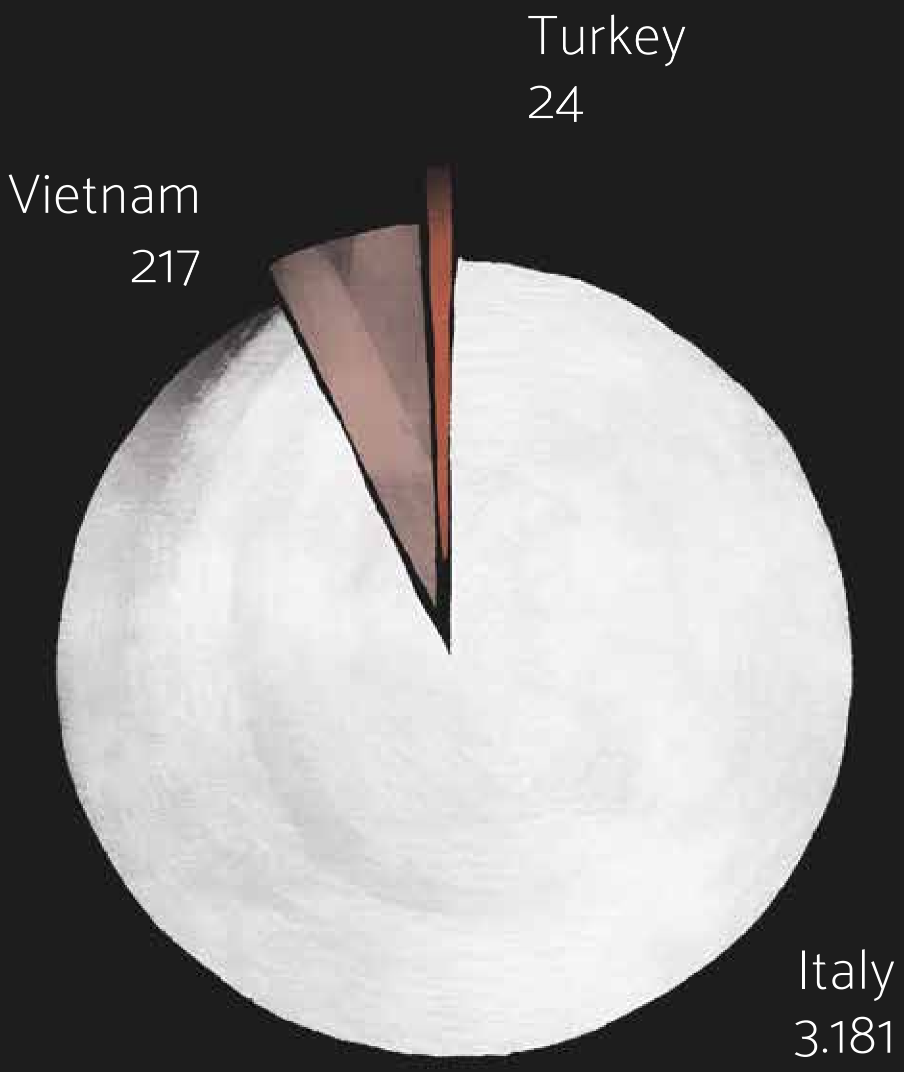
Employees

By year

employees, number, group

By geography

employees, number, group

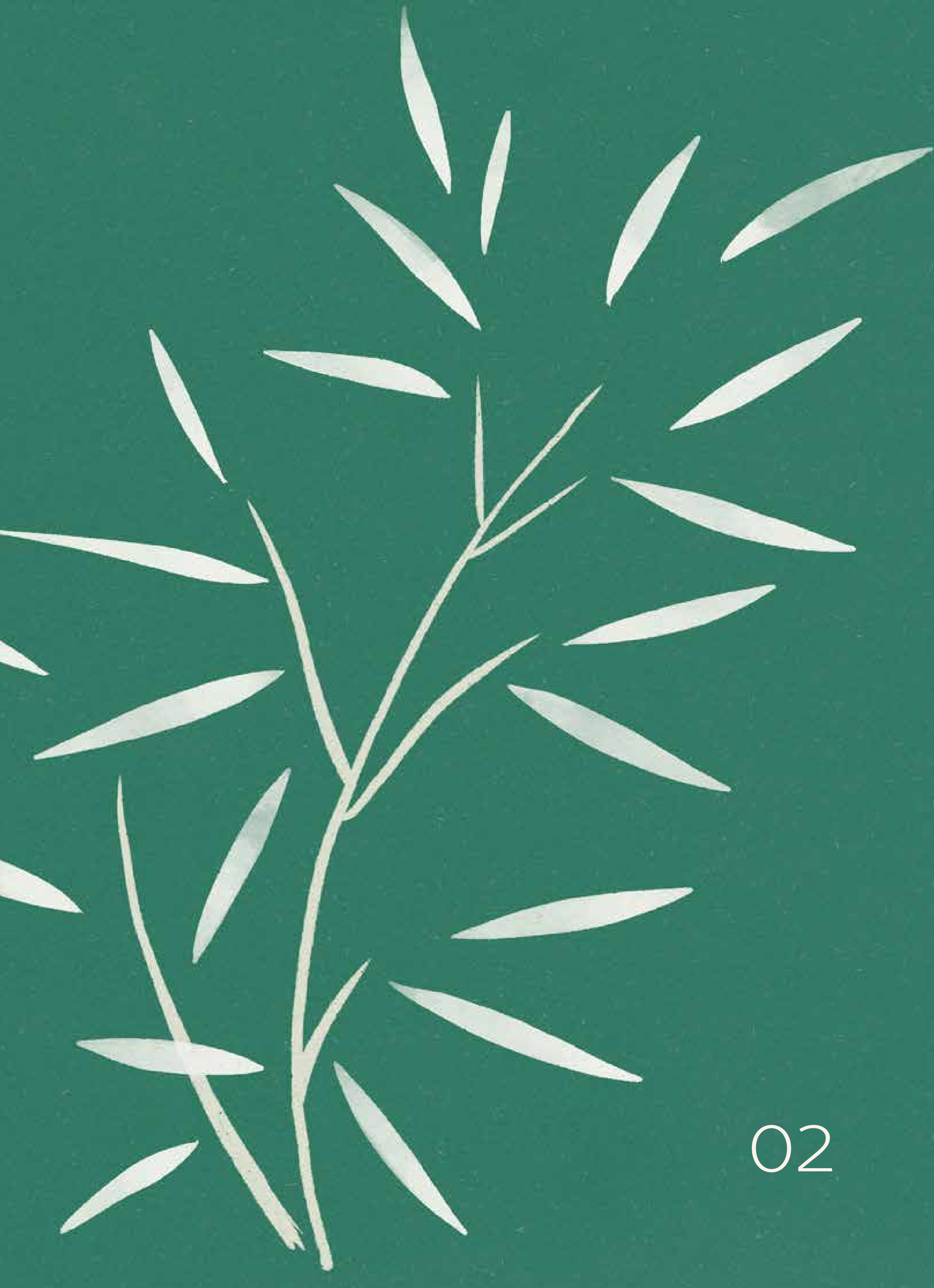


BRANCHES

Italy **Milano Roma Napoli Cosenza Pisa Torino Treviso Genova** Vietnam **Hanoi** Turkey **Istanbul**

社会的責任と経営体

Board of Directors and Auditors



02

Board of Directors and Auditors

BOARD OF DIRECTORS

Patrizio Mapelli Chairman
Walter Ruffinoni CEO
Ken Tsuchihashi, Mark Baker Directors

BOARD OF STATUTORY AUDITORS

Nicola Broggi Chairman of the Board of Statutory
Barbara Ferri, Stefano Poretti Statutory Auditors

INDEPENDENT AUDITOR

KPMG S.p.A.

株主書簡

Letter to Shareholders

03

Letter to shareholders

The year that has just ended was an excellent one: the results surpassed our expectations and we concluded our first important strategic plan, **Horizon 2018** (2014-2018), at the end of which revenues had grown by over +50%; standing out in particular were the Media, Insurance and Energy markets, which saw revenues doubled in the same period.

This year we have expanded our offerings to customers to include 23 new items and we have implemented a virtuous model of Open Innovation enabling us to work together with 50 start-ups and 40 Italian universities.

We have grown to nearly 3,200 people across the whole Italy, with an average age of 40.5 years, and we have earned a distinguished position in the eyes of our customers thanks to our competences and quality. We believe in the value of our people and invest in their training; during the year we provided over 8,000 days of training (twice the number of hours provided in 2015).

All this has led to a significant growth in **revenues**, which amounted to **€ 376,697** thousand at the consolidated level (+18.0% vs previous year) and we have confirmed the positive trend in **profitability**: +16.0% EBITDA and + 48.0% EBIT; the consolidated **net result** amounted to **€ 5,434** thousand (€ 3,949 thousand in the previous year).

Finally, careful management of working capital and the extension of the supply chain finance program aimed at our trading partners enabled us to achieve a positive **Operating Cash Flow** amounting to **€ 4,964** thousand.

2019 has been a year in which our competences in **Digital Design** (+38%) **Consulting** (+31%) and **Data Intelligence** (+33%) services have been further confirmed. The markets showing the highest growth are Energy&Utilities (+36%), Public (+27%) and Manufacturing, Retail & Services (+21%).

NTT DATA Italia represents a leading partner when it comes to supporting customers in transforming their processes and we have conquered this position of prestige through the daily work of all our staff who have believed in this ambitious project.

CEO
Walter Ruffinoni

イノベーション
構築

Building innovation

04

BUILDING INNOVATION

Over the past few years we have carved out an important role for ourselves at an international level, becoming a globally recognized player. Thanks to our competences, professionalism and creativity, we have distinguished ourselves by building **innovation** and providing **cutting-edge solutions** to the numerous companies that have chosen us as a partner.

Global Conference e Big View

The NTT DATA Global Conference was held in Milan last October: we had 200 executives from all over the world as our guests and it was a unique opportunity for us to illustrate our successes as a company and describe what we have done in recent years for our customers and to improve society and life in our country.

The Global Conference confirmed the fact that we are among the pioneers in Italy and worldwide in the development of innovative solutions.

During the Global Conference we launched Big View, the new NTT DATA communication campaign, across the entire national territory. With this campaign we aim to take our strategic vision to customers.

Design which makes a difference

The fiscal year 2019 saw the creation of the **NTT DATA Design Network** (NDDN), which brings together 12 studios located around the world and sees Digital Entity, the design studio of NTT DATA Italia, at the centre of this process of aggregation.

The importance that design is taking on in the planning of solutions on a human scale is increasing the demand for NTT DATA Italia professionals, who are called abroad to contribute their know-how, enabling us to position ourselves as an industry leader.

NTT DATA Italia is actively present in Japan and has participated from the start in the development of the projects for the new Tokyo design studio **Aquair**.

Digital Entity has received **2 important prizes from the Industrial Design Association**. The first was in acknowledgement of the Nexi Business project, a tool allowing merchants to manage their business from a smartphone/tablet or PC and to get an overall picture of the derived analytic results and compare them with the data of other businesses similar to their own. The second prize was for SADOC 4, a command and control system for the Italian Navy which modifies the organisation of the tasks of those who oversee ships and applies ergonomic principles, reducing decision-making times and defining new work logics, while taking account of operational needs.

The partnership with the Milan Polytechnic is strengthened

Over the past year our partnership with the Milan Polytechnic has grown exponentially. In particular, there are three areas in which we are actively collaborating with one of the centres of academic excellence in Italy and world: **design events**, **training** and **design thinking**.

Events

On the occasion of the Service Design & Innovation Conference, we set up a workshop on **eMobility**, which explored how to redesign the relationship between people and the transport of the future, creating an increasingly inclusive experience capable of overcoming physical, economic and cultural barriers.

The Rethink! festival, the first dedicated to Service Design, has seen us as a partner since it was launched in 2017. In 2018 we took part in both the April and October editions, with a focus on an **inclusive design approach**, which results in better products, enhanced user satisfaction, greater commercial success and a reduction in the risks tied to product development.

Training

The fiscal year 2019 saw us playing a leading role in training.

NTT DATA Italia held an Inclusive Design course at the Milan Polytechnic with the objective of **improving the sensitivity of designers**, transmitting the importance of dialoguing with diversity, and providing tools for exploring, conceiving and evaluating various design scenarios. The course on inclusiveness was organised into a first theoretical part whose purpose was to explain the principles and show which tools to use; a second intermediate stage designed to help students to understand ‘diversity’ by looking at it from alternative perspectives, thanks to workshops and guests taking part in the classes; and a third concluding stage focused on the design of new services and products with a view to inclusiveness. The course on Inclusive Design was the first in Italy to teach how to dialogue with diversity. It involved over 100 students from all over the world, who completed 19 projects using the three-step method (Empathize, Ideate, Make) formulated by the NTT DATA design studio.

“Basics of Design for Better Innovation Services”, on the other hand, is a course that fits into a process of company growth, the objective being to **disseminate the design method**, making the current dynamics aimed at the optimisation of processes evolve towards a more open, cross-cutting approach. Project work was organised at the end of the course, divided over 6 days. The 20 participants thus applied the contents of the course in a real context, working with customers on specific projects using the design methods and tools just learned. The objective was to encourage collaboration with the NTT DATA design studio by sharing two very precious values: culture and knowledge.

Design Thinking Leaders

NTT DATA Italia belongs to the Design Thinking for Business Observatory, created in 2017 for the community of innovators who adopt **pioneering approaches** and aim to create value for their companies and to seek out ever new practices. Ongoing collaboration with the Observatory has enabled us to develop further opportunities in the training, professional and business realms.

Service innovation through a multichannel experience: the case of ho.

Together with Vodafone we have designed and built the **entire infrastructure of the service,** placing people at the centre of every stage of the process. Design thinking, together with a **lean development** and an **agile approach**, were at the core of all the activities which enabled us to rapidly produce prototypes to be tested with real users. The challenge was to create an end-to-end product with a consistent experience across all channels. To this we can also add two service innovations: a video calling app for verifying a customer's identity and activating a SIM card; and a new distribution model, with completely digital sales or distribution through newsagents selected as the new SIM card pick-up point.

Our design studio, consulting area and technological department worked in synergy and as a reward for our efforts, the ho. project (launched on June 22, 2018) earned first place worldwide at the NTT Global Business Award 2019.

Blockchain, the revolution at hand

For NTT DATA, innovation means thinking today about what the **future** will be like and imagining how technology can help **people** to improve their quality of life. For this reason, in 2016 we established a championship dedicated to **Blockchain**, a technology in which data (transactions) are structured like a **chain of blocks** and whose validation is left up to a consent mechanism distributed over all nodes of the network.

Blockchain, whose coverage in the media is mainly tied to **cryptocurrencies** and its applicability in the financial sector, is in reality also having a strong impact in different market sectors and areas: from digital identity to titles of ownership, IoT, and the trading of assets and energy, just to name a few. After the positive results of the championship, NTT DATA believes in its potentialities and has decided to invest in the development of a **new business line**, which has grown up precisely around this technology – Blockchain.

This new business line was born with the spirit of a veritable **start-up** within NTT DATA, capable of taking forward projects that will revolutionise business through cutting-edge technologies.

A multicultural team made up mostly of **young enthusiasts**, presently working on various initiatives in the area of **innovation**. The main one, the ABILab project, sees them involved in the implementation of Blockchain in interbank processes. Italy's top 18 banks are participating in the first stage of the project, but when the system goes into production in March 2020, the application will be used by **all Italian banks**.

The team is growing: in the newly established BSL there are presently 10 team members who work in the Milan, Rome and Cosenza divisions and collaborate with other OPCOs. They have already pursued R&D projects with Japan, India and Singapore, which were completed in 2018. As far as marketing and strategy are concerned, the Italian team defined the NTT DATA Blockchain offering for the whole world.

The ABILab project represents a "trailblazer" for **possible future scenarios** and an important opportunity to position NTT DATA as a **leading industry player**: a first Blockchain will be created which may serve as a basis for creating a variety of future applications (Blockchain) for the entire banking system. However, the real challenge we are facing as NTT DATA is to demonstrate the potential of these technologies so that the use of DLT can be extended to other contexts and markets.

A company's evolution follows its technological transformation. The case of Telepass

Last year we were called on to oversee the process of evolution of **Telepass** from a tolling company to an **ecosystem of mobility solutions**, in which urban services and payments are integrated into a seamless experience for users. This renewal will enable Telepass to pass from an OBU (On Board Unit) business model to one that brings user needs to the forefront, enhancing mobile payments over different channels and devices.

CHRONOS is the **transformation program** conceived for Telepass, by virtue of which we are guiding the company's development and technological evolution. We are working with the objective of ensuring the interoperability of Telepass solutions with the platforms of business partners, while improving security, performance and the scalability of current systems and aiding the passage to the market of advanced digital services.

At present we are involved in nine different projects, starting from the service's migration to the **Cloud**, the automation of **Fraud Detection** processes and the integration of a new **CRM** platform. A complex, but complete process that will lead to a total repositioning of Telepass, enabling it to compete with heterogeneous players by exploiting the broad distribution and identity of the brand.

A major challenge we have taken up with our usual enthusiasm and professionalism in order to bring value to a service that is well-rooted in our country, but with the objective of transforming it.

Always looking for start-ups and innovative firms

The modern digital revolution is increasingly transforming our way of life. For this reason, being open and receptive to different ideas and stimuli allows us to keep up to date and help our customers to overcome the challenges of the future. Every year we assess 50 young Italian firms which enter the **Open Innovation Contest**.

The contest, which was launched by NTT DATA Corporation and has reached its eighth edition, is aimed at identifying start-ups and young innovative firms with which we can construct a development strategy. The challenge is open in the 50 countries in which we are present as NTT DATA; this year saw 400 firms involved. In 2019, the quest for innovation led NTT DATA to work together with the **MIT in Boston**. Our colleagues worked for 3 months in the prestigious American university, on a project that used **Cloud** computing capabilities to enrich the social skills of a robot. The final objective was essentially to develop an **artificial intelligence** capable of understanding the context in which it was placed and capable of adapting its behaviour. All this thanks to advanced technologies that recognise the physical attitudes, ways of speaking, facial expressions and emotions of the human with whom interaction is taking place.

The result of this experience was to learn and then put into practice MIT's cutting-edge technology and establish contact with various start-ups, acting as mediators, for the purpose of setting up future partnerships with NTT DATA.

The project reached a successful conclusion, so much so that our two colleagues will be going back to Boston in order to delve further into the subject matter addressed during their previous stay.

Innovation in universities

Not only are we always looking for innovative young firms we can grow together with, but we also work in close contact with training institutes located throughout the national territory, with a particular focus on southern Italy.

Recently, the **University of Naples Federico II** officially invited us to join the steering committee of the Department of Electric Engineering and Information Technologies (DIETI), whose aim is to gear university courses more towards the job world. Moreover, we are an industrial partner of the **University of Salerno**, with which we manage a PhD programme in industrial engineering, on the subject of Natural Language Processing.

Another partnership that has been ongoing for several years is the one with the **University of Sannio**, where we manage thesis projects and project work on artificial intelligence and Natural Language Processing.

At the beginning of 2019, an agreement was signed which launched the creation of the "**EHIC – Euro Mediterranean Harmonic Innovation Hub**", a campus dedicated to innovation that will be set up at the University of Calabria and placed at the service of the whole of southern Italy and neighbouring countries in the Euro-Mediterranean area. EHIC was created with the ambitious goal of becoming a point of reference for activities of incubation, acceleration, integration and scale-up of innovation processes in favour of start-ups, innovative SMEs and spin-offs. This initiative fits into a strategy of **promoting the local ecosystem of southern Italy**, an area in which we see the largest potential for cultivating a fertile environment where the generation of ideas and ability to innovate go hand in hand with the harmonic growth of the socioeconomic fabric.

We work with a smile, as our campaign says

Last October, 25 we launched our recruiting campaign **Join The Smile Working Era**. We imagined a new way of working in a **welcoming**, **collaborative** and **human** environment, where talent and the sharing of ideas are distinctive and winning elements. We are so proud of this approach that we thought of patenting the phrase **Smile working®** so that we could be identified differently from our competitors.

The stories of our experiences, impressions and successes are examples of the daily life of a company where **people's wellbeing and satisfaction** are increasingly important. We are a company in which new ideas are always welcome and innovation often originates from the talent and passion of individuals.

Record hiring and new branches

During the fiscal year 2019, more than **622 new employees** started working for NTT DATA, a record we are proud of. Over the next year we aim to broaden our search, turning our attention to numerous professionals with different levels of experience in order to reach the sought-after goal of 1,000 newly recruited employees.

One of the objectives is to increase **gender equality**, with the usual focus on people – which has always distinguished us – especially women. In fact, women today represent 30% of our workforce, a percentage that will increase in the upcoming years.

We are continuing to **modernise our facilities** so as to ensure a pleasant environment that can be adapted to every need. From meetings to occasions of working together, as well as individual work.

In **Naples we have expanded the capacity of the new premises** inaugurated last year by adding 2 stories for a total of 360 workstations and we are already working to prepare a new space by the end of the year. The new meeting room, the workshop areas and the phone call areas have been set up according to the design of the previous spaces, a modern layout which maintains the same quality standards in terms of furnishings and the organisation of space.

Last December we inaugurated the **new Digital Entity studio in Milan**, a large open space where 85 designers work. The new space is conceived so as to favour collaboration and facilitate teamwork thanks also to entire walls covered with whiteboards for designing together. The studio is completed by workshop areas, meeting rooms and some more private spaces for phone calls with customers.

Finally, we are working on **new premises in Rome** and have already identified the building, which will accommodate over 1,200 workstations, nearly double the current number. The new building will have a floor – called Easy Floor – which will feature a company gym and a food service area for employees. It is hoped that the ribbon will be cut in the early months of 2020.

WiN to win

Gender equality has always been of great importance in our initiatives to **promote diversity and inclusion in the company**. Every organisation that seeks to achieve sustainable growth while generating innovation in response to society's needs must take themes of empowerment into consideration.

For this reason we have started **WiN - Women inspire NTT DATA**. It is an international initiative in which our leaders connect with one another in order to promote, in a proactive manner, a more varied and inclusive work environment for the benefit of all employees.

We are advocates of the **Women's Empowerment Principles** (WEPs) created by the UN Global Compact in partnership with UN Women. In order to further strengthen female leadership in the workplace, in the market and within the community, we promote gender equality and women's participation in all economic sectors.

AVSI-people for developement

As part of the women's empowerment initiative, NTT DATA Italia continued to work with AVSI in support of the project "a future to be built: support for Syrian women in Lebanon".

The initiatives of this project are aimed at women as "agents of real development" and focus on Syrian or Iraqi women, aged 14 to 20 who live in refugee camps in the southern region of Lebanon (Marjaoun plain).

Act for Society

The initiative is aimed at promoting micro-volunteering actions sponsored by the company and based on the voluntary participation of employees in the various projects.

In November, with the participation of over 100 colleagues, some cleaning and planting interventions took place in the "Parco degli Acquedotti" in Rome, while in the first months of 2019 the Company began in Milan the collaboration with the association "Opera San Francesco" for the soup kitchen volunteering service. This initiative has generated an enormous participation by the employees of NTT DATA Italia and it will continue throughout the year.

Diversity and inclusion

NTT Data Italia has been engaged for several years in the realization of training projects aimed at the inclusion in the ICT world of brilliant differently-abled young people. A commitment that not only favors their work inclusion but enhances people while bringing skills to the company at the same time.

For these reasons, NTT DATA Italia participates in the "Diversity Day", a project that since 2007 promotes the inclusion of people in disadvantaged situations in partnership with companies, institutions, universities and the media.

経営者報告書

Report on operations

05

REPORT ON OPERATIONS ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements as of March 31, 2019 were drawn up in accordance with the IFRS (International Financial Reporting Standards) adopted by the European Union.

The fiscal year 2019 ended with significant growth in revenue (+18%) and a strong improvement in the consolidated operating performance (+16% EBITDA), thanks to the positive contribution of all Group companies (Italy, Vietnam, Turkey), in terms of both revenues and profitability.

Revenues in the period stood at **€ 376,697 thousand** – an increase of **€ 57,474 thousand** compared to the previous period – with the following breakdown by geographical area:

- **Italy**: € 371,983 thousand, € + 56,895 thousand compared to the previous period
- **Foreign subsidiaries**: € 5,261 thousand, € + 358 thousand compared to the previous period.
- **Consolidation adjustments**: € - 546 thousand.

At a consolidated level, **net income** amounted to **€ + 5,434 thousand** after amortisation, depreciation and financial charges totalling € - 7,048 thousand (€ - 7,700 thousand as of March 31, 2018) and taxes pertaining to the period, amounting to € - 746 thousand (€ + 251 thousand in the previous period). The net result for the period was equal to € 5,434 thousand and showed a significant improvement of € + 1,485 thousand compared to the previous period, when it stood at € 3,949 thousand.

The **cash flow from operating activities** was also positive, **€ 4,964 thousand** (€ 2,805 thousand in the previous period), making it possible to increase **investing activities** to support the business; investments amounted to **€ - 5,341 thousand** (€ - 4,045 thousand in the previous period), with a marginal impact on the **net financial position**, which was down € 377 thousand from the previous period.

Income Data

A breakdown of the stand-alone Income Statement for NTT DATA Italia S.p.A. is provided below, along with the contribution from subsidiaries. In particular, we can observe that:

- **Revenues** in the period amounted to € 376,697 thousand, with an increase of € 57,474 thousand compared with the same period of the previous year (+18%).
- **EBITDA** stood at a positive € 13,227 thousand, showing a decided improvement in the earnings margin compared to the same period of the previous year (+16.0%). The period was characterised by a reduction in the **cost of personnel** as a percentage of revenue (50.2% versus 52.9% of the previous period) and an increase in the cost for **materials and services** (46.3% versus 43.5% of the previous period), which confirms the trend toward increasing the flexibility of costs and relying on strategic partnerships to boost revenue

growth; the **other operating costs**, amounting to € 1,182 thousand, increased both in absolute terms and as a percentage of revenue.

- The **net financial charges**, amounting to € 1,337 thousand, were slightly down from the previous period (€ 1,380 thousand).
- The Group's **net result** for the year is positive, **€ + 5,434 thousand**, a significant improvement compared to the result of the previous year (€ + 3,949 thousand).

Consolidated Profit & Loss

(€ thousand)	31 March 2018				31 March 2019			
	Parent company	Subsidiaries	Adjustment	Total	Parent company	Subsidiaries	Adjustment	Total
Total revenues	**315.088**	**4.903**	**(767)**	**319.223**	**371.983**	**5.261**	**(546)**	**376.697**
Internal works	760	-	-	760	960	-	-	960
Cost of materials and services	(138.724)	(1.358)	1.269	(138.813)	(173.404)	(1.863)	951	(174.316)
Cost of personnel	(165.381)	(3.084)	(501)	(168.966)	(185.587)	(2.941)	(405)	(188.932)
Other operating costs	(795)	(11)	-	(806)	(1.168)	(14)	-	(1.182)
EBITDA	**10.948**	**450**	-	**11.399**	**12.785**	**443**	-	**13.227**
Depreciation and write down	(6.307)	(14)	-	(6.320)	(5.702)	(9)	-	(5.711)
Operating result	**4.642**	**437**	-	**5.078**	**7.083**	**433**	-	**7.516**
Net financial	(1.902)	521	-	(1.380)	(1.457)	121	-	(1.337)
Result before taxes	**2.740**	**958**	-	**3.698**	**5.626**	**554**	-	**6.180**
Income taxes	375	(125)	-	251	(658)	(88)	-	(746)
Net result	**3.115**	**833**	-	**3.949**	**4.968**	**466**	-	**5.434**

Consolidated Balance Sheet and Financial Structure

Below we provide a reclassification of the Balance Sheet and a comparison with the previous period, which indicate the following trends:

- Ongoing commitment to limiting working capital;
- elimination of the financial exposure to third parties: we note that the company succeeded in maintaining sufficient available cash despite not relying on non-recourse factoring transactions;
- capital stability ensured by a medium-term loan of € 117.5 million provided by the parent company NTT DATA EMEA, at normal market conditions.

The Cash Flow Statement shows a positive **operating Cash Flow** amounting to € 4,964 thousand, with a 77% improvement compared to the previous period (as of March 31, 2018 it stood at € 2,805 thousand). Investments stood at € 5,341 thousand, showing an increase compared to the previous period (€ + 1,296 thousand). Net of investing activities, the company's cash flow was negative by € 377 thousand, but nonetheless showed a significant improvement (€ + 863 thousand) compared to the previous period, when it stood at € - 1,240 thousand.

Consolidated Balance Sheet

(€ thousand)	31 March 2016	31 March 2017	31 March 2018	31 March 2019
Fixed assets (*)	**124.296**	**120.763**	**119.299**	**119.931**
Work in progress	8.783	19.308	12.375	21.818
Trade receivables	117.989	115.858	131.573	169.248
Trade payables	(55.345)	(60.603)	(65.988)	(94.715)
TWC	**71.428**	**74.563**	**77.960**	**96.351**
Other assets (*)	11.056	14.885	14.910	17.879
Other payables (*)	(71.413)	(77.068)	(74.719)	(91.680)
NWC	**11.071**	**12.380**	**18.151**	**22.551**
Deferred taxes	6.043	5.630	5.244	5.381
Retirement employee benefit plan	(20.881)	(19.909)	(19.390)	(19.651)
Provisions	(1.179)	(911)	(818)	(672)
Capital employed	**119.349**	**117.953**	**122.487**	**127.539**
Net Credits/(Debts) towards third parties	26.578	28.694	27.454	27.077
Net capital employed	**145.927**	**146.647**	**149.941**	**154.617**
Loan from Parent Company	*117.500*	*117.500*	*117.500*	*117.500*
Shareholders' Equity	*28.427*	*29.147*	*32.441*	*37.117*
NTT DATA resources	**145.927**	**146.647**	**149.941**	**154.617**

(*) A reconciliation with the financial statements relating to the 2019 fiscal period is provided below:

- Non-current assets: they do not include deferred tax assets amounting to € 5,388 thousand (value explained separately).
- Other receivables: they are composed of "Tax receivables" amounting to € 4,911 thousand and Other receivables and current assets" amounting to € 12,969 thousand.
- Other payables: these are composed of "Tax payables and social security" amounting to € 15,968 thousand and Other current liabilities" amounting to € 75,711 thousand.
- Deferred tax assets: the value reported is the net amount between "Deferred tax assets" amounting to € 5,388 thousand and the "Deferred tax liabilities" amounting to € 7 thousand.

Consolidated Cash Flow statement

(€ thousand)	31 March 2018	31 March 2019
Cash Flow from P&L	9.645	11.759
Working capital variation	(6.840)	(6.796)
Cash Flows generated from operating activities	**2.805**	**4.964**
Investing Activities	(4.045)	(5.341)
Cash Flow generated from operating and investing activities	**(1.240)**	**(377)**
Increase (Decrease) in loan payables	-	-
Increase/(Decrease) in third parties financing	**(1.240)**	**(377)**
Cash available at the beginning of the period	28.694	27.454
Cash available at the end of the period	27.454	27.077

The Group's **net financial position** as of March 31, 2019 stood at € - 90,423 thousand, having worsened by € 377 thousand compared to the previous period (€ - 90,046 thousand as of March 31, 2018), mainly as a result of the increase in investing activities.

We note that in June 2016 the parent company NTT DATA Italia joined the **cash pooling scheme of NTT DATA EMEA**, so as to fully exploit the treasury and liquidity capacities provided by the latter. As of that date, all short-term liquidity needs have been met through lines of credit made available by EMEA, **which has significantly improved our operating flexibility**. We also note that the sources of **medium-term financing are provided by the parent company NTT DATA EMEA**, through a **€ 117.5 million** loan, granted at normal market conditions; there are no outstanding medium-term bank loans.

We further report that during the 2019 fiscal period, the parent company did not enter into any new factoring arrangements.

Consolidated Net Financial Position

(€ thousand)	31 March 2018			31 March 2019			
	Short	Med.-long	Total	Short	Med.-long	Total	Difference
Cash and cash equivalents	27.454	-	27.454	27.077		27.077	(377)
Total financial assets	**27.454**	-	**27.454**	**27.077**	-	**27.077**	**(377)**
NTT DATA Emea Ltd loans	-	(117.500)	(117.500)	-	(117.500)	(117.500)	-
Total financial liabilities	-	**(117.500)**	**(117.500)**	-	**(117.500)**	**(117.500)**	-
Net financial position	**27.454**	**(117.500)**	**(90.046)**	**27.077**	**(117.500)**	**(90.423)**	**(377)**

Subsidiaries

As far as our subsidiaries (NTT DATA Danismanlik, Turkey; IFI Solutions, Vietnam) are concerned, we note that both achieved excellent results in terms of revenues and earnings margin, despite being in very different local operating and geopolitical contexts.

In particular:

- **Turkey: revenues** underwent a significant increase compared to the same period of the previous year (**+36%**) and stood at **€ 1,755 thousand** (including revenues versus NTT DATA Italia), with a **net positive result of € 139 thousand**. The local economic and political context remains difficult, even if more stable than in the recent past. Our subsidiary in Turkey has succeeded in maintaining its position with historical customers (in the Banks market in particular) thanks to the quality of the professional services provided.
- **Vietnam**: the operating performance achieved in the fiscal period was solid: in particular,

revenues stood at **€ 3,505 thousand** (including revenues versus NTT DATA Italia), slightly down from the previous period (€ - 109 thousand). The operating margin (**EBIT**) stood at € 476 thousand and the **net result** was equal to **€ 327 thousand**. Activities in Vietnam, geared mainly to supporting the off-shoring strategies of the parent company NTT DATA Italia, progressed smoothly, and at the same time, there was an increase in the weight of revenues from third-party customers, on the European (France) and local markets, enabling a diversification of business.

Statement of reconciliation between Parent Company's and Consolidated Financial Statements

(€ thousand)	31 March 2018		31 March 2019	
	Shareholders equity	Result of the year	Shareholders equity	Result of the year
NTT DATA Italia S.p.A. Financial Statement	**30.363**	**3.115**	**34.839**	**4.968**
Shareholders' equity and results of subsidiaries	4.097	833	4.296	466
Adjustments of consolidation	(2.019)	-	(2.019)	-
Consolidated Financial Statement	**32.441**	**3.949**	**37.117**	**5.434**

Workforce by geographical area

The Group **workforce** as of March 31, 2019 reached **3,422 people**, versus the 3,099 on the payroll as of March 31, 2018 (+10.4%), a net increase of 323 employees compared to the previous period. In particular, the breakdown of the workforce by geographical area is as follows:

- Italy 3,181 employees (+350 compared to March 2018);
- Vietnam 217 employees (-26 compared to March 2018);
- Turkey 24 employees (-1 compared to March 2018).

Business outlook

The Group expects to consolidate its position in the year 2020, improving both revenue and profitability, by implementing the strategies contained in the new Business Plan approved by the Board of Directors on June 28, 2019, focusing in particular on:

- **Consolidating** its position in the **Italian market** in terms of revenue and market share; and launching an **investment plan** to support long-term growth, with a possible impact on costs in the next fiscal year, offset by an improvement in margins in the period covered by the plan.
- Increasing **revenue** and improving margins in **Turkey and Vietnam**.

REPORT ON OPERATIONS ACCOMPANYING THE FINANCIAL STATEMENTS OF NTT DATA ITALIA S.P.A.

The 2019 fiscal year (April 2018 – March 2019) was characterised by strong growth, as reflected in the results, with an improvement in the positive trend seen in the previous years: **revenues € + 56,895 thousand** and **net result € + 1,853 thousand** compared to the previous period. This positive trend is far better than what was forecast in the "**Business and Financial Plan Horizon 2018**" approved at the end of 2013. These results make us particularly proud.

" The trends in operations confirmed the significant improvement in operating performance in 2019 "

All of the main operating indicators are positive and showed an improvement compared to the previous period:

- **Revenues** stood at **€ 371,983 thousand**, up 18.06% from the previous year.
- **EBITDA** stood at **€ 12,785 thousand** with an increase of 16.77% compared to the previous year.
- **EBIT** was a positive **€ 7,083 thousand** (+52.6%).
- The **Net result** was positive, **€ + 4,968 thousand**, after amortisation, depreciation and financial charges totalling **€ 7,159 thousand** and taxes amounting to a total of € - 658 thousand.

Portfolio of offerings and markets served

Over the course of the fiscal period, our portfolio of offerings saw continual growth in the areas higher added value, confirming the trend that had begun in the previous years, particularly in the Digital, Consulting, Cyber Security and Data Intelligence segments. All this has contributed decisively to improving our earnings margin and enabled us to bolster our position vis-à-vis our customers.

" Growth was mainly achieved in the Energy, Banking, Public and Defence & Transport markets "

The markets that showed the highest growth were Energy&Utilities (+36%), Public (+27%), Defence&Transport (+21%) and Banking (+15%). The Telco market (+10%) confirmed the solidity of the relationship with the customers in our portfolio.

Income Data

Revenues in the period amounted to € 371,983 thousand, with an increase of € 56,895 thousand compared with the same period of the previous year. **Assets for internal work** took up 0.26% (€ 960 thousand) of revenue, with a slight increase compared to the previous period (0.24% of revenue and amounting to € 760 thousand).

“ Revenues stood at € 371,983 thousand, up by € 56,895 thousand ”

EBITDA stood at a **positive € 12,785 thousand**, showing a decided improvement in the earnings margin compared to the same period of the previous year (+16.77%), by virtue above all of a reduction in the “**cost of personnel**” as a percentage of revenues (49.89% versus 52.49% of the previous period). The cost for “**materials and services**” was slightly up (46.62% vs 44.03% of the previous period), which confirms the trend toward increasing the flexibility of costs and relying on the development of strategic partnerships to boost revenue growth. The **net financial charges**, amounting to € 1,457 thousand, decreased compared to the previous period (€ 1,902 thousand).

The **net result** for the year is **positive**, **€ + 4,968 thousand**, an improvement compared to the result of the previous year (€ 3,115 thousand).

Profit & Loss

(€ thousand)	31 March 2018	As % of tot. revenues	31 March 2019	As % of tot. revenues	Δ %
Total Revenues	**315.088**	**100,0%**	**371.983**	**100,0%**	**18,1%**
Increases in fixed assets for internal work	760	0,2%	960	0,3%	
Cost of materials and services	(138.724)	(44,0%)	(173.404)	(46,6%)	
Cost of personnel and managers	(165.381)	(52,5%)	(185.587)	(49,9%)	
Other operating costs	(795)	(0,3%)	(1.168)	(0,3%)	
EBITDA	**10.948**	**3,5%**	**12.785**	**3,4%**	**16,8%**
Depreciations and value adjustments	(6.307)	(2,0%)	(5.702)	(1,5%)	
Operating result	**4.642**	**1,5%**	**7.083**	**1,9%**	**52,6%**
Net financial costs	(1.902)	(0,6%)	(1.457)	(0,4%)	
Result before taxes	**2.740**	**0,9%**	**5.626**	**1,5%**	**105,3%**
Income taxes	375	0,1%	(658)	(0,2%)	
Net result	**3.115**	**1,0%**	**4.968**	**1,3%**	**59,5%**

Balance Sheet and Financial Structure

Below we provide a reclassification of the Balance Sheet along with the changes over time. In particular, the following trends may be observed:

- ongoing commitment to limiting working capital, in the context of growing revenues;
- elimination of the financial exposure to third parties: we note that the company succeeded in maintaining sufficient available cash despite not relying on non-recourse factoring transactions;
- capital stability ensured by the financial support of the NTT DATA Group.

Balance Sheet

(€ thousand)	31 March 2016	31 March 2017	31 March 2018	31 March 2019
Fixed assets (*)	**126.231**	**122.731**	**121.277**	**121.910**
Work in progress	8.783	19.308	12.375	21.818
Trade receivables	117.295	114.778	130.821	167.990
Trade payables	(55.675)	(60.917)	(66.008)	(94.539)
TWC	**70.403**	**73.169**	**77.187**	**95.269**
Other assets (*)	10.351	14.043	14.039	16.819
Other payables (*)	(71.019)	(76.739)	(74.413)	(91.282)
NWC	**9.735**	**10.473**	**16.813**	**20.806**
Deferred taxes	6.056	5.647	5.252	5.388
Leaving indemnity provision	(20.882)	(19.909)	(19.390)	(19.651)
Provisions	(1.179)	(832)	(818)	(672)
Capital employed	**119.961**	**118.110**	**123.133**	**127.780**
Net Credits/(Debts) towards third parties	24.195	26.542	24.730	24.559
Net capital employed	**144.156**	**144.652**	**147.863**	**152.339**
Loan from Parent Company	*117.500*	*117.500*	*117.500*	*117.500*
Net equity	*26.656*	*27.152*	*30.363*	*34.839*
NTT DATA resources	**144.156**	**144.652**	**147.863**	**152.339**

(*) A brief reconciliation with the financial statements relating to the 2019 fiscal period is provided below:

- Non-current assets: they do not include deferred tax assets amounting to € 5,388 thousand (value explained separately).
- Other receivables: they are composed of "Tax receivables" amounting to € 4,148 thousand and "Other receivables and current assets" amounting to € 12,670 thousand.
- Other payables: these are composed of "Tax payables and social security" amounting to € 15,892 thousand and "Other current liabilities" amounting to € 75,390 thousand.

As regards the Company's financial situation, this year we further extended the "**Supply Chain Finance**" solution aimed at our trade partners (introduced in the previous period), increasing the number of partners involved and enabling our suppliers to gain simplified access to credit and NTT Data to improve its management of working capital.

The Cash Flow Statement shows a positive operating **cash flow** amounting to € 5,161 thousand, whereas as of March 31, 2018 it was equal to € 2,225 thousand.

“ Cash Flow from operating activities € + 5,161 thousand ”

Investments amounted to € 5,332 thousand, up from the previous period (€ 1,294 thousand), confirming the company’s ability to maintain high levels of investment to support the growth of the business.

Net of investing activities, the company’s cash flow was a negative € - 171 thousand, an improvement compared to the previous period, when it stood at € - 1,813 thousand.

Cash Flow Statement

(€ thousand)	31 March 2018	31 March 2019
Cash flow from PL	8.675	11.196
Variance in working capital	(6.450)	(6.035)
Cash flows from operating activities	**2.225**	**5.161**
Investing activities	(4.038)	(5.332)
Cash flows from operating and investing activities	**(1.813)**	**(171)**
Increase/(Decrease) in loan payable	-	-
Increase/(Decrease) in cash and cash equivalents	**(1.813)**	**(171)**
Cash available as of benginning of the period	*26.542*	*24.730*
Cash available at the end of the period	*24.730*	*24.558*

The Company’s **Net financial position** as of March 31, 2019 was equal to € - 92,941 thousand, a difference of € - 171 thousand compared to the previous period (€ - 92,770 thousand as of March 31, 2018).

We shall note that since June 2016 NTT DATA Italia has been part of the “**cash pooling**” **scheme of NTT DATA EMEA Ltd**, so as to fully exploit the treasury and liquidity capacities provided by the parent company EMEA. As of that date, all short-term liquidity needs have been met through lines of credit made available by EMEA, **which has significantly improved the operating flexibility** of our company, as well as **reducing the costs** of funding liquidity.

Net Financial Position

(€ thousand)	31 March 2018			31 March 2019			
	Short	Med.-long	Total	Short	Med.-long	Total	Difference
Cash	24.730	-	24.730	24.559	-	24.559	(171)
Total financial assets	**24.730**	**-**	**24.730**	**24.559**	**-**	**24.559**	**(171)**
NTT DATA Emea Ltd loans	-	(117.500)	(117.500)	-	(117.500)	(117.500)	-
Total financial liabilities	**-**	**(117.500)**	**(117.500)**	**-**	**(117.500)**	**(117.500)**	**-**
Net financial position	**24.730**	**(117.500)**	**(92.770)**	**24.559**	**(117.500)**	**(92.941)**	**(171)**

Workforce and presence across the territory

As of 31.03.2019 the **workforce** is made up of 3,181 people, **350 more** (+12.4%) than at 31.03.2018.

Growth was mainly focused on younger staff (employees and managers) with high professional qualifications and women: this year, the **women** at the **company** finally crossed the threshold of 30.4% and 193 female employees were hired (out of a total of 622 newly hired employees).

“ The workforce increased by 350 employees, focus on young talents and women ”

Staff

(No. of units)	31 March 2018	31 March 2019	Variation Absolute	Variation %
Executives	167	182	15	9,0%
Managers	515	552	37	7,2%
Employees	1.972	2.099	127	6,4%
Apprentices	177	348	171	96,6%
Total	**2.831**	**3.181**	**350**	**12,4%**

Growth was mainly distributed in the following geographical areas:

- **Naples**, where important projects for our customers are being concentrated (+80%).
- **Milan** (+7%) **and Rome** (+16.3%), consistently with the increase in the activities of some of our major customers.
- **Cosenza** (+9.2%).

In addition to the headquarters in Milan, NTT DATA Italia S.p.A. has the following secondary and operating branches:

- Turin, Corso Svizzera, 185 – 10149 Turin

- Villorba, Viale della Repubblica, 12 – 31050 Treviso
- Genoa, Via De Marini, 1 – 16149 Genoa
- Pisa, Via U. Forti 6, 56121- Loc. Montacchiello Pisa
- Rome, Via Sant' Evaristo, 167 – 00165 Rome
- Naples, Centro Direzionale Isola, F8 – 80143 Naples
- Rende (CS), Via Spagna 50 Contrada Cutura - 87036 Rende (CS)

Investments in Innovation

In the 2019 fiscal period the Company has continued to invest in the development of solutions to propose to its customers, in particular:

- **Encoding platform** for compressing the video transmission bandwidth;
- **BlockTrace Evolution** for tracing the end-to-end development of products and services within the Supply Chain;
- **AI Sales Assistant** to support the customer during the online purchasing process, generating the same sensations as purchases made in a physical store;
- **Instant ManuAR** for creating augmented reality manuals;
- **AI Ethical Hacking** for assessing the degree of security of Web applications against hacking activity;
- **IoT Multiprotocol Gateway** which enables the interoperability of IoT sensors based on different protocols;
- **Extended Reality Field Operator** for the development of drones with a high ability to interact with users and an aptitude for carrying out complex activities;
- **Smart Water Management** for control and management of water distribution systems.

The total value of development activities capitalised in the balance sheet was € 960 thousand.

Business outlook

The company expects to consolidate its position in the year 2020 and achieve improvements in terms of both volumes and earnings margins by implementing the strategies contained in the new Business Plan approved by the Board of Directors on June 28, 2019, focusing on:

- growth in the Energy & Utilities, Public Sector, Manufacturing, Retail and Banking markets;
- strengthening its offerings of services with high earnings margins, in particular Cyber Security, Digital Design and Consulting;
- launching an **investment plan** to support long-term growth, with a possible impact on costs in the next fiscal year, offset by an improvement in margins in the period covered by the plan;
- increasing the delivery capacity in the centres of Milan, Rome and Naples.

OTHER INFORMATION

Relationships with subsidiary, associated and parent companies and other companies of the NTT DATA Italia S.p.A. Group

As concerns the relations during the year with Group companies, reference may be made to the details contained in the Explanatory Notes; we shall note that they regarded the supply of services and loan arrangements falling within the scope of the respective company activities, governed by normal market conditions and aimed at best exploiting the synergies of the Group to which the Company belongs.

Oversight and coordination activities

The Board of Directors has acknowledged that, given the nature of the oversight and coordination functions exercised over the parent company by the direct controlling company (NTT DATA EMEA Ltd), public disclosure of the arrangement is mandatory; it has therefore duly fulfilled the disclosure requirements under Article 2497-bis of the Civil Code by entering this information in the relevant section of the Companies' Register and updating its documents and correspondence accordingly.

Models of Governance

On December 10, 2018, the Company Board of Directors approved a new version of the Organisational Model pursuant to Legislative Decree 231/2001 (General Part and Special Part), with a consequent updating of the model in the light of the most recently introduced predicate offences as per Legislative Decree 231 (e.g. in respect of money laundering and self-laundering), with the support of professionals who are experts in the sector.

In particular, based on the analyses carried out, greater emphasis was given to policies, company procedures and specific measures aimed at monitoring the sensitive areas most greatly exposed, in concrete terms, to the commission of the predicate offences of the greatest relevance for the company.

More precisely, the following additions/amendments have been introduced:

- Changes in accordance with Law no. 199 of October 29, 2016, which introduced, in Article 25 quinquies of Legislative Decree 231/2001, the new offence of "unlawful intermediation and exploitation of labour" (Art. 603 bis Criminal Code);
- Amendments in regard to crimes of private-to-private corruption (Article 2635 Civil Code)

introduced by Legislative Decree no. 38 of March 15, 2017, which entered into force on April 15, 2017, and the simultaneous introduction of the crime of instigation of private-to-private corruption (Article 2635 bis Civil Code);

- Changes in accordance with Law no. 179 of November 30, 2017 (which entered into force on December 29, 2017) concerning "whistleblowing", which introduced the new paragraph 2-bis of Article 6 of Legislative Decree no. 231/2001;
- General amendments as a result of organisational/process changes and updating of references to company procedures.

The updating of the Organisational Model pursuant to Legislative Decree 231 took place in an organic manner, making reference to the processes of the ISO 9001 Quality Management System, in cooperation with the company unit called "Compliance & Quality", which is responsible for the updating and internal dissemination of company "procedures" (including the pertinent protocols pursuant to Legislative Decree 231).

As regards company practice, the Company has already endowed itself with a protected, confidential communication tool (whistleblowing), based on the use of a web portal managed by an independent firm, with the aim of facilitating the reporting of any conducts, facts and/or events that have come directly to their knowledge and which, in good faith, they deem to constitute criminal offences.
The Supervisory Body now in office is a collegiate body, currently chaired by an outside professional registered in the register of certified public accountants and auditors.
In the course of the business year, the Company Board of Directors resolved to confirm the allocation of annual funding to the Supervisory Body to cover consulting needs and/or strengthen oversight pursuant to Legislative Decree 231.

It is noted that, in the course of the business year, the Supervisory Body met on a quarterly basis, and carried out its activity with independence of judgment and continuity of action, making periodical reports both to the Board of Directors of the Company and the Board of Statutory Auditors.
No critical issues have been noted in the reports of the Supervisory Body.

Over the course of the year, a series of specific training initiatives were undertaken, aimed at company staff operating in the areas where there is a greater risk of the commission of predicate offences, depending on the company operating context.

The Company has also continued to implement the plan aimed at bringing its policies progressively into line with those applied at the NTT DATA Group level, including the application and gradual strengthening of the parent company's requirements with respect to J-SOX compliance and Group policies.

Finally, we shall report that NTT DATA Italia S.p.A. has completed the process of upgrading the Quality Management System to comply with the new certification scheme of ISO 9001:2015, on the basis of a “Risk-Based Approach”. The present version, in fact, places particular emphasis on determining the risks faced and opportunities for achieving the results expected by the organisation, preventing or reducing undesirable effects and ensuring continuous improvement.

From this perspective, the objective is also to achieve a convergence between the activities for developing the Quality Management System and the reference processes already defined with regard to risk management and implemented by the company Risk Management unit.

Compliance: General rules regarding the protection of private data [1]

On December 10, 2018, the Company Board of Directors was updated about the progress of the program of alignment with the General Data Protection Regulation (the “Regulation”) following its entry into force (May 25, 2018).

The Board of Directors thus found that implementation of the Program to ensure compliance with the Regulation is currently underway and that the Company has achieved significant progress in meeting the schedule and carrying out the required actions, as also demonstrated by the checks performed during audits by various customers, who expressed their appreciation for the level of GDPR compliance reached by NTT DATA Italia.

At present, the Company is mainly focused on the execution of the SIEM project (Security Incident Event Management Project), sponsored by the central headquarters in Japan, in order to increase the level of security against information system and security attacks. This requires close cooperation between the IT, human resources and privacy divisions.

The Board of Directors adopted a resolution accordingly and, in accordance with Article 37 of the GDPR, appointed a Data Protection Officer (“DPO”) to replace the Data Protection Manager (previously appointed) in the light of the following:

- possible implementation, inter alia, of the SIEM project, which requires large-scale monitoring, and the guidelines issued by the Italian Data Protection Authority for the appointment of a DPO, with reference to suppliers of ITC services; and
- increase in the requests of customers who are asking to have a DPO as the contact person for the purposes of the contractual relationship and the GDPR.

The Data Protection Officer reports directly to the Board of Directors and will remain in office until the approval of the financial statements as of March 31, 2021. The DPO will have the task

[1] REGULATION (EU) 2016/679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC

of reporting to the Board of Directors on the matters entrusted to him/her, relying on the support provided in the already established Privacy Division, which answers directly to him/her (as chairperson of the Privacy Division).

Legality rating

Finally, the procedure whereby a legality rating is assigned to the company by the Italian Competition Authority (Law no. 62 of May 18, 2012, and subsequent amendments and implementing provisions) concluded positively with the awarding of the top rating (three stars), valid for a period of two years after the date of issue (expiry September 19, 2019).

Health & Safety [2]

In the fiscal year 2019, as in previous years, NTT DATA Italia invested considerable resources in the management of health and safety at the workplace. Its constant attention to employees and working conditions are manifested through a careful observance of all its safety obligations under the law and the continuous improvement of work environments.

The management of Health & Safety can be broken down into the following areas of activity, in line with the provisions of law and the reference standards:

1. **Identification of work activities and risk analysis**; this activity relies on the support of the Occupational Health and Safety Manager, the company-appointed physician, outside consultants with specific training and certification and the safety officer, with the informed participation of workers (through the workers' representative for occupational safety). At NTT DATA Italia the function of safety officer is performed by the company department heads/ /Project Managers/Client Managers;
2. **Definition and implementation of Emergency Plans** for managing fire hazards and the provision of first aid to workers and any consultants working in the divisions of NTT DATA Italia;
3. Appointment and training of the **persons appointed to manage fire emergencies and first aid**; management of fire drills;
4. Verification and issuance of certifications for all NTT DATA Italia workers attesting to their suitability for the job;
5. Verification and monitoring/upgrading of systems and facilities to meet safety standards, in the case of buildings occupied by NTT DATA Italia.

[2] Ref. Legislative Decree 81/08 Consolidated Act on health and safety at work

During the year 2019, taking into account the hiring of 622 new workers, the following were managed:

- **944 medical check-ups** for the issuance of a job suitability certificate (newly hired workers) and renewal of the job suitability certificate (workers already on the payroll of NTT DATA Italia in previous periods);
- **3,860 hours of training** (general training, training on specific risks, updating of already issued certifications);
- **over 80 courses** for the issue of certification of the personnel involved in the Occupational Health and Safety Service.

Operating and financial risks

As required under Article 2428 of the Civil Code, the main risks and uncertainties to which the Group is exposed are described below:

- operating risks;
- financial risks: credit, liquidity, exchange and interest rates.

Operating risks

The ICT strategic consulting and professional services market is linked to the performance of the economy, particularly in industrialized countries where demand for products and services of high quality and/or with high technological content is greater. The domestic and international economic situation is seeing a slow recovery from the crisis and shows sign of growth, albeit of modest entity. In this context, the pressures on prices and margins remain high; they are mitigated by the fact that NTT DATA Italia belongs to the NTT DATA group, which is one of the leading companies worldwide. NTT DATA Italia can also count on a management team with many years of experience in the industry, capable of offering quality services and competitive solutions to customers.

Credit risk

Credit risk is the risk that a customer might cause financial loss by failing to meet commitments and mainly involves trade receivables, due to the fact that customers might not honour their financial commitments to the company by the established due dates. Our company's customer base consists mainly of medium and large enterprises which do not present particular risks in terms of timely payments. The ten largest customers account for about 60% of all receivables. Our Company has long-term business relations with most of its customers and losses incurred due to non-payment of receivables have not in generally had any major effect on turnover in the past. Monitoring of customer credit risk is performed on the basis of reports involving a periodic assessment of exposure. The Company makes allowance for estimated losses on trade receivables and other receivables. Pursuant to the provisions of Article 2428 (6-bis) of the Civil Code, it is noted that no derivatives or similar instruments are used or held by the Company within the framework of financial risk management activities. All procedures and guidelines regarding risk management operations are managed by NTT DATA EMEA on behalf of subsidiary companies.

Liquidity risk

Liquidity risk is the risk that the Company may have difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, insofar as possible, that there are always sufficient funds to meet obligations as they fall due, both under normal circumstances and in times of financial stress, without incurring high additional costs or risking damage to its reputation. Our Company ensures that sufficient cash on demand is available to meet the needs generated by the business cycle and investments, including costs relating to financial liabilities. The Company's treasury services continuously produce financial forecasts based on income and expenditure for the months ahead and adopt corrective measures accordingly. As already noted, since June 2016 our Company has belonged to the EMEA cash pooling scheme and has access to the credit lines provided by the holding company EMEA.

Exchange rate risk

Exchange rate risk is the risk that the Company might incur costs due to currency fluctuations on business or financial transactions. With rare exceptions, the Company operates in its target market using the Euro as the main currency for its business transactions. For any transactions in a different currency it relies on the support of EMEA to manage exchange rate risk.

Interest rate risk

The interest rate risk to which our Company is exposed stems mainly from the use of credit lines with a floating rate (Euribor), although this risk is significantly offset by liquidity provided by the parent company EMEA and reimbursed under very competitive conditions (in line with the rating of the NTT Data/ NTT Group).

Going concern

Based on the results and on the Business plan, there is no financial or management indication that would cast doubt on the ability of the Group to continue to operate as a going concern.

Equity investments in subsidiary and associated companies and own shares

Pursuant to Article 2428 of the Civil Code, we report that the Company does not possess, nor either bought or sold any own shares, or interests or shares in parent companies during the fiscal period, either directly or through a trust company or third party.

Alternative performance indicators

In addition to the conventional financial statements and indicators required under IFRS, this document presents certain alternative indicators to enable a better assessment of the Group's operating and financial performance.

Among the alternative indicators used in the management report to comment on results, we shall note the following in particular:

- NTT DATA resources: includes the Company's Shareholders' Equity and loans repayable to the parent companies NTT DATA EMEA and NTT DATA Corporation.
- Net financial position: the result of summing current and non-current financial liabilities, cash and cash equivalents and financial receivables.

On behalf of the Board of Directors
The CEO
Walter Ruffinoni

連結財務諸表

Consolidated Financial Statements

06

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial information of the Group for the business periods ending on March 31, 2018 and 31 March 2019, prepared in accordance with the IFRS adopted by the European Union.

Balance Sheet statement

(€ thousand)	Note	31 March 2018	31 March 2019
Property, plant and equipment	**4.1.1**	4.881	6.589
Goodwill	**4.1.2**	106.185	106.185
Other intangible assets	**4.1.3**	7.609	5.635
Investments	**4.1.4**	18	18
Other non current assets	**4.1.5**	413	1.267
Other financial assets	**4.1.6**	192	236
Deferred tax assets	**4.1.7**	5.252	5.388
Non current assets		**124.551**	**125.318**
Work in progress	**4.2.1**	12.375	21.818
Trade receivables	**4.2.2**	131.573	169.248
Tax receivables	**4.2.3**	3.891	4.911
Other receivables	**4.2.4**	11.019	12.969
Cash and cash equivalents	**4.2.5**	27.454	27.077
Current assets		**186.312**	**236.023**
TOTAL ASSETS		**310.863**	**361.341**
Share capital	**4.3.1**	33.107	33.107
Legal reserve	**4.3.2**	2.039	2.039
Other reserves	**4.3.2**	(6.654)	(3.463)
Net result for the year		3.949	5.434
Shareholders' Equity		**32.441**	**37.117**
Employee benefits	**4.4.1**	19.390	19.651
Provisions	**4.4.2**	818	672
Deferred tax liabilities	**4.1.7**	7	6
Mid and long term financial liabilities	**4.4.3**	117.500	117.500
Non current liabilities		**137.716**	**137.829**
Trade payables	**4.5.1**	65.988	94.715
Tax and social security payables	**4.5.2**	14.176	15.968
Other payables and current liabilities	**4.5.3**	60.543	75.711
Current liabilities		**140.707**	**186.395**
Total liabilities		**278.422**	**324.224**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**310.863**	**361.341**

(a) information prepared in accordance with IFRS approved by the European Commission.

Comprehensive income/(losses)

(€ thousand)	Note	31 March 2018	31 March 2019
Sales of goods and services	**4.6.1**	325.737	367.231
Other income	**4.6.2**	420	23
Change in work in progress	**4.6.3**	(6.933)	9.444
Total revenues		**319.223**	**376.697**
Increases in fixed assets for internal work	**4.6.4**	760	960
Costs for materials and services	**4.6.5**	(138.813)	(174.316)
Costs for personnel and directors	**4.6.6**	(168.966)	(188.932)
Amortization, depreciation and write-downs	**4.6.7**	(6.320)	(5.711)
Other operating costs	**4.6.8**	(806)	(1.182)
Operating income		**5.078**	**7.516**
Net financial income/(expenses)	**4.6.9**	(1.380)	(1.337)
Income before taxes		**3.698**	**6.180**
Income taxes	**4.6.10**	251	(746)
Net income		**3.949**	**5.434**
Other comprehensive income or losses			
Income or losses that may subsequently be reclassified in profit/(loss) for the period			
Foreign currency translation differences		(750)	(266)
Income or losses that will never be reclassified in profit/(loss) for the period			
Liabilities/(assets) revaluation related to defined benefit funds		125	(648)
Taxes on income or losses that will never be reclassified in profit/(loss)		(30)	155
Totale altre componenti del conto economico complessivo		**(655)**	**(758)**
Total comprehensive income		**3.294**	**4.676**

Cash Flow Statement

(€ thousand)	31 March 2018	31 March 2019
Income before taxes	3.698	6.180
Amortizations, depreciations and write-downs	6.320	5.711
Severance indemnity	186	196
Increases in fixed assets for internal work	(760)	(960)
Provisions	200	633
(increase)/Decrease in trade receivables	(9.209)	(37.674)
(Increase)/Decrease in other receivables	(509)	563
Increase/(Decrease) in trade payables	5.230	25.975
Increase/(decrease) in other payables	(1.771)	5.105
Taxes paid	-	(182)
Severance indemnity paid	(581)	(582)
Net cash flow from operating activities (A)	**2.805**	**4.964**
Purchase of tangible assets	(2.906)	(4.209)
Purchase of intangible assets	(725)	(279)
(Increase)/Decrease in other non current assets	(413)	(853)
Net cash flow from investing activities (B)	**(4.045)**	**(5.341)**
Increase/(Decrease) in loan payables	-	-
Net cash flow from financing activities (C)	-	-
Net cash flows (D) = (A+B+C)	**(1.240)**	**(377)**
Cash available at the beginning of period	28.694	27.454
Cash available at the end of period	27.454	27.077
Total change in cash and cash equivalents (D)	**(1.240)**	**(377)**

Statement of changes in Shareholder's equity

(€ thousand)	Share Capital	Legal Reserve	Sharepremium Reserve	Currency Conversion reserve	Employee Benefits Plan reserve	Other Reserve	Retained earning	Total
As of 1 April 2017	**33.107**	**2.039**	**-**	**(769)**	**(546)**	**(242)**	**(4.442)**	**29.147**
Result of the year	-	-	-	-	-	-	3.949	3.949
Other comprehensive income/(losses) for the period	-	-		(750)	95	-	-	(655)
As of 31 March 2018	**33.107**	**2.039**	**-**	**(1.519)**	**(450)**	**(242)**	**(494)**	**32.441**
Result of the year	-	-	-	-	-	-	5.434	5.434
Other comprehensive income/(losses) for the period	-	-	-	(266)	(492)	-	-	(758)
As of 31 March 2019	**33.107**	**2.039**	**-**	**(1.785)**	**(943)**	**(242)**	**4.940**	**37.117**

EXPLANATORY NOTES

1 Introduction

The Group NTT DATA Italia operates in the "IT Consulting & Solution" market, developing integrated IT solutions for medium and large companies and offering architecture and technology consultancy services, with a focus on high-impact platforms i.e. Security, Customer Relationship Management and Knowledge Management.

These consolidated financial statements for the period ending on March 31, 2019, are presented in Euro, since the Euro is the currency with which the Group mainly operates, and consist of the Balance Sheet, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity, and the Explanatory Notes. All of the values reported in the consolidated financial statements are expressed in thousands of Euro. These Financial Statements were approved and their publication authorised by the Board of Directors on June 28, 2019 and will be presented at the General Meeting of Shareholders.

The Financial Statements are subject to statutory audit by KPMG S.p.A..

The Parent Company NTT DATA Italia S.p.A. (hereinafter also "Parent Company") is a joint-stock company with headquarters in Milan, Italy. As at March 31, 2019, it is 100% owned by NTT DATA EMEA Ltd, a company incorporated on March 16, 2012, and belonging to the Japanese NTT Group.

The essential data of the last financial statements approved by NTT DATA EMEA, for the period from April 1, 2017 – March 31, 2018 are the following:

Profit & Loss - NTT DATA EMEA Ltd

(€)	31 March 2017	31 March 2018
Other income	11.546.610	13.423.473
Administrative expenses	(14.555.137)	(16.356.179)
Operating income/(loss)	**(3.008.527)**	**(2.932.706)**
Net financial income/(expenses)	353.941	607.895
Dividends	3.043.685	3.596.798
Financial assets impairment	(16.010.000)	(3.735.618)
Earn out on investments	(3.395.105)	-
Restructuring costs	(2.483.000)	(605.000)
Income/(Loss) before taxes	**(21.499.006)**	**(3.068.631)**
Income taxes	(404.833)	478.353
Net income/(loss)	**(21.903.839)**	**(2.590.278)**

Balance sheet - NTT DATA EMEA Ltd

(€)	31 March 2017	31 March 2018
Intangible assets	663.469	2.050.602
Financial assets	488.799.508	483.390.177
Non current assets	**489.462.977**	**485.440.779**
Other receivables and current assets	18.185.953	22.543.362
Accrued income	406.584	328.217
Cash and cash equivalents	2.526.614	584.074
Deferred taxes	495.990	41.424
Current assets	**21.615.141**	**23.497.077**
TOTAL ASSETS	**511.078.118**	**508.937.856**
Share capital	18	19
Sharepremium reserve	409.121.962	409.995.460
Other reserves and net result of the year	(120.523.564)	(123.113.842)
Shareholders' equity	**288.598.416**	**286.881.637**
Financial liabilities	182.037.484	161.634.530
Non current liabilities	**182.037.484**	**161.634.530**
Trade payables	3.504.879	4.048.315
Tax and social security payables	350.876	2.951.851
Financial liabilities	15.327.425	12.096.787
Other payables and current liabilities	21.259.038	41.324.736
Current liabilities	**40.442.218**	**60.421.689**
Total liabilities	**222.479.702**	**222.056.219**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**511.078.118**	**508.937.856**

1.1 Method of presenting the financial statements

These financial statements were prepared assuming the company is a going concern, since the Directors have verified that there are no financial, operating or other indicators of situations suggesting the Company's inability to satisfy its obligations in the foreseeable future.

Risks and uncertainties relating to the business are described in the dedicated section of explanatory notes and in the Directors' Report to which reference is made.

The financial statements for the year ended March 31, 2019 were prepared using the IFRS in force on that date, including the International Auditing Standards (IAS), the interpretations issued by the Standard Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union.

The formats used for the financial statements are consistent with those envisaged by the revised IAS 1, in particular:

The **Balance Sheet** was prepared by classifying assets and liabilities according to "current/ non-current" criteria. An asset / liability is classified as "current" when:

- It is expected that an asset / liability will either be realised / extinguished or sold or used in the normal operating cycle of the business;
- It is held principally for trading;
- It is expected that it will be either realised or extinguished within 12 months after the balance sheet date;
- It falls in the category of cash and cash equivalents, unless it is precluded from being traded or used to settle a liability for at least 12 months after the balance sheet date;
- The entity does not have an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

If these conditions are not met, the assets/liabilities are classified as non-current;

the **Statement of Comprehensive Income** was prepared by classifying operating costs by type, since the company decided that this was more closely representative than presenting costs by destination, and more suitable for representing the specific business of the Group; this includes revenues and costs that are not stated under profits (losses) for the accounting period, or income and charges stated directly under shareholders' equity and deriving from business activities other than transactions with shareholders;

the **Cash Flow Statement** was prepared showing cash flows from operating activities, using the "indirect method", as authorised by IAS 7.

the **Statement of Changes in Shareholders' Equity** includes not only the result of the statement of comprehensive income, but also the business transactions carried out directly with shareholders acting in that capacity and the details of each individual item.

For each significant item listed on the above tables, reference is made to the subsequent explanatory notes which provide the relevant information, details and changes compared to the previous financial year.

1.2 Seasonal nature of the business

On the basis of our historical data, the activity of the Group is not subject to significant seasonal phenomena.

2 Accounting standards adopted

2.1 Consolidation principles

The consolidated financial statements include those of NTT DATA Italia S.p.A. and its subsidiaries as of March 31, 2019.

The subsidiaries are fully consolidated from the date of purchase, i.e. the date in which the Group obtains control, and they cease to be consolidated when the control is transferred outside the Group.

The financial statements of the subsidiaries are prepared using the same accounting standards as used for the holding company.

It should be pointed out that "IFRS 10 – Consolidated Financial Statements", issued in May 2011 and mandatorily adopted in the financial statements for the years beginning on or after January 1, 2014, replaced, for the part concerning consolidated financial statements, "IAS 27 – Consolidated and separate financial statements", and introduced a new approach to determining whether an entity controls another, without modifying the consolidation procedures envisaged in the current. While current accounting standards give priority – where control does not derive from holding a majority of actual or potential voting rights – to an assessment of the risks/benefits associated with the holding in the investee, IFRS 10 focuses the determination on three elements to be considered in each assessment: power over the investee; exposure to variable returns from the involvement in the investee; and the link between power and returns, i.e. the ability to use that decision-making power over the investee to affect the amount of returns.

Specifically, the standard sets forth the following definition of "control": "An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, an investor controls an investee if and only if the investor has all the following:

a) power over the investee (see paragraphs 10–14);
b) exposure, or rights, to variable returns from its involvement with the investee (see

paragraphs 15 and 16); and

c) the ability to use its power over the investee to affect the amount of the investor's returns (see paragraphs 17 and 18)".

All the intercompany balances and transactions, including any unrealised gains and losses from transactions between Group companies and dividends, are completely eliminated.

Losses are attributed to minority interests, even if this means that they will have a negative balance.

Changes in the holding company's stakes in a subsidiary that do not involve a loss of control are stated as equity transactions.

If the holding company loses control of a subsidiary, it:

- eliminates the assets (including any goodwill) and liabilities of the subsidiary:
- eliminates the book values of any minority stake in the former subsidiary;
- eliminates the cumulative exchange differences identified in equity;
- states the fair value of the consideration received;
- states the fair value of any shares maintained in the former subsidiary;
- states all profits or losses in the income statement;
- reclassifies the portion attributable to the holding company of the components previously identified in the comprehensive income statement in the income statement or in the retained earnings, as appropriate.

The following table includes a list of subsidiaries as of March 31, 2019, included within the scope of consolidation and consolidated on a line-by-line basis:

Consolidation area

Company	Currency	Share Capital	Number of Shares	Par Value Shares/quotas	Shares/quotas held directly *(No.)*	Shares/quotas held indirectly *(No.)*	Ownership (%)
NTT DATA Italia S.p.A.	EUR	33.107.160	13.242.864	2,50	13.242.864	-	100%
NTT DATA Danismalik Ltd	TRY	8.506.050	340.242	25,00	340.140	-	99,97%
Ifi Solution Co., Ltd	VND	3.052.500.000	305.249	10.000,03	304.948	-	99,90%

2.2 Summary of the principal accounting standards

The accounting standards described below have been applied consistently throughout all periods presented in these consolidated financial statements and by all entities of the Group.

Business combinations

Business combinations are stated using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are stated on the Statement of Comprehensive Income and included in administrative expenses.

When the Group acquires a business, it classifies any financial assets acquired and liabilities assumed in accordance with the contractual terms, financial conditions and other relevant conditions existing at the date of purchase. This includes establishing whether embedded derivatives should be separated from the host contracts.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is stated as a profit or loss on the Statement of Comprehensive Income.

Any potential contingent consideration is stated at fair value at the acquisition date. Any change in fair value of the contingent consideration classified as an asset or liability is stated as a profit or loss for the year, according to IAS 39, on the Statement of Comprehensive Income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is stated under equity.

Goodwill is initially stated at cost, being the excess of the aggregate of the consideration paid and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired is in excess of the aggregate consideration paid, the gain is stated on the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed of operation is included in the book value of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments in companies accounted for using the equity method

The investments accounted for using the equity method are represented by associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and in joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss of the equity accounted investees until the date on which said significant influence or joint control cease.

Where the loss pertaining to the Group exceeds the carrying amount of the investment and the investor is required to fulfil legal or implicit obligations of the investee, or in any case cover its losses, any excess over the carrying amount is recognised among liabilities in the provision for risks and charges.

Non-current assets held for sale and discontinued operations

Non-current assets and discontinued units classified as held for sale are valued at the lower of the book value and fair value less costs to sell. The non-current assets and discontinued units are classified as held for sale if their book value will be recovered principally through a sale transaction rather than through their continuing use. This condition is considered to be satisfied when the sale is highly probable and the asset is available for an immediate sale in its current condition; management is committed to the sale and completion is expected within a year from the date of classification.

In the consolidated statement of comprehensive income of the current and comparative period, the profit and loss from discontinued operations are represented separately from operational activities, under the line profits after taxes. The resulting profit or loss, after tax, is stated separately on the statement of comprehensive income.

Once classified as held for sale, tangible and intangible fixed assets are no longer depreciated or amortised.

Foreign currency translation

The consolidated financial statements are presented in Euro, which is the operating and reporting currency used by the Group, and each company within the Group determines its own operating currency, which is used to measure items entries in the individual financial statements.

(i) Transactions and balances

A foreign currency transaction is recorded, when initially identified, by applying to the foreign currency the spot exchange rate between the operating currency and the foreign currency of the date of the transaction.

The monetary assets and liabilities, indicated in foreign currencies, are converted into operating currency using the exchange rate in effect at the end of the reporting period.

Differences are identified in the income statement with the exception of monetary items that form part of a net investment in foreign operations. These differences are identified initially in the comprehensive income statement until the net investment is sold, and they are stated on the income statement. Taxes and tax credits attributable to exchange rate differences on monetary items, are also indicated on the statement of comprehensive income.

Non-monetary items with a historical cost in foreign currency are translated using the exchange rates in force on the date the transaction was initially identified. Non-monetary items carried at fair value in foreign currency are translated using the exchange rate in effect on the date that value was established.

(ii) Group Companies

At the end of the reporting period, assets and liabilities of Group companies are translated into the reporting currency of NTT DATA Italia S.p.A.(Euro) using the exchange rate in effect on that date, and their profit and loss data are translated using the average exchange rate on the date of the related transactions. Exchange rate differences resulting from the translation are reported under shareholders' equity. When a foreign transaction is completed, the item in the statement of comprehensive income that refers to that foreign transaction is reclassified under profits and or losses for the year.

Any goodwill arising from the purchase of a foreign operation after January 1, 2005, and any adjustment to the fair value of assets or liabilities arising from the purchase of that foreign operation are calculated as assets and liabilities from foreign operations. Therefore, the amounts are expressed in the operating currency of the foreign operation and translated at the exchange rate in effect at the closure of the financial year.

The exchange rates used in the year considered and in the preceding year are shown below:

		Timely exchange		Average exchange	
		31 March 2018	31 March 2019	2018	2019
TRY	Turkish lira	4,8976	6,3446	4,3094	6,0586
VND	Vietnamese dong	28.112,0000	26.064,0000	26.611,4253	26.786,7569

Source: Italian Exchange Office

2.3 Summary of the principal accounting standards

The financial statements were prepared on a cost basis, except in the cases specifically described in the following notes, for which the “fair value” principle was applied.

The main measurement methods used for the individual items of the financial statements are described below.

A. Tangible fixed assets

Tangible fixed assets are measured at the purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes all expenses directly incurred to prepare the assets for use and any removal and disposal costs that will be incurred as a result of contractual obligations requiring that the asset be restored to its original condition.

The costs incurred for routine and/or scheduled maintenance and repairs are directly charged to the income statement as incurred. Costs relating to the expansion, modernization or improvement of facilities owned or used by third parties are capitalised only insofar as they satisfy the requirements for being separately classified as an asset or part of an asset by applying the “component approach”. Similarly, replacement costs for identifiable components of complex assets are capitalised and depreciated over their estimated useful life; the residual value of the replaced component is reported in the income statement.

The book value of plant and machinery is adjusted by systematic depreciation, calculated on a straight-line basis from the time the asset becomes available and ready to use, depending on the estimated useful life.

The useful life estimated by the NTT DATA Italia Group, for the various categories of assets, is the following:

Plant, machinery and equipment	4 - 8 years;
Furniture, office machinery and vehicles	4 - 8 years.

The useful life of tangible assets and the residual values are reviewed and adjusted annually and, where applicable, at the end of each financial year.

If the asset to be depreciated is composed of distinct elements with a useful life that significantly differs from that of other parts that compose the asset, the depreciation is calculated separately for each of the parts that make up the asset, according to the “component approach”.

Improvements to leased assets are classified under “Plant and machinery”, based on the nature of the cost incurred. The depreciation period corresponds to the lesser between the remaining useful life of the asset and the duration of the lease agreement.

The profit or loss arising from the sale of tangible fixed assets is determined as the difference between the selling price and the book value of the asset and is recorded under profit and loss of the current year respectively as “Other income” or “Other operating costs”.

B. Leased assets

Lease agreements are classified as finance leases when under the terms of the agreement all risks and benefits of the lessor are transferred to the lessee.

The assets acquired through finance leases are recorded as assets of the Group at fair value, at the date of commencement of the lease agreement, less any additional charges incurred for the execution of the agreement or, if lower, at the current value of the minimum payments due for the lease agreement. The corresponding amount due to the lessor is included under “Other financial liabilities” in the balance sheet. The lease instalments are divided into principal and interest applying a fixed rate of interest for the duration of the contract. The financial costs are stated in the Income Statement.

Leases for which the lessor substantially maintains all the risks and benefits connected with the ownership of those assets are classified as operating leases. Costs related to operating leases are shown on a straight-line basis in the income statement for the duration of the lease agreement.

C. Intangible assets

Intangible assets consist of non-cash items, identifiable and without physical substance, controlled and capable of generating future economic benefits. These elements are measured at purchase and/or production cost, including costs directly attributable to preparation of the asset for use, net of accumulated amortisation and any impairment losses. Amortisation begins when the asset is available for use and is calculated over its remaining useful life.
The recoverability of intangible assets in progress is assessed annually.

(i) Goodwill

Goodwill is represented by the excess purchase cost incurred compared to the net fair value, on the date of acquisition of the assets and liabilities of companies. Goodwill is not subject to systematic amortisation but to an annual test to verify the adequacy of the relative value recorded in the balance sheet (impairment test). This test is carried out with reference to the organisational unit generating cash flows ("Cash Generating Unit") to which goodwill is attributed. Any reduction in the value of the goodwill is noted if the recoverable amount of goodwill is lower than its carrying value on the balance sheet. Recoverable amount means the greater amount between the fair value of the cash generating unit, less sales costs, and the relative value in use (refer to section D below for further details regarding the calculation of the value in use).

In the event that the impairment resulting from the test is higher than the value of the goodwill allocated to the cash generating unit, the remaining surplus is allocated to the assets included in the cash generating unit in proportion to their carrying value. The lowest limit for the allocated amount is the greatest between:

- the fair value of the assets, net of costs of sale;
- the value in use, as defined above.

(ii) Industrial patent rights and use of intellectual property, licenses and similar rights

The expenses related to the purchase of industrial patent rights and the use of intellectual property, of licenses and similar rights are capitalised based on purchase costs.

Amortisation is computed using a straight-line method so that the cost sustained for purchasing the right is allocated over the shortest period between the expected use and the duration of the related contracts, starting from the moment the right purchased is exercisable.

(iii) Others

These relate mainly to expenses for registering trademarks, amortised over a 10-year period.

(iv) Development Assets

An intangible asset arising from the development (or from a stage of development of an internal project) is recognised when:

- the technical feasibility of completing the asset so that it will be available for use or sale is demonstrated;
- it is shown that the intangible asset will generate future economic benefits;
- there is an availability of technical, financial and other resources sufficient to complete the development and for the use or sale of the intangible asset;
- it is possible to reliably calculate the cost attributable to the intangible asset during development.

D. Impairment of assets

At each balance sheet date, tangible and intangible assets with a defined life are analysed in order to identify the existence of any indicators, originating from either external sources or sources within the NTT DATA Italia Group, of a reduction in their value. In circumstances where these indicators are identified, an estimate is made of the recoverable value of these assets and any impairment is accounted for in the income statement. In the case of goodwill and other intangible assets with an indefinite useful life, this assessment is performed at least on a yearly basis. The recoverable value of an asset is either its fair value less sales cost, or its value in use, whichever is greater, where the latter is the current value of future estimated cash flows arising from the use of the asset and those deriving from disposal at the end of its useful life. In determining the value in use, the anticipated future cash flows are obtained using a pre-tax discount rate that reflects current market assessments of the value of the money compared to the investment period and the specific risks. For an asset that does not generate largely independent cash flows the realisable value is determined in relation to the cash generating unit to which the asset belongs.

An impairment loss is recognised in the income statement when the book value of the asset, or the cash generating unit to which it is allocated, exceeds the recoverable amount. If the conditions for the previous write-down cease to exist, the book value for the asset is restored and the adjustment accounted for in the income statement, within the limits of the net carrying value the asset concerned would have had if it had not been written down and amortisation or depreciation charges had been applied.

E. Financial instruments

(i) Financial assets

When first entered, financial assets are classified in one of the following categories and measured as follows:

- **loans and receivables**: these are financial instruments, primarily related to trade receivables, non-derivatives and not listed in an active market, from which fixed or determinable payments are expected. They are included under current assets, except for those that fall due more than twelve months after the balance sheet date, which are classified as non-current. When initially recorded, these assets are recorded at the fair value and subsequently at the amortised cost using the effective interest rate method. If there is objective evidence of impairment, the asset is reduced accordingly, so that it is equal to the current value of future cash flows. Impairment losses are reported in the income statement. If in subsequent periods, the reasons for previous write-downs no longer exist, the value of the asset is restored to the value that would have been derived by applying the amortised cost, if no write-down had taken place.

- **Investments available for sale**: these are non-derivative financial instruments specifically assigned to this category, which cannot be classified in the above categories. These financial instruments are initially measured at fair value and the profits or losses accounted for in an equity reserve are reflected in the income statement only when the financial assets are actually sold or, in the case of accumulated negative changes, when there is evidence that the reduction in value already accounted for in equity cannot be recovered. Solely in the case of debt securities, if, in a subsequent period, the fair value increases and the increase can be related objectively to an event occurring after the impairment loss was reported in the income statement, the impairment loss must be reversed, with the amount of the reversal recognised in the income statement. Furthermore, with respect to debt securities, the returns measured based on the amortised cost method are accounted for with an offsetting entry in the income statement, as in the case of effects related to changes in exchange rates. The changes in exchange rates relating to capital instruments available for sale are accounted for in a specific equity reserve.
- **Investments in associates**: the operating results along with the assets and liabilities of associates are accounted for in the consolidated financial statements using the equity method, unless they are held for sale. Investments in associates are measured at cost and then adjusted to reflect variations, following the acquisition, in the net assets of the associates and any impairment in the value of individual investments. The amount by which the acquisition cost exceeds the percentage of the current value of the assets, liabilities and potential liabilities of the associate ascribable to the Group at the time of acquisition is recognised as goodwill. If an investment shows indications of permanent impairment, the possible reduction in value is verified by performing an impairment test and any losses are accounted for in the income statement. When the reasons which led to the write-down no longer exist, the book value of the investment is restored to its original cost. This recovery is accounted for in the income statement.

Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument have been extinguished and the NTT DATA Italia Group has substantially transferred all risks and benefits tied to the instrument and the control thereof.

(ii) Financial Liabilities

Financial liabilities are related to loans, trade payables and other payment obligations and are measured at fair value during initial recognition and subsequently at the amortised cost, using the effective interest rate criteria. If there is a change in expected cash flows and it is possible to obtain a reliable estimate, the value of the loans is recalculated to reflect this change on the basis of the present value of the new expected cash flows and internal rate of return initially determined. Financial liabilities are classified as current liabilities unless the NTT DATA Italia Group has an unconditional right to defer payment for at least 12 months after the balance sheet date.

Financial liabilities are removed from the Balance Sheet at the time of their settlement and when the NTT DATA Italia Group has transferred all the risks and charges related to the instrument itself.

(iii) Determining the fair value of financial instruments

In order to determine the fair value of financial instruments listed on active markets, the relative market price (bid price) in effect on the closing date of the period of observation is used. In the absence of an active market, the fair value is determined using measurement models that rely primarily on objective financial variables, and by taking into account, where possible, prices observed in recent transactions and the market prices for similar financial instruments.

F. Contract work in progress

Contract work in progress is represented by specific projects commissioned by customers and currently underway.

If the outcome of an ongoing project can be reliably estimated, contract revenue and the related costs are identified based on the percentage-of-completion method. The percentage of completion is determined with reference to the relationship between the costs incurred for activities performed as of the reporting date and the estimated total costs upon completion. If the outcome of an ongoing project cannot be reliably estimated, contract revenues are stated in the amount of the costs incurred, provided that it is likely that these costs will be recovered.

The sum of the costs incurred and results stated on each project are compared with the invoices issued as of the reporting date. If the costs incurred and the stated profits (less losses) are in excess of the advance billings, the difference is classified as current assets under "Contract work in progress". If the advance billings exceed the costs incurred plus measured earnings (less losses), the difference is classified among current liabilities under the heading "Other payables and current liabilities".

Any losses on contracts are recorded in the income statement, when it is likely that the estimated total costs will exceed the expected total revenues.

G. Cash and cash equivalents

Cash and cash equivalents consist of cash, bank and postal current accounts, short-term demand deposits and other short-term highly liquid investments that in any case are payable and due within ninety days of the acquisition date and promptly convertible into cash. For the purposes of determining the net cash for the preparation of the cash-flow statement, the current accounts payable, included under “short-term financial liabilities”, are accounted for as a reduction in cash and cash equivalents. Items included in net cash are measured at fair value and any changes are accounted for in the income statement.

H. Shareholders’ equity

(i) Share capital

The share capital is represented by the capital subscribed and paid up.

(ii) Legal reserve

It includes the amounts set aside for the legal reserve as per art. 2430 of the Civil Code, which is increased by an amount equivalent to one twentieth of the net profits made, until the reserve itself has reached one fifth of the share capital. Once one fifth of the share capital is reached, if for whatever reason the reserve is decreased, it will be replenished in minimum annual allocations equal to the one indicated above.

(iii) Currency translation reserve

It reflects the translations into Euro of the financial statements of foreign-based companies that have an operating currency other than the Euro.

(iv) Other reserves including profits/losses for the year

They include the operating results for the current period and the previous financial years for the part not distributed or allocated to reserves (in the case of profits) or covered (in the case of losses) and the accumulated effects following the conversion to IFRS.

I. Provisions for risks and charges

Provisions for risks and charges are stated only when there is a current obligation (legal or implicit) for a future outflow of economic resources as a result of past events and it is likely that this outflow will be required to settle the obligation. This amount represents the best estimate of the amount required to settle the obligation. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are discounted. The rate used to determine the present value of the liabilities reflects current market values and includes the additional effects of the specific risk associated with each liability. Changes in the value of the provision, due to the passage of time, are accounted for in the income statement under “Financial expenses”.

The costs that the company expects to incur in order to carry out restructuring plans are charged to the financial year in which the program is officially defined and in which the parties concerned can reasonably expect the restructuring to take place.

The risks related to liabilities whose occurrence is only possible are described in the section on commitments and risks, and no provisions are made.

J. Defined benefit plans

With the adoption/implementation of IFRS, the severance indemnity accrued up to December 31 2006 is considered a defined benefit obligation that must be accounted for in accordance with IAS 19 – Employee Benefits. Consequently, it must be measured on the basis of actuarial assumptions at the end of each period by applying the projected unit credit method.

The measurement process, based on demographic and financial factors, is entrusted to independent professional actuaries.

Actuarial gains and losses, returns on plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) which emerge following the remeasurement of the net defined benefit liability are immediately accounted for in OCI. The net interest for the period on the defined benefit liability/(asset) is calculated by applying to the net liability/(asset) the discount rate used to discount the defined benefit obligation, as determined at the beginning of the period, taking into account any changes in the net defined benefit liability/(asset) taking place during the period as a result of contributions collected and benefits paid. Net interest expense and other expenses related to defined benefit plans are recognised in profit/(loss) for the year.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gains or losses deriving from curtailment of the plan are recognised in the profit or loss for the year at the moment in which the adjustment or curtailment takes place.

K. Recognition of revenues from sales and services

The company has adopted in advance the accounting standard IFRS 15 - Revenue from Contracts with Customers.

IFRS 15 has replaced the criteria for the recognition of revenue defined by IAS 18 ‘Revenue’ and IAS 11 ‘Construction Contracts’ and introduced a single general model for establishing if, when and to what extent revenue should be recognised, and which is based on the transfer of control over the goods and services to the customer. In particular, IFRS 15 outlines a model for the recognition of revenue which entails carrying out the following 5 steps::

- Step 1 – Identify the contract with a customer;
- Step 2 – Identify the performance obligations in the contract with the customer;
- Step 3 – Determine the transaction price;
- Step 4 – Allocate the transaction price to the performance obligations in the contract;

- Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation (revenue is recognised over time or at a point in time).

Revenue from the sale of goods arising in the course of ordinary activities is measured at the fair value of the amount received or receivable, taking into account any rights of return and the value of rebates, trade discounts and bonuses linked to volume. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue concurrently with the recognition of sales.

Revenue from services provided includes the initial amount of revenue agreed in the contract and any variants agreed with the customer, requested price adjustments and payments of incentives to the extent that they are likely to give rise to revenue and can be reliably estimated.

When the outcome of a project can be reliably estimated according to the guidelines laid down by accounting standard IFRS 15, the corresponding revenue is recognised in proportion to progress (over time). Progress is determined on the basis of an estimate of the hours expended and the final balance for each project underway. When the outcome of a project cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are expected to be recovered.

The related costs are stated as incurred unless they relate to future activity on the contract. An expected loss on a project in progress is immediately recognised as an expense in profit or loss.

The chargebacks to third parties for costs sustained on their behalf are accounted for by writing off the costs to which they relate.

L. Recognition of costs

Purchases of goods are recognised at the time of the transfer of ownership and are appraised at the fair value of the price due, net of any refunds, rebates, trade discounts and year-end bonuses.

The costs for services are recognised based on the progress of the service being provided as of the end of the reporting period. Interest payable is measured on an accrual basis.

Financial costs are recognised in the comprehensive income as they are accrued, with the exception of borrowing costs directly ascribable to the acquisition, construction or production of assets that require a substantial amount of time before they are ready to be used or sold. With reference to such assets, capitalisation of which began on or after January 1, 2009, the applicable date of accounting standard IAS 23- Borrowing Costs (revised), the associated financial charges are capitalised as part of such assets.

M. Taxes

Current taxes are calculated on the basis of taxable income for the financial year. The taxable income differs from the result reported in the statement of comprehensive income due to the fact that it excludes positive or negative components that are taxable or deductible in other accounting periods and because it excludes components that are not taxable or deductible. The current tax liabilities are calculated using the rates in force or actually applicable on the balance sheet date

Deferred tax liabilities are generally recognised for all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it may be assumed that future taxable income will be sufficient to allow these deductible temporary differences to be exploited. In particular, the value of the deferred tax assets for accounting purposes is reviewed at the end of every reporting period based on the updated forecasts of future taxable income.

Deferred tax assets and liabilities are not recognised if the temporary differences derive from the initial entry of goodwill or, in the case of transactions other than business combinations, of other assets or liabilities in operations that do not have any influence on either the result for accounting purposes or the result for tax purposes. Furthermore, deferred tax liabilities are recognised for temporary taxable differences related to investments in subsidiaries, associates, and jointly controlled companies; except where the Group is capable of controlling the annulment of such temporary differences and where it is probable that the latter differences will not be annulled in the foreseeable future.

Deferred tax assets and liabilities are calculated based on the tax percentage that will most likely be in force at the moment of realisation of the asset or extinguishment of the liability, keeping in mind the tax percentages in force at the balance sheet date.

Deferred tax assets and liabilities are offset where there is a legal right to offset current tax receivables against current tax payables and when they refer to taxes due to the same revenue authority and the Group intends to pay current taxes due net of tax receivables.

N. Financial income and expenses

Financial income includes interest earned on cash invested (including all financial assets available for sale), dividend income, income from the sale of financial assets available for sale, changes in the fair value of financial assets recognised in the income statement, income from a business combination for the remeasurement of the fair value of the previous investment, if any, in the acquired company, gains on hedging instruments recognised/recorded in profit or loss and reclassification of net income previously recognised/recorded in other comprehensive income. Interest income is recognised in profit or loss on an accrual basis using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established; in the case of listed securities it is normally on the payment due date.

Financial expenses comprise interest payable on loans, the release of the discounting of funds and the corresponding deferred amounts, losses from the sale of financial assets available for sale, changes in the fair value of financial assets at the fair value stated in the income statement and the potential corresponding amounts, losses due to impairment of financial assets (other than trade receivables), losses on hedging instruments recognised in the profit or loss for the year and reclassification of net losses previously recognised in other components of comprehensive income.
Costs related to loans that are not directly attributable to the cost of acquisition, construction or production of an asset that justifies capitalisation are recognised in profit or loss using the effective interest method.

Exchange gains and losses on financial assets and liabilities are shown at the net between income and expenses based on the position of profits or net losses deriving from currency transactions.

2.4 Use of estimates

The preparation of financial statements requires the management to apply accounting standards and methods that, in some cases, are based on difficult and subjective judgments and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic depending on the circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, namely, the consolidated balance sheet, statement of comprehensive income, statement of changes in shareholders’ equity and consolidated cash flow statement. The final balances shown in the financial statements, for which the above-mentioned estimates and assumptions were used, may differ from those reported in financial statements that disclose the actual effects of the occurrence of the event under consideration, due to the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Below is a brief description of the main items requiring a more subjective assessment by management when formulating estimates, and for which a change in the conditions underlying the assumptions made could have a significant impact on the balance sheet values of assets and liabilities.

Revenues and costs

The determination of revenues, costs, and hence the margin of earnings for the year from projects in progress, is based on the best estimates made by management regarding the work completion schedule. Such estimates entail forecasting the costs upon completion of the different projects underway. The assessments may undergo adjustment in the months following the balance sheet date.

Goodwill

In accordance with the accounting standards adopted in preparing the financial statements, the company annually reviews goodwill in order to establish the existence of any impairment to be reported in the income statement. In particular, this involves the allocation of goodwill to cash generating units and subsequent determination of its recoverable amount. Whenever the recoverable amount is lower than the book value of cash generating units, it will be necessary to write down the goodwill allocated to them. Allocating goodwill to cash generating units and determining the recoverable amount thereof involves using estimates that depend on factors that may change over time and produce significant effects on the assessments made by management.

Deferred tax assets

Accounting of deferred tax assets is based on the expected income for future accounting periods. Assessing expected income in order to account for deferred taxes depends on factors that may vary over time and significantly impact the assessment of deferred tax assets.

Provisions for risks and charges

To meet legal and tax risks, provisions are made to cover the risk of a negative outcome in legal proceedings. The amount of funds set aside for such risks represents the best estimate made by management at the balance sheet date. This estimate requires assumptions that depend on factors that may change over time and which could therefore have a significant impact on current estimates made by management in preparing the Group's consolidated financial statements.

Reserve for bad debts

The reserve for bad debts reflects estimates of losses on the Group's receivables portfolio. Provisions have been made against expected losses calculated on the basis of historical experience with receivables with similar credit risk profiles, as well as the careful monitoring of the quality of the receivables portfolio and current and forecast conditions in the target markets.

2.5 Accounting standards of future introduction

Shown below are the accounting standards, amendments and interpretations issued by the IASB and approved by the European Union, to be adopted mandatorily in the financial statements for the years beginning on or after January 1, 2018:

- IFRS 15 – Revenue from Contracts with Customers;

- IFRS 9 – Financial Instruments;
- Amendments to IFRS 4, joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts;
- Amendments to IFRS 1 and IAS 28, improvements of IFRS round 2014 – 2016;
- Amendments to IFRS 2, share based payments;
- Amendments to IAS 40, changing in destination of investment property;
- IFRIC 22, foreign currency transactions and advance consideration.

We note that the Group has adopted in advance from the fiscal year 2018 the accounting standard IFRS 15 - Revenue from Contracts with Customers. For further details, reference should be made to section 2.3.K Recognition of revenues from sales and services.
The adoption of the IFRS 9 – Financial instruments had no significant impact on these financial statements.

Below is a list of the accounting standards, amendments and interpretations issued by the IASB and approved by the European Union, and which must be mandatorily adopted in the financial statements for the years beginning on or after January 1, 2018:

- IFRS 16 – Leasing, in force as of January 1, 2019;
- Amendments to IFRS 9, prepayment features with negative compensation, in force as of January 1, 2019;
- IFRIC 23, Uncertainty over income tax treatments, in force as of January 1, 2019.

An assessment about the impacts generated by the adoption of IFRS 16, which replaces the IAS 17, is still ongoing. Currently, the effect on a Group level is estimated in higher Non current assets, related to "Right of Use" assets, for about € 31.7 million and a concurrent Lease Liability for the same amount. The Group has elected to adopt IFRS 16 under the modified retrospective approach (Option 2).

2.6 Risk management

General principles of risk management

The founding principles of the risk policy are based on the prevention of major risks related to group objectives and concern strategic, operational and financial areas. These risks also include dependence on key personnel.
The main risks are reported and discussed at the top management level in order to create the conditions for their coverage, insurance and evaluation of the residual risk.
In addition to the guidelines for risk management, there are specific guidelines for financial risks such as exchange and interest rate risks and credit risks.

Operating risks

The market for strategic consulting and ICT professional services is related to the performance of the economy, especially of the developed countries where the demand for quality products and services and/or high technological content is higher.
An economic downturn at a national and/or international level could have an impact.

The NTT DATA Italia Group has joined the prestigious Japanese NTT DATA Group, which is among the world's leading IT companies.

The NTT DATA Italia Group may further boast a management team with extensive experience in the industry, enabling it to offer top quality, competitive services and solutions to customers.

Financial risks

(i) Credit risk

Credit risk is the risk that a customer will cause a financial loss by failing to fulfil an obligation and mainly derives from trade receivables. This credit risk is primarily related to the possibility that customers will not honour their debts to the company on the agreed upon dates.
The customer base consists mainly of medium to large firms for which there are no special risks in terms of collecting receivables. The first 10 customers account for about 60% of receivables. With the majority of customers, the Group has been conducting business now for a long time and bad debts have not had adverse effects on turnover over time. The activity of monitoring credit with respect to customers takes place on the basis of a periodic report that provides an analysis of exposures. The Group companies allocate amounts to the reserve for bad debts that reflect the estimate of the possible losses on trade receivables and other receivables.

(ii) Liquidity risk

Liquidity risk is the risk that the Group's companies have difficulty in meeting obligations associated with financial liabilities. The Group's approach to cash management is to ensure, as much as possible, that there are always sufficient funds to meet its obligations at maturity, both under normal conditions and conditions of financial stress, without incurring exorbitant costs or risk of harming its reputation.

Generally, the Group ensures that there is sufficient cash on demand to meet the needs generated by the operating cycle and investment, including costs related to financial liabilities. The Group treasury services engage in continuous financial forecasting based on expenditure and income expectations in the months ahead and take corrective measures accordingly.

It should be noted that cash flows, funding requirements and liquidity are managed centrally at the EMEA level in contact with the headquarters in Tokyo, in order to ensure the optimisation of resources. The strategic goal is to ensure that in every moment the Group has sufficient credit lines to cope with the financial needs for next twelve months. Moreover, it must be pointed out that the Japanese Group NTT DATA boasts a prestigious rating, essential for assessing current risk.

(iii) Exchange rate risk

Exchange rate risk is the risk that the Group might incur costs due to currency fluctuations on business or financial transactions.

With certain exceptions, the Group companies operate in their respective markets using local currencies. Any operations in a currency other than the local currency are monitored centrally at a Group level. Intercompany loans (bearing interest at the market rate) are disbursed in Euro and are therefore not subject to a foreign exchange risk.

(iv) Interest rate risk

The interest rate risk to which the Group is exposed originates mainly from financial debts at variable rates (Euribor), even if this risk is significantly reduced considering that NTT DATA Italia has paid off its short and medium-term loans from credit institutions, which have been replaced with intercompany loans at a fixed rate received from the parent companies NTT DATA EMEA Ltd and NTT DATA Corporation.

The Group has not, for the time being, entered into any derivative contracts to hedge interest rate changes, and thus bears the risk of an increase in interest rates.

3 Information by sector

A breakdown by operating sector is not provided because not significant, as the NTT DATA Group operates exclusively in the field of 'IT Consulting & Solutions'.

Shown below is a breakdown of revenues and trade receivables and payables by geographical area, as this information is required by the Civil Code:

(€ thousand)	Italy	Europe (excluding Italy)	Rest of the world	Total
31 March 2019				
Revenues	354.022	12.926	9.749	**376.697**
Trade receivables	157.246	6.634	5.367	**169.248**
Assets	345.718	6.637	8.986	**361.341**
Trade payables	84.239	8.263	2.213	**94.715**
31 March 2018				
Revenues	299.550	10.870	8.803	**319.223**
Trade receivables	119.541	8.338	3.694	**131.573**
Assets	298.005	8.338	4.520	**310.863**
Trade payables	61.876	2.996	1.116	**65.988**

4 Comments on the items included in the consolidated balance sheet and consolidated statement of comprehensive income

4.1 Non-current Assets

4.1.1 Property, plant and equipment

The item "Property, plant and equipment" and relevant changes break down as follows:

(€ thousand)		Plant and equipment	Other tangible assets	Total
Book value		9.302	20.544	29.847
Accumulated depreciation		(8.791)	(16.173)	(24.965)
As of 31 March 2018		**511**	**4.370**	**4.882**
Book value	Increases	156	4.052	4.209
	Disposals	-	-	-
	Exchange differences	(0)	27	26
Accumulated depreciation	Increases	(212)	(2.288)	(2.500)
	Disposals	-	-	-
	Exchange differences	-	(27)	(27)
Book value		9.458	24.623	34.082
Accumulated depreciation		(9.003)	(18.489)	(27.492)
As of 31 March 2019		**455**	**6.134**	**6.589**

The increases in the item "Plant and machinery", amounting to € 156 thousand, mostly reflect purchases of computer equipment for expanding and modernizing the equipment base and upgrading the parent company's infrastructure.

The increases in the item "Other assets", amounting to € 4,052 thousand, mainly relate to the purchase of capital goods (€ 2,794 thousand), in particular the EDP equipment necessary for the Group's core activities, and the purchase of furniture and fittings (€ 1,259 thousand) related to the modernization and expansion of the parent's company offices in Milan and Naples.

4.1.2 Goodwill

The item "Goodwill" breaks down as follows:

(€ thousand)	VP-Tec/VP-Web/SWF	Etnoteam S.p.A.	Agorà	Net Value S.r.l.	Total
As of 1 April 2017	**40.540**	**65.139**	**197**	**309**	**106.185**
Increase	-	-	-	-	**-**
Decrease	-	-	-	-	**-**
As of 31 March 2018	**40.540**	**65.139**	**197**	**309**	**106.185**
Increase	-	-	-	-	**-**
Decrease	-	-	-	-	**-**
As of 31 March 2019	**40.540**	**65.139**	**197**	**309**	**106.185**

At March 31, 2019 a number of impairment tests had been carried out, with the assistance of independent experts, in order to detect the existence of any loss in value of the recorded goodwill.

The cash-generating units ("CGU") are identified based on the geographical area to which goodwill has been allocated, which coincides with Italy, consistently with the lowest level at which goodwill is monitored for internal management purposes.

The recoverability of the value of goodwill allocated to the CGU is verified by estimating the value in use of the same, understood as the present value of the expected cash flows.

For the purpose of determining the discount rate, reference was made to the Capital Assets Pricing Model, based, to the extent possible, on indicators and parameters observable on the market.
The expected cash flows were determined on the basis of the Business Plan 2020-2023 approved by the Board of Directors.

The main basic assumptions used in the impairment test are illustrated below.

With reference to the year ended March 31, 2019, no reductions in the value of goodwill as reported emerged from the impairment test.

Specifically, the impairment test set up by the Company takes into consideration the following aspects:

- **Cash flows for the explicit period**: they are constructed on the basis of the Business Plan drawn up by the Company management. In particular, the forecasts included in the plan predict an increase in revenues at a CAGR (Compounded Average Growth Rate) of 2.3% and a concurrent marginality increase in the last years of projection. Working capital turnover ratios are forecast to remain stable as a result of the excellent results achieved in 2019, with a substantial stability of turnover ratios both in respect of trade receivables (thanks also to reliance on factoring schemes) and trade payables.

- **Time extension of cash flows and "Terminal Value"**: the terminal value was determined based on the normalisation of cash flows for 2023, to which a normalised growth rate of 2% which is aligned with main companies comparable and coherent with long term growth expectations of the reference market.
- **Investments**: an estimate of investments over the period of the plan was formulated, taking into account the investments made up to now by the Group.
- **WACC**: the discount rate was determined by the company taking into consideration the beta coefficients and rates used for companies comparable to the NTT DATA Italia Group and amount to 8.5%.

The WACC level where there would be a cancellation of the existing difference between the value in use of the CGU and its carrying amount is equal to 9.8%, while the g rate that would lead to the annulment of a value greater than the book value would be equal to 0.2%.

To better assess the results of the impairment test carried out with the "value in use" method, an alternative revenue-based method of evaluation was adopted; it uses specific multipliers on revenues of companies operating in the Italian Information Technology sector. The application of the alternative method confirmed the results of the application of the method described above.

4.1.3 Other intangible assets

The item "Other intangible assets" has the following composition and changes:

(€ thousand)	Industrial patent rights and use of intellectual property	Concessions, licenses, trademarks and similar rights	Software in progress	Total
As of 31 March 2018	**6.645**	**16**	**947**	**7.609**
Internal works	960	-	-	960
Purchases	193	-	85	278
Depreciations	(3.199)	(12)	-	(3.211)
Exchange differences	(2)	-	-	(2)
As of 31 March 2019	**4.596**	**5**	**1.032**	**5.635**

The increase in the item "Patent rights" for internal work, amounting to € 960 thousand, refers to development activities related to the "encoding" project (€ 302 thousand), the "docspa" project (€ 139 thousand), the "Block Trace Evolution" project (€ 81 thousand), the "IOT Multiprotocol Gateaway" project (€ 50 thousand), the "AI Ethical Hacking" project (€ 61 thousand), the "AI Sales Assistant" project (€ 64 thousand) and the "SWM" project (€ 180 thousand).

For further details, please refer to the section headed “Research and development costs” in the Report on Operations.

The increase in the item “Patent rights” for acquisitions relates mainly to purchases of software used in the Group’s ordinary activities.

4.1.4 Investments

The item “Investments”, amounting to € 18 thousand, refers to stakes in consortiums operating in the Group’s sector of business. There were no changes from the previous fiscal period ended on March 31, 2018.

4.1.5 Other non-current assets

The balance of the item “Other non-current assets” as of March 31, 2019 amounted to € 1,267 thousand (€ 413 thousand as of March 31, 2018) and refers to the capitalisation of costs incurred by the parent company in the acquisition of some new projects from customers and resulting from the application of the accounting standard IFRS 15.

For further details, please refer to the section headed 2.3.K - Recognition of revenues from sales and services.

4.1.6 Other financial assets

The balance of the item “Other financial assets” as of March 31, 2019 was equal to € 236 thousand (€ 192 thousand as of March 31, 2018) and mainly relates to guarantee deposits of the parent company and of NTT DATA Danismanlik.

4.1.7 Deferred tax assets and liabilities

Deferred tax assets amounted to € 5,388 thousand and are ascribable to the parent company. The deferred tax liabilities amounted to a total of € 6 thousand, of which € 5 thousand attributable to NTT DATA Danismanlik and € 1 thousand to IFI Solution.

Deferred tax assets and liabilities break down as follows:

(€ thousand)	31 March 2018	31 March 2019
Deferred tax assets		
Funds	3.075	3.661
Deductible costs for cash	90	61
Value adjustments	461	520
Depreciations (New tax laws)	613	660
Tax losses	735	3
Severance pay adjustment as per IAS 19	676	831
Deferred tax assets	**5.650**	**5.735**
Deferred tax liabilities		
Severance indemnity adjustment as per IAS 19	(398)	(348)
Net deferred tax assets	**5.252**	**5.388**
Other deferred tax liabilities		
Accruals not taxable in the current fiscal period	(7)	(6)
Deferred tax liabilities	**(7)**	**(6)**

The Company management judges the amount of deferred tax assets to be entirely recoverable in light of the company's income expectations as documented in the business plan.

4.2 Current Assets

4.2.1 Work in progress

The item "Work in progress" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Work in progress	12.375	21.818
Total	**12.375**	**21.818**

The increase compared to March 31, 2018 is mainly ascribable both to the larger number of projects started in the last quarter of the fiscal year and still in place as of March 31, 2019 and to the higher revenues compared with the previous fiscal year.

4.2.2 Trade receivables

The item "Trade receivables" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Receivables from third parties	131.850	164.585
Receivables from parent companies	3.607	5.778
Receivables from affiliates companies	1.747	2.297
Bad debt provision	(5.631)	(3.412)
Total	**131.573**	**169.248**

The increase in trade receivables is largely tied to higher revenues of the 2019 fiscal period compared with the ones generated in the previous fiscal period. In fact, revenues increased by € 41,494 thousand between the two fiscal years.

Changes in the Reserve for bad debts are summarised below:

(€ thousand)	31 March 2018	31 March 2019
Beginning balance	**4.957**	**5.631**
Increases	675	492
Uses/releases	-	(2.711)
Ending balance	**5.631**	**3.412**

The amount of € 492 thousand was set aside by the parent company to cover the risk of uncollectibility of some trade receivables.

The use for € 2,711 thousand is mainly related to the closing of outstanding old trade receivables affected by legal procedures which have been officially closed by the Court.

A breakdown of trade receivables by age is provided below.

(€ thousand)		Expired but not devaluated				
	Not due	0-30 days	30-90 days	90-180 days	>180 days	**Total**
31 March 2019	148.450	16.631	3.842	324	-	**169.248**
31 March 2018	116.524	9.477	5.052	44	477	**131.573**

With regard to the geographical distribution of receivables, please refer to the paragraph headed "Information by sector" (section 3).

4.2.3 Tax receivables

The item "Tax receivables" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Income tax advances	-	30
VAT credit	719	1.704
Other	3.172	3.177
Total	**3.891**	**4.911**

The increase for the year, equal to € 1,020 thousand, is mainly attributable to the greater VAT credit of the parent company generated by the application of the "Split Payment" legislation which provided, for certain categories of subjects included in the lists published by the Ministry of the Economy and Finance (including some of NTT DATA Italia's main customers), the obligation to pay directly to the Tax Authorities the value added tax charged by their suppliers on the invoice.

The item "Others" mainly refers to the withholdings applied at the time of payment to invoices issued by the parent company to customers residing in certain foreign countries, in particular Brazil and Turkey. These withholdings will be recovered in future years.

4.2.4 Other receivables and current assets

The item "Other receivables and current assets" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Receivables from employees	689	625
Receivables from social security institutions	49	53
Accrued income and prepaid expenses	8.866	11.619
Advances	63	293
Other receivables	4.351	3.519
Provision for other bad debts	(3.000)	(3.141)
Total	**11.019**	**12.969**

The increase in the item "Accrued income and deferred liabilities" is mainly attributable to greater billing, by the parent company's suppliers, of maintenance charges which cover future periods and for which the cost has thus been deferred, as it does not pertain to the present 2019 fiscal period.

The decrease of the item "Other receivables" is mainly ascribable to the fact that the amount due to the parent company (€ 1,202 thousand as of March 31, 2018) by the Ministry of Education, University and Research (MIUR) for the Cyber Security project has been collected in March 2019 for € 894 thousand. The item refers also for €3,000 thousand to a tax credit due from the former parent company of NTT DATA Italia S.p.A., Value Partners S.p.A. (now Invest Tre S.r.l.), prudentially written down in the year 2012 through a provision for risks of an equal amount.

4.2.5 Cash and cash equivalents

The item "Cash and cash equivalents" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Cash at banks	27.451	27.076
Cash on hand	3	2
Total	**27.454**	**27.077**

Please refer to the cash flow statement for details on the cash flows for the two years and their effects on the net financial position.

4.3 Equity

4.3.1 Share capital

As of March 31, 2019 the share capital amounted to € 33,107 thousand.

4.3.2 Other reserves including the profit for the year

The item "Other reserves including Profit for the year" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Legal reserve	2.039	2.039
Other reserves	(6.654)	(3.463)
Net result	3.949	5.434
Total	**(666)**	**4.010**

The changes in the item "Other reserves", amounting to € 3,191 thousand, may be detailed as follows:

- allocation of the positive result for the year 2018 (€ 3,949 thousand) to profit/(loss) carried forward;
- decrease of € 492 thousand in the IAS reserve as a result of the application of Accounting Standard IAS 19 and the consequent results of actuarial measurement;
- decrease of € 266 thousand in the currency translation reserve compared to the previous period.

For further details, reference may be made to the statement of changes in shareholders' equity.

4.4 Non-current liabilities

4.4.1 Employee benefit

The item “Employee benefit” includes severance indemnity (TFR). It refers exclusively to the parent company NTT DATA Italia S.p.A..

(€ thousand)	31 March 2018	31 March 2019
Severance indemnity	19.390	19.651
Total	**19.390**	**19.651**

In applying Accounting Standard IAS 19, the method called “Projected Unit Credit Cost” was used to calculate the TFR, with the following assumptions:

	31 March 2018	31 March 2019
Economic assumptions		
Annual inflaction rate	1,50%	1,50%
Annual discount rate	1,03%	0,60%
Annual increases in salaries	2,62%	2,63%
Annual growth rate of the employee severance indemnity	2,62%	2,63%
Demographic assumptions		
Likelihood of death	RG 48 survival tables of the Italian population	
Likelihood of disability	INPS table divided by agen and gender	
Likelihood of resignation	8,0%	8,0%
Likelihood of retirement	Fullfilment of the minimum requisites provided by General Insurance	
Likelihood of advances	3%	3%

The changes in severance indemnity break down as follows:

(€ thousand)	31 March 2018	31 March 2019
Beginning balance	**19.909**	**19.390**
Interest cost	186	196
Actuarial (gain)/loss	(125)	648
Payments	(581)	(582)
Ending balance	**19.390**	**19.651**

It should be noted that the assessment of the liabilities related to severance indemnity was carried out with the assistance of an independent actuarial firm.

4.4.2 Provisions

The item “Provisions” and the respective changes break down as follows:

(€ thousand)	Disputes	Other	Total
As of 1 April 2017	**911**	**-**	**911**
Increases	-	-	-
Uses	(93)	-	(93)
As of 31 March 2018	**818**	**-**	**818**
Increases	-	-	-
Uses	(146)	-	(146)
As of 31 March 2019	**672**	**-**	**672**

The medium/long-term provisions for risks and charges mainly relate to disputes with employees and suppliers; the uses in 2019 fiscal period refer to payments made mainly in fulfilment of settlement agreements concluded during the year and are strictly ascribable to the parent company.

4.4.3 Medium and long-term and current financial liabilities

The item “Medium and long-term and current financial liabilities” breaks down as follows:

(€ thousand)	31 March 2018			31 March 2019		
	Short	Mid-long	Total	Short	Mid-long	Total
Loans from parent company	-	117.500	117.500	-	117.500	117.500
Loans from third parties	-	-	**-**	-	-	-
Total financial liabilities	-	**117.500**	**117.500**	-	**117.500**	**117.500**

In the 2019 fiscal period no changes occurred in either short-term or medium/long- term financial liabilities.

The parent company NTT DATA Italia continued to benefit from the “notional cash pooling” treasury scheme started up in 2017 and coordinated by NTT DATA EMEA with JP Morgan, a leading banking group.

The “notional cash pooling” scheme provides for interest rates in line with market rates and those currently paid by NTT DATA Italia to other banks in Italy. It is underlined that the structure of the cash pooling scheme is “notional”, meaning that the balance of funds between positive and negative positions of participating companies will not involve any physical transfer of funds.

4.5 Current liabilities

4.5.1 Trade payables

The item “Trade payables” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Payables to third parties	63.749	90.228
Payables to parent companies	1.291	3.469
Payables to affiliate companies	947	1.018
Total	**65.988**	**94.715**

A breakdown of trade payables by due date is provided below:

(€ thousand)		Expired				
	Not due	0-30 days	30-90 days	90-180 days	>180 days	**Total**
31 March 2019	83.844	9.383	722	60	706	**94.715**
31 March 2018	55.899	8.205	627	132	1.124	**65.988**

The amounts over 90 days past due mainly refer to invoices that were disputed or are under dispute.

The increase in payables is mainly due to the greater reliance on external consultants, which the Company relies on to meet market demands for specific competencies.

4.5.2 Tax and social security payables

The item “Tax and social security payables” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Payables to Social Security Institutions	10.197	12.313
Withholding tax	2.778	2.973
Income tax payables	59	497
VAT payables	866	12
Others	277	173
Total	**14.176**	**15.968**

The increase in the item “Payables to Social Security Institutions” is mainly due to the accrual of costs related to the contributions on the bonuses to be paid to employees of the parent company.

The decrease in the item “VAT Payables” is mainly due to the “Split Payment” procedure.

4.5.3 Other payables and current liabilities

The item “Other payables and current liabilities” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Payables to employees	22.504	27.477
Advances from customers	37.038	46.974
Accrued expenses and deferred income	131	131
Others	870	1.130
Total	**60.543**	**75.711**

The increase in the item “Payables to employees and staff” is mainly attributable to the allocation of costs made by the parent company related to bonus to be paid to be paid to employees as well as costs related to holidays and permits accrued and not yet used by the employees as of the balance

The item “Advances from customers” refers to billing of customers by the parent company for activities that will be carried out and revenues that will accrue in the year 2020.

4.6 Income Statement

4.6.1 Revenues from sales of goods and services

As of March 31, 2019 the item “Revenues from sales of goods and services” amounted to € 367,231 thousand. Reference may be made to the Directors’ Report on Operations for comments relating to the breakdown of revenue from sales and services by geographical area.

(€ thousand)	31 March 2018	31 March 2019
Professional services	299.035	326.263
Hardware and software	14.366	26.073
Maintenance	12.336	14.895
Total	**325.737**	**367.231**

4.6.2 Other income

The item “Other income” amounted to € 23 thousand and mainly refers to other recharges conducted by NTT DATA Danismanlik.

4.6.3 Change in work in progress

(€ thousand)	31 March 2018	31 March 2019
Change in work in progress	(6.933)	9.444
Total	**(6.933)**	**9.444**

See paragraph 4.2.1. for further details.

4.6.4 Increase in fixed assets for internal work

(€ thousand)	31 March 2018	31 March 2019
Increased assets for internal work	760	960
Total	**760**	**960**

See paragraph 4.1.3 for further details.

4.6.5 Costs for materials and services

The item "Costs for materials and services" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Professional services	102.442	120.873
Travel expenses	6.013	6.872
Purchase of materials	9.968	22.226
Leases and rentals	6.259	6.752
Maintenance	1.384	2.202
Utilities	2.604	2.896
Others	10.143	12.494
Total	**138.813**	**174.316**

The item "Costs of collaborations and professional services" is mainly related to consulting and maintenance activities performed by third parties on currently ongoing projects for customers of NTT DATA Italy. The increase of € 18,431 thousand compared to the previous year is mainly related to higher revenues of the parent company for services provided to third parties.

The item "Purchases of materials" relates mainly to hardware and software products intended for sale to customers of the parent company.
The item "Other services and miscellaneous services" mainly includes:

- insurance: € 2,089 thousand (€ 2,194 thousand as of March 31, 2018);
- management fees: € 3,587 thousand (€ 2,909 thousand as of March 31, 2018);
- personnel training costs: € 1,124 thousand (€ 1,071 thousand as of March 31, 2018);
- services provided by professionals (tax and legal consultants, etc.): € 3,835 thousand

(€ 2,514 thousand as of March 31, 2018);

- IT costs: € 1,859 thousand, of which € 1,728 thousand in Group company chargebacks (€ 1,454 thousand as of March 31, 2018, of which € 1,152 thousand in Group company chargebacks).

4.6.6 Costs for personnel and directors

The item "Costs for personnel and directors" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Wages and salaries	119.649	133.405
Social Secutity Contributions	33.454	37.914
Severance indemnity	8.313	8.873
Others	5.204	6.175
Car rentals	2.345	2.565
Total	**168.966**	**188.932**

The following table shows the data concerning the Group's workforce:

(No. of units)	As of		Average	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
Executives	171	187	174	184
Managers	515	552	500	529
Employees	2.236	2.335	2.233	2.262
Apprentices	177	348	134	267
Total	**3.099**	**3.422**	**3.040**	**3.242**

4.6.7 Amortisation, depreciation and write-downs

The item "Amortisation, depreciation and write-downs" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Depreciation of intangible assets	4.099	3.211
Depreciation of tangible assets	2.222	2.500
Total	**6.320**	**5.711**

4.6.8 Other operating costs

The item "Other operating costs" breaks down as follows:

	31 March 2018	31 March 2019
Other taxes	22	39
Other operating costs	582	510
Bad debt provision	202	633
Total	**806**	**1.182**

The item "Other operating expenses" consists mainly of association membership fees and costs for the waste collection tax.

The item "Bad debt provision" refers to provision set aside to cover the risk of uncollectibility of some trade receivables of the parent company.

4.6.9 Net financial income/expenses

The main components of this item are detailed in the following table.

(€ thousand)	31 March 2018			31 March 2019		
	Charges	Income	Net charges/ (income)	Charges	Income	Net charges/ (income)
Exchange rate differences	559	(272)	287	384	(251)	133
Others	174	-	174	267	-	267
Interest (income)/expenses	1.330	(410)	920	1.312	(375)	937
Total	**2.062**	**(682)**	**1.380**	**1.963**	**(626)**	**1.337**

Reference may be made to the Report on Operations for comments regarding changes in the net financial charges.

4.6.10 Income Taxes

Taxes for the fiscal period ending on March 31, 2019 amounted to € 746 thousand and reflect current taxes totalling € 818 thousand, a decrease in deferred tax assets of € 19 thousand and to a positive adjustment of previous years taxes of € 91 thousand.

(€ thousand)	Amount	Tax	%
Income before taxes	6.180		
Theoretical income tax		(1.461)	24,0%
Income tax based on different taxable income (IRAP)		(730)	(11,8%)
Temporary differences		1.577	25,5%
Other permanent differences and tax from previous years		(132)	(2,1%)
Actual income tax		**(746)**	**(12,1%)**

At March 31, 2018 the taxes for the year amounted to a total of € +251 thousand, reflecting current taxes totalling € -459 thousand, a decrease in deferred tax assets of € -365 thousand and a tax benefit of € 1,075 thousand ensuing from the claim of an IRES (corporate income tax) refund submitted in relation to previous years.

5 Related-party transactions

In the accounting periods ended on March 31, 2018 and March 31, 2019 the NTT DATA Italia Group entered into transactions with NTT DATA EMEA, the company responsible for oversight and coordination, and other related entities as follows:

(€ thousand)	Relationship	31 March 2018	31 March 2019
Trade receivables			
NTT DATA Corporation (Japan)	Parent company	1.440	2.659
NTT DATA EMEA Ltd	Parent company	2.167	3.118
NTT DATA Deutschland	Affiliate	414	314
NTT DATA UK Limited	Affiliate	22	372
NTT DATA Consulting & IT Solutiom	Affiliate	81	237
NTT DATA Osterreich	Affiliate	273	154
NTT DATA Danmark	Affiliate	48	48
NTT DATA MSE	Affiliate	202	122
Itelligence Inc	Affiliate	8	4
NTT DATA FA	Affiliate	1	1
Everis S.p.A.	Affiliate	84	78
NTT Com Managed Services, S.A.U.	Affiliate	87	85
Itelligence AG	Affiliate	-	29
Everisconsultancy, Limited	Affiliate	-	110
NTT DATA Global Technology Services Japan Co., Ltd.	Affiliate	65	-
NTT DATA Inc.	Affiliate	68	642
Everis Spain, S.L.U.	Affiliate	357	4
NTT DATA Global Delivery Services Limited	Affiliate	37	98
Work in progress			
NTT DATA EMEA Ltd	Parent company	-	1
Everis BPO Brasil Serviços Complementares a	Affiliate	8	-
NTT DATA UK Limited	Affiliate	30	1
NTT DATA Inc.	Affiliate	200	49
NTT DATA Deutschland Gmbh	Affiliate	2	-
Other receivables			
Dimension DATA Italia S.p.A.	Affiliate	-	119

(€ thousand)	Relationship	31 March 2018	31 March 2019
Trade payables			
NTT DATA Corporation (Japan)	Parent company	126	84
NTT DATA EMEA Ltd	Parent company	1.166	3.385
Servicios Informaticos itelligence S.A.	Affiliate	-	3
NTT DATA Global Delivery Services Limited	Affiliate	425	175
NTT DATA Deutschland	Affiliate	22	15
INTELLIGENCE AG	Affiliate	4	2
Everis S.p.A.	Affiliate	192	213
NTT EU	Affiliate	14	-
Dimension DATA China/Hong Kong Ltd	Affiliate	-	13
NTT Security France SAS	Affiliate	3	-
Dimension DATA Italia S.p.A.	Affiliate	-	454
NTT DATA UK Limited	Affiliate	20	-
Everis Aerospacial y Defensa SLU	Affiliate	135	-
NTT DATA Romania	Affiliate	13	13
NTT DATA Services Italy S.r.l.	Affiliate	119	8
NTT Security (Germany) GmbH	Affiliate	1	124
Other payables			
NTT DATA Corporation (Japan)	Parent company	469	679
NTT DATA Emea Ltd	Parent company	-	535
Everis S.p.A.	Affiliate	2	-
NTT DATA Deutschland Gmbh	Affiliate	-	125
NTT DATA Global Technology Services Japan Co., Ltd.	Affiliate	3	-
NTT DATA Osterreich	Affiliate	20	204
NTT DATA Consulting & IT Solutiom	Affiliate	5	85
Itelligence AB	Affiliate	13	13
Financial liabilities			
NTT DATA Emea	Parent company	117.500	117.500

(€ thousand)	Relationship	31 March 2018	31 March 2019
Revenues and other income			
NTT DATA Corporation (Japan)	Parent company	3.528	3.864
NTT DATA EMEA Ltd	Parent company	1.030	766
NTT DATA Deutschland Gmbh	Affiliate	678	900
NTT DATA UK Limited	Affiliate	56	524
NTT DATA Osterreich	Affiliate	601	812
NTT DATA Consulting & IT solutions	Affiliate	133	208
Itelligence AG	Affiliate	-	122
NTT DATA MSE	Affiliate	932	757
Everisconsultancy, Limited	Affiliate	-	110
ITELLIGENCE Inc.	Affiliate	8	4
Everis S.p.A.	Affiliate	326	193
NTT DATA Danmark	Affiliate	8	-
NTT DATA Global Technology Services Japan Co.,	Affiliate	62	3
NTT Com Managed Services, S.A.U.	Affiliate	490	492
Everis BPO Brasil Serviços Complementares a	Affiliate	8	16
Itelligence AB	Affiliate	9	-
NTT DATA Inc.	Affiliate	499	876
Everis Spain, S.L.U.	Affiliate	373	-
Operating costs and financial charges			
NTT DATA Corporation (Japan)	Parent company	13	(316)
NTT DATA EMEA Ltd	Parent company	933	2.584
NTT DATA Deutschland Gmbh	Affiliate	(7)	(21)
NTT DATA Global Technology Services Private	Affiliate	20	1
Servicios Informaticos itelligence S.A.	Affiliate	-	5
Everis Spain, S.L.U.	Affiliate	-	(6)
NTT DATA Global Delivery Services Limited	Affiliate	566	223
NTT DATA Consulting & IT solutions	Affiliate	(13)	(4)
Intelligence AG	Affiliate	3	2
Everis S.p.A.	Affiliate	158	419
NTT EU	Affiliate	32	33
NTT Electronic Corporation	Affiliate	24	-
Dimension DATA China/Hong Kong Ltd	Affiliate	-	77
Dimension DATA Italia S.p.A.	Affiliate	-	318
NTT DATA Osterreich	Affiliate	95	-
NTT DATA UK Limited	Affiliate	49	-
Itelligence France S.a.S.	Affiliate	0	-
NTT DATA Inc.	Affiliate	(4)	(2)
NTT DATA Services Italy S.r.l.	Affiliate	105	212
Everis Aerospacial y Defensa SLU	Affiliate	135	-
NTT Security (Germany) GmbH	Affiliate	5	304
NTT Security France	Affiliate	1	-
NTT DATA Romania	Affiliate	134	64

Transactions with related parties are carried out under normal market conditions in the interest of the NTT DATA Italia Group and refer to both commercial transactions and financial transactions.

The Directors of the parent company did not accrue remuneration during the year.
The accrued fees due to the Independent Auditor amount to € 157 thousand.

6 Commitments

As of March 31, 2019 there were no irrevocable commitments to purchase materials or services of a long-term nature.

(€ thousand)	31 March 2018	31 March 2019
Guarantees to third parties	28.750	33.546
Total	**28.750**	**33.546**

The guarantees provided to third parties refer to the parent company and are related mainly to bank and insurance sureties for the successful completion of work in progress and for contracts underway and for the participation of NTT DATA Italia in tendering for public works contracts.

7 Subsequent Events

There were no events subsequent to the date of publication of the financial statements that could require an adjustment of the values reported in the financial statements or an inclusion of further information.

Other events:

- On June 28, 2019 the Board of Directors of NTT DATA Italia S.p.A. welcomes the decision of the NTT DATA EMEA Ltd Board to increase the company’s equity, allocating € 50 million to reserves;
- in addition, NTT DATA EMEA’s loan to NTT DATA Italia is renewed for a period of 3 years for an amount of € 97.5 million, at market rates. The previous loan amounted to € 117.5 million and expired on June 28, 2019;
- on June 4, 2019, NTT DATA Italia acquired 10% of the share capital of Tolemaica srl, an innovative startup qualified for the legal certification of data and photographs and founded in Naples in 2015. The transaction took place through a capital increase and a strategic partnership in both technical and commercial terms

8 List of subsidiaries and other equity investments

A) List of companies included in the consolidation using the in line-by-line method

Company name	Head office	Share capital (€ thousand)	Shareholder equity (€ thousand)	Shares owned (%)	Parent company	Carrying value (€ thousand)
NTT DATA Italia S.p.A.	Milan	33.700				
Subsidiaries						
NTT DATA Danismanlik Ltd Şti	Istanbul	3.193	1.618	99,970%	NTT DATA Italia S.p.A.	3192
			0	0,030%	NTT DATA Emea Ltd	4
IFI Solution Co., Ltd	Hanoi	113	2.675	99,901%	NTT DATA Italia S.p.A.	747
			3	0,099%	NTT DATA Corporation	-

B) List of other investments at cost value

Company name	Head office	Currency	Carrying value
Consorzio ABI Lab	Roma	Euro	1
Consorzio ABI Lab	Roma	Euro	1
Consorzio IDC		Euro	10
Consorzio KS		Euro	6

On behalf of the Board of Directors
The CEO
Walter Ruffinoni

REPORT OF INDEPENDENT AUDITORS

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
NTT DATA Italia S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the NTT DATA Italia Group (the "Group"), which comprise the statement of financial position as at 31 March 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the NTT DATA Italia Group as at 31 March 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of NTT DATA Italia S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters – Management and coordination

As required by the law, the Company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own consolidated financial statements. Our opinion on the consolidated financial statements of the NTT DATA Italia Group does not extend to such data.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of NTT DATA Italia S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

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

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of NTT DATA Italia S.p.A. are responsible for the preparation of the Group's directors' report at 31 March 2019 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Group's consolidated financial statements at 31 March 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the consolidated financial statements of the NTT DATA Italia Group at 31 March 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 4 July 2019

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit

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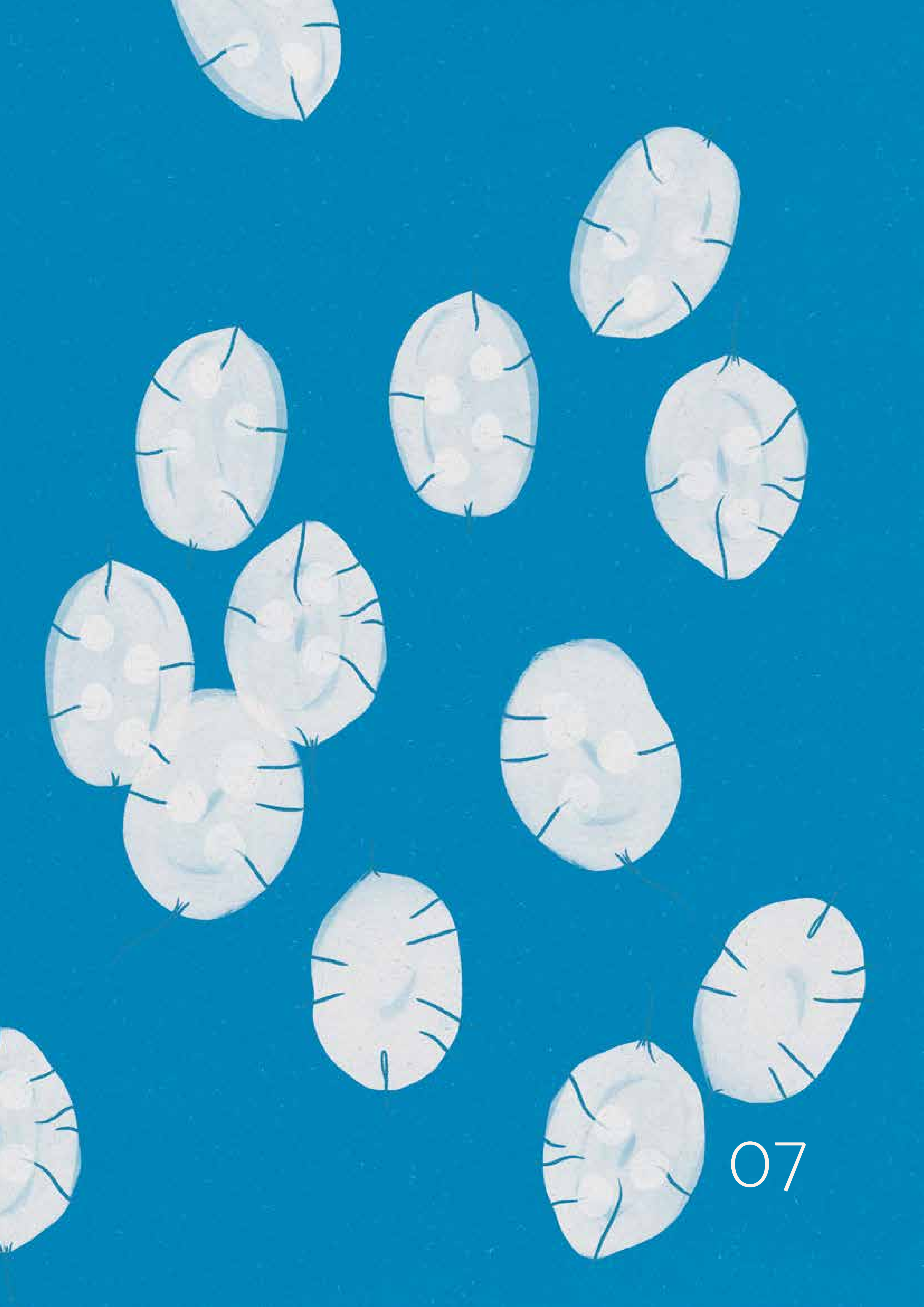
Financial Statements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FINANCIAL STATEMENTS OF NTT DATA ITALIA S.P.A.

Balance sheet statement

(€)	Note	31 March 2018	31 March 2019
Property, plant and equipment	3.1.1	4.873.620	6.580.557
Goodwill	3.1.2	104.264.553	104.264.553
Other intangible assets	3.1.3	7.596.528	5.627.533
Investments	3.1.4	3.956.897	3.956.897
Other financial assets	3.1.5	171.295	213.719
Other non current assets	3.1.6	413.309	1.266.512
Deferred tax assets	3.1.7	5.251.779	5.387.503
Deferred tax assets		**126.527.982**	**127.297.274**
Work in progress	3.2.1	12.374.534	21.818.193
Trade receivables	3.2.2	130.821.016	167.990.071
Tax receivables	2.2.3	3.256.753	4.148.200
Other receivables and current assets	3.2.4	10.781.790	12.670.460
Cash and cash equivalents	3.2.5	24.729.939	24.558.625
Current assets		**181.964.031**	**231.185.550**
TOTAL ASSETS		**308.492.014**	**358.482.824**
Share capital	3.3.1	33.107.160	33.107.160
Legal reserve	3.3.2	2.039.076	2.039.076
Other reserves	3.3.2	(7.898.657)	(5.275.604)
Net result of the year		3.115.358	4.968.026
Shareholders' equity		**30.362.938**	**34.838.658**
Employee benefits	3.4.1	19.389.992	19.651.456
Provisions	3.4.2	818.145	671.703
Financial liabilities	3.4.3	117.500.000	117.500.000
Non current liabilities		**137.708.137**	**137.823.159**
Trade payables	3.5.1	66.008.249	94.538.898
Tax and social security payables	3.5.2	14.081.401	15.892.371
Other payables and current liabilities	3.5.3	60.331.288	75.389.737
Current liabilities		**140.420.938**	**185.821.007**
Total liabilities		**278.129.075**	**323.644.166**
TOTAL LIABILITIES AND SHAREHOLDERS'		**308.492.014**	**358.482.824**

(a) Information prepared in accordance with IFRS approved by the European Commission.

Comprehensive income/(losses)

(€)	Note	31 March 2018	31 March 2019
Sales of goods and services	**3.6.1**	321.640.933	362.539.612
Other income	**3.6.2**	380.390	-
Change in work in progress	**3.6.3**	(6.933.383)	9.443.659
Total revenues		**315.087.940**	**371.983.271**
Increases in fixed assets for internal work	**3.6.4**	759.767	960.420
Costs for materials and services	**3.6.5**	(138.723.832)	(173.404.141)
Costs for personnel and directors	**3.6.6**	(165.380.687)	(185.586.678)
Amortization, depreciation and write-downs	**3.6.7**	(6.306.645)	(5.701.578)
Other operating costs	**3.6.8**	(794.864)	(1.168.056)
Operating income		**4.641.678**	**7.083.238**
Net financial income/(expenses)	**3.6.9**	(1.901.664)	(1.457.192)
Income before taxes		**2.740.014**	**5.626.046**
Income taxes	**3.6.10**	375.345	(658.020)
Net income		**3.115.358**	**4.968.026**

Other comprehensive income or losses:		
Income or losses that will never be reclassified in profit/(loss) for the period:		
Liabilities/(assets) revaluation related to defined benefit funds	125.032	(647.771)
Taxes on income or losses that will never be reclassified in profit/(loss)	(30.008)	155.465
Total other comprehensive income or losses	**95.024**	**(492.306)**

Total comprehensive income	**3.210.383**	**4.475.720**

Cash Flows statement

(€)	31 March 2018	31 March 2019
Income/(Loss) before taxes	2.740.014	5.626.046
Amortization, depreciation and write-downs	6.306.645	5.701.578
Severance indemnity	186.380	196.144
Increases in fixed assets for internal work	(759.767)	(960.420)
Provisions	201.730	632.999
(Increase)/Decrease in trade receivables	(9.517.374)	(37.286.855)
(Increase)/Decrease in other receivables	513.185	(181.881)
Increase/(Decrease) in trade payables	4.894.030	25.768.688
Increase/(Decrease) in other payables	(1.758.893)	6.247.142
Severance indemnity paid	(580.591)	(582.451)
Net cash flows from operating activities (A)	**2.225.359**	**5.160.989**
Purchase of tangible assets	(2.903.404)	(4.200.536)
Purchase of intangible assets	(721.125)	(278.564)
(Increase)/Decrease in other non current assets	(413.309)	(853.203)
Net cash flows from investment activities (B)	**(4.037.837)**	**(5.332.303)**
Increase/(Decrease) in loan payables	-	-
Net cash flows from financing activities (C)	-	-
Net cash flows (D) = (A+B+C)	**(1.812.478)**	**(171.313)**
Cash available at the beginning of the period	26.542.417	24.729.939
Cash available at the end of the period	24.729.939	24.558.625
Total change in cash and cash equivalents (D)	**(1.812.478)**	**(171.313)**

Statement of changes in equity

(€)	Shared Capital	Legal Reserve	Employee Benefits Plan Reserve	Other reserves	Retained earnings	Total
As of April 1, 2017	**33.107.160**	**2.039.076**	**(545.821)**	**(239.046)**	**(7.208.955)**	**27.152.415**
Result of the year	-	-	-	-	3.115.358	3.115.358
Other comprehensive income/(losses) for the period	-	-	95.165	-	-	95.165
As of March 31, 2018	**33.107.160**	**2.039.076**	**(450.656)**	**(239.046)**	**(4.093.596)**	**30.362.938**
Result of the year	-	-	-	-	4.968.026	4.968.026
Other comprehensive income/(losses) for the period	-	-	(492.306)	-	-	(492.306)
As of March 31, 2019	**33.107.160**	**2.039.076**	**(942.962)**	**(239.046)**	**874.430**	**34.838.658**

EXPLANATORY NOTES

1 Introduction

NTT DATA Italia S.p.A. (hereinafter also "the Company") is a joint-stock company with headquarters in Milan, viale Cassala 14/A and operates in the IT Consulting & Solutions sector, engaging in particular in the development of integrated IT solutions for large and medium-sized enterprises, as well as consultancy on technological and architectural aspects, with a focus on high-impact platforms such as, for example, Security, Customer Relationship Management and Knowledge Management.

The financial statements for the year ended on March 31, 2019, prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"), are presented in Euro and consist of the Balance Sheet, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity, and the Explanatory Notes. All of the values reported in the Explanatory Notes are expressed in thousands of Euro, unless otherwise specified.

These Financial Statements were approved and their publication authorised by the Board of Directors on June 28, 2019. On the same date, the Board of Directors approved the Consolidated Financial Statements of the NTT DATA Italia Group S.p.A.. The General Meeting of Shareholders called to approve the separate Financial Statements may request amendments to these Financial Statements.

The Financial Statements are subject to statutory audit by KPMG S.p.A..

As at March 31, 2019, the Company is 100% owned by NTT DATA EMEA Ltd., a company incorporated on March 16, 2012, and belonging to the Japanese NTT DATA Group. NTT DATA EMEA Ltd. performs activities of oversight and coordination.

The essential data of the last financial statements approved by NTT DATA EMEA, for the period from April 1, 2017 – March 31, 2018 are the following:

Profit & Loss - NTT DATA EMEA Ltd

(€)	31 March 2017	31 March 2018
Other income	11.546.610	13.423.473
Administrative expenses	(14.555.137)	(16.356.179)
Operating income/(loss)	**(3.008.527)**	**(2.932.706)**
Net financial income/(expenses)	353.941	607.895
Dividends	3.043.685	3.596.798
Financial assets impairment	(16.010.000)	(3.735.618)
Earn out on investments	(3.395.105)	-
Restructuring costs	(2.483.000)	(605.000)
Income/(Loss) before taxes	**(21.499.006)**	**(3.068.631)**
Income taxes	(404.833)	478.353
Net income/(loss)	**(21.903.839)**	**(2.590.278)**

Balance Sheet - NTT DATA EMEA Ltd

(€)	31 March 2017	31 March 2018
Intangible assets	663.469	2.050.602
Financial assets	488.799.508	483.390.177
Non current assets	**489.462.977**	**485.440.779**
Other receivables and current assets	18.185.953	22.543.362
Accrued income	406.584	328.217
Cash and cash equivalents	2.526.614	584.074
Deferred taxes	495.990	41.424
Current assets	**21.615.141**	**23.497.077**
TOTAL ASSETS	**511.078.118**	**508.937.856**
Share capital	18	19
Sharepremium reserve	409.121.962	409.995.460
Other reserves and net result of the year	(120.523.564)	(123.113.842)
Shareholders' equity	**288.598.416**	**286.881.637**
Financial liabilities	182.037.484	161.634.530
Non current liabilities	**182.037.484**	**161.634.530**
Trade payables	3.504.879	4.048.315
Tax and social security payables	350.876	2.951.851
Financial liabilities	15.327.425	12.096.787
Other payables and current liabilities	21.259.038	41.324.736
Current liabilities	**40.442.218**	**60.421.689**
Total liabilities	**222.479.702**	**222.056.219**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**511.078.118**	**508.937.856**

1.1 Method of presenting the financial statements

These financial statements were prepared assuming the company is a going concern, since the Directors have verified that there are no financial, operating or other indicators of situations suggesting the Company's inability to satisfy its obligations in the foreseeable future.

Risks and uncertainties relating to the business are described in the dedicated section of explanatory notes and in the Directors' Report to which reference is made.

As of January 1, 2005 the Company has prepared its financial statements according to the IFRS adopted by the European Union.

The financial statements for the year ended March 31, 2019 were prepared using the IFRS in force on that date, including the International Auditing Standards (IAS), the interpretations issued by the Standard Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union.

The formats used for the financial statement are consistent with those envisaged by the revised IAS 1, in particular:

The **Balance Sheet** was prepared by classifying assets and liabilities according to "current/ non-current" criteria.

An asset / liability is classified as "current" when:

- It is expected that an asset / liability will either be realised / extinguished or sold or used in the normal operating cycle of the business;
- It is held principally for trading;
- It is expected that it will be either realised or extinguished within 12 months after the balance sheet date;
- It falls in the category of cash and cash equivalents, unless it is precluded from being traded or used to settle a liability for at least 12 months after the balance sheet date;
- The entity does not have an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

If these conditions are not met, the assets/liabilities are classified as non-current;

the **Statement of Comprehensive Income** was prepared by classifying operating costs by type, since the Company decided that this was more closely representative than presenting costs by destination, and more suitable for representing the specific business of the Company; this includes revenues and costs that are not stated under profits (losses) for the accounting period, or income and charges stated directly under shareholders' equity and deriving from business activities other than transactions with shareholder;

the **Cash Flow Statement** was prepared showing cash flows from operating activities, using the "indirect method", as authorised by IAS 7;

the **Statement of Changes in Shareholders**' Equity includes not only the result of the statement of comprehensive income, but also the business transactions carried out directly with shareholders acting in that capacity and the details of each individual item.

For each significant item listed on the above tables, reference is made to the subsequent explanatory notes which provide the relevant information, details and changes compared to the previous financial year.
dente.

1.2 Seasonal nature of the business

On the basis of our historical data, the activity of the Group is not subject to significant seasonal phenomena.

2 Accounting standards adopted

The accounting standards described below were applied homogeneously for all the periods included in these financial statements.

2.1 Description of the main accounting standards and measurement methods adopted

The financial statements were prepared on a cost basis, except in the cases specifically described in the following notes, for which the "fair value" principle was applied.

The main measurement methods used for the individual items of the financial statements are described below.

A. Tangible fixed assets

Tangible fixed assets are measured at the purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes all expenses directly incurred to prepare the assets for use and any removal and disposal costs that will be incurred as a result of contractual obligations requiring that the asset be restored to its original condition.

The costs incurred for routine and/or scheduled maintenance and repairs are directly charged to the income statement as incurred. Costs relating to the expansion, modernization or improvement of facilities owned or used by third parties are capitalised only insofar as they satisfy the requirements for being separately classified as an asset or part of an asset by applying the "component approach".
Similarly, replacement costs for identifiable components of complex assets are capitalised and depreciated over their estimated useful life; the residual value of the replaced component

is reported in the income statement.

The book value of plant and machinery is adjusted by systematic depreciation, calculated on a straight-line basis from the time the asset becomes available and ready to use, depending on the estimated useful life.

The estimated useful for the various categories of assets, is the following::

- Plant, machinery and equipment 4 - 8 years;
- Furniture, office machinery and vehicles 4 - 8 years.

The useful life of tangible assets and the residual values are reviewed and adjusted annually and, where applicable, at the end of each financial year.

If the asset to be depreciated is composed of distinct elements with a useful life that significantly differs from that of other parts that compose the asset, the depreciation is calculated separately for each of the parts that make up the asset, according to the “component approach”.

Improvements to leased assets are classified under “Plant and machinery”, based on the nature of the cost incurred. The depreciation period corresponds to the lesser between the remaining useful life of the asset and the duration of the lease agreement.

The profit or loss arising from the sale of tangible fixed assets is determined as the difference between the selling price and the book value of the asset and is recorded under profit and loss of the current year respectively as “Other income” or “Other operating costs”.

B. Leased assets

Lease agreements are classified as finance leases when under the terms of the agreement all risks and benefits of the lessor are transferred to the lessee.

The assets acquired through finance leases are recorded as assets of the Company at fair value, at the date of commencement of the lease agreement, less any additional charges incurred for the execution of the agreement or, if lower, at the current value of the minimum payments due for the lease agreement. The corresponding amount due to the lessor is included under “Other financial liabilities” in the balance sheet. The lease instalments are divided into principal and interest applying a fixed rate of interest for the duration of the contract. The financial costs are stated in the Income Statement.

Leases for which the lessor substantially maintains all the risks and benefits connected with the ownership of those assets are classified as operating leases. Costs related to operating leases are shown on a straight-line basis in the income statement for the duration of the lease agreement.

C. Intangible assets

Intangible assets consist of non-cash items, identifiable and without physical substance, controlled and capable of generating future economic benefits. These elements are measured at purchase and/or production cost, including costs directly attributable to preparation of the asset for use, net of accumulated amortisation and any impairment losses. Amortisation begins when the asset is available for use and is calculated over its remaining useful life.

The recoverability of intangible assets is assessed annually.

(i) Goodwill

Goodwill is represented by the excess purchase cost incurred compared to the net fair value, on the date of acquisition of the assets and liabilities of companies. Goodwill is not subject to systematic amortisation but to an annual test to verify the adequacy of the relative value recorded in the balance sheet (impairment test). This test is carried out with reference to the organisational unit generating cash flows ("cash generating unit") to which goodwill is attributed. Any reduction in the value of the goodwill is noted if the recoverable amount of goodwill is lower than its carrying value on the balance sheet. Recoverable amount means the greater amount between the fair value of the cash generating unit, less sales costs, and the relative value in use (refer to section D below for further details regarding the calculation of the value in use).

In the event that the impairment resulting from the test is higher than the value of the goodwill allocated to the cash generating unit, the remaining surplus is allocated to the assets included in the cash generating unit in proportion to their carrying value. The lowest limit for the allocated amount is the greatest between:

- the fair value of the assets, net of costs of sale;
- the value in use, as defined above.

(ii) Industrial patent rights and use of intellectual property, licenses and similar rights

The expenses related to the purchase of industrial patent rights and the use of intellectual property, of licenses and similar rights are capitalised based on purchase costs.

Amortisation is computed using a straight-line method so that the cost sustained for purchasing the right is allocated over the shortest period between the expected use and the duration of the related contracts, starting from the moment the right purchased is exercisable.

(iii) Others

These relate mainly to expenses for registering trademarks, amortised over a 10-year period.

(iv) Development Assets

An intangible asset arising from the development (or from a stage of development of an internal project) is recognised when:

- the technical feasibility of completing the asset so that it will be available for use or sale is demonstrated;
- it is shown that the intangible asset will generate future economic benefits;
- there is an availability of technical, financial and other resources sufficient to complete the development and for the use or sale of the intangible asset;
- it is possible to reliably calculate the cost attributable to the intangible asset during development.

D. Impairment of assets

At each balance sheet date, tangible and intangible assets with a defined life are analysed in order to identify the existence of any indicators, originating from either external sources or sources within the Company, of a reduction in their value. In circumstances where these indicators are identified, an estimate is made of the recoverable value of these assets and any impairment is accounted for in the income statement. In the case of goodwill and other intangible assets with an indefinite useful life, this assessment is performed at least on a yearly basis. The recoverable value of an asset is either its fair value less sales cost, or its value in use, whichever is greater, where the latter is the current value of future estimated cash flows arising from the use of the asset and those deriving from disposal at the end of its useful life.

In determining the value in use, the anticipated future cash flows are obtained using a pre-tax discount rate that reflects current market assessments of the value of the money compared to the investment period and the specific risks. For an asset that does not generate largely independent cash flows the realisable value is determined in relation to the cash generating unit to which the asset belongs.

An impairment loss is recognised in the income statement when the book value of the asset, or the cash generating unit to which it is allocated, exceeds the recoverable amount. If the conditions for the previous write-down cease to exist, the book value for the asset is restored and the adjustment accounted for in the income statement, within the limits of the net carrying value the asset concerned would have had if it had not been written down and amortisation or depreciation charges had been applied.

E. Financial instruments

(i) Financial assets

When first entered, financial assets are classified in one of the following categories and measured as follows:

- **loans and receivables**: these are financial instruments, primarily related to trade receivables, non-derivatives and not listed in an active market, from which fixed or determinable payments are expected. They are included under current assets, except for those that fall due more than twelve months after the balance sheet date, which are classified as non-current. When initially recorded, these assets are recorded at the fair value and subsequently at the amortised cost using the effective interest rate method. If there is objective evidence of impairment, the asset is reduced accordingly, so that it is equal to the current value of future cash flows. Impairment losses are reported in the income statement. If in subsequent periods, the reasons for previous write-downs no longer exist, the value of the asset is restored to the value that would have been derived by applying the amortised cost, if no write-down had taken place;
- **investments available for sale**: these are non-derivative financial instruments specifically assigned to this category, which cannot be classified in the above categories. These financial instruments are initially measured at fair value and the profits or losses accounted for in an equity reserve are reflected in the income statement only when the financial assets are actually sold or, in the case of accumulated negative changes, when there is evidence that the reduction in value already accounted for in equity cannot be recovered. Solely in the case of debt securities, if, in a subsequent period, the fair value increases and the increase can be related objectively to an event occurring after the impairment loss was reported in the income statement, the impairment loss must be reversed, with the amount of the reversal recognised in the income statement. Furthermore, with respect to debt securities, the returns measured based on the amortised cost method are accounted for with an offsetting entry in the income statement, as in the case of effects related to changes in exchange rates. The changes in exchange rates relating to capital instruments available for sale are accounted for in a specific equity reserve;
- **equity investments in subsidiary and associated companies**: investments in subsidiaries and associates are measured at the purchase and/or subscription cost and adjusted for any impairment. If an investment shows indications of impairment, the possible reduction in value is verified by performing an impairment test and any losses are accounted for in the income statement. When the reasons which led to the write-down no longer exist, the book value of the investment is restored to its original cost. This recovery is accounted for in the income statement.

Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument have been extinguished and the Company has substantially transferred all risks and benefits tied to the instrument and the control thereof.

(ii) Financial liabilities

Financial liabilities are related to loans, trade payables and other payment obligations and are measured at fair value during initial recognition and subsequently at the amortised cost, using the effective interest rate criteria. If there is a change in expected cash flows and it is possible to obtain a reliable estimate, the value of the loans is recalculated to reflect this change on the basis of the present value of the new expected cash flows and internal rate of return initially determined. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer payment for at least 12 months after the balance sheet date.

Financial liabilities are removed from the Balance Sheet at the time of their settlement.

(iii) Determining the fair value of financial instruments

In order to determine the fair value of financial instruments listed on active markets, the relative market price (bid price) in effect on the closing date of the period of observation is used. In the absence of an active market, the fair value is determined using measurement models that rely primarily on objective financial variables, and by taking into account, where possible, prices observed in recent transactions and the market prices for similar financial instruments.

F. Contract work in progress

Contract work in progress is represented by specific projects commissioned by customers and currently underway.

If the outcome of an ongoing project can be reliably estimated, contract revenue and the related costs are identified based on the percentage-of-completion method. The percentage of completion is determined with reference to the relationship between the costs incurred for activities performed as of the reporting date and the estimated total costs upon completion.

If the outcome of an ongoing project cannot be reliably estimated, contract revenues are stated in the amount of the costs incurred, provided that it is likely that these costs will be recovered.

The sum of the costs incurred and results stated on each project are compared with the invoices issued as of the reporting date. If the costs incurred and the stated profits (less losses) are in excess of the advance billings, the difference is classified as current assets under “Contract work in progress”. If the advance billings exceed the costs incurred plus measured earnings (less losses), the difference is classified among current liabilities under the heading “Other payables and current liabilities”.

Any losses on contracts are recorded in the income statement, when it is likely that the estimated total costs will exceed the expected total revenues.

G. Cash and cash equivalents

Cash and cash equivalents consist of cash, bank and postal current accounts, short-term demand deposits and other short-term highly liquid investments that in any case are payable and due within ninety days of the acquisition date and promptly convertible into cash. Items included in net cash are measured at fair value and any changes are accounted for in the income statement.

H. Shareholders' equity

(i) Share capital

The share capital is represented by the capital subscribed and paid up.

(ii) Legal reserve

It includes the amounts set aside for the legal reserve as per art. 2430 of the Civil Code, which is increased by an amount equivalent to one twentieth of the net profits made, until the reserve itself has reached one fifth of the share capital. Once one fifth of the share capital is reached, if for whatever reason the reserve is decreased, it will be replenished in minimum annual allocations equal to the one indicated above.

(iii) Other reserves including profits/losses for the year

They include the operating results for the current period and the previous financial years for the part not distributed or allocated to reserves (in the case of profits) or covered (in the case of losses) and the accumulated effects following the conversion to IFRS.

I. Provisions for risks and charges

Provisions for risks and charges are stated only when there is a current obligation (legal or implicit) for a future outflow of economic resources as a result of past events and it is likely that this outflow will be required to settle the obligation. This amount represents the best estimate of the amount required to settle the obligation. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are discounted. The rate used to determine the present value of the liabilities reflects current market values and includes the additional effects of the specific risk associated with each liability. Changes in the value of the provision, due to the passage of time, are accounted for in the income statement under "Financial expenses".

The costs that the company expects to incur in order to carry out restructuring plans are charged to the financial year in which the program is officially defined and in which the parties concerned can reasonably expect the restructuring to take place.

The risks related to liabilities whose occurrence is only possible are described in the section on commitments and risks, and no provisions are made.

J. Defined benefit plans

With the adoption/implementation of IFRS, the severance indemnity accrued up to December 31 2006 is considered a defined benefit obligation that must be accounted for in accordance with IAS 19 – Employee Benefits. Consequently, it must be measured on the basis of actuarial assumptions at the end of each period by applying the projected unit credit method.

The measurement process, based on demographic and financial factors, is entrusted to independent professional actuaries.

Actuarial gains and losses, returns on plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) which emerge following the remeasurement of the net defined benefit liability are immediately accounted for in OCI. The net interest for the period on the defined benefit liability/(asset) is calculated by applying to the net liability/(asset) the discount rate used to discount the defined benefit obligation, as determined at the beginning of the period, taking into account any changes in the net defined benefit liability/(asset) taking place during the period as a result of contributions collected and benefits paid. Net interest expense and other expenses related to defined benefit plans are recognised in profit/(loss) for the year.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gains or losses deriving from curtailment of the plan are recognised in the profit or loss for the year at the moment in which the adjustment or curtailment takes place.

K. Recognition of revenues from sales of goods and services

The company has adopted in advance the accounting standard IFRS 15 - Revenue from Contracts with Customers.

IFRS 15 has replaced the criteria for the recognition of revenue defined by IAS 18 'Revenue' and IAS 11 'Construction Contracts' and introduced a single general model for establishing if, when and to what extent revenue should be recognised, and which is based on the transfer of control over the goods and services to the customer. In particular, IFRS 15 outlines a model for the recognition of revenue which entails carrying out the following 5 steps:

- Step 1 – Identify the contract with a customer;
- Step 2 – Identify the performance obligations in the contract with the customer;
- Step 3 – Determine the transaction price;
- Step 4 – Allocate the transaction price to the performance obligations in the contract;
- Step 5 – Recognise revenue when the entity satisfies a performance obligation (revenue is

recognised over time or at a point in time).

Revenue from the sale of goods arising in the course of ordinary activities is measured at the fair value of the amount received or receivable, taking into account any rights of return and the value of rebates, trade discounts and bonuses linked to volume. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue concurrently with the recognition of sales.

Revenue from services provided includes the initial amount of revenue agreed in the contract and any variants agreed with the customer, requested price adjustments and payments of incentives to the extent that they are likely to give rise to revenue and can be reliably estimated.

When the outcome of a project can be reliably estimated according to the guidelines laid down by accounting standard IFRS 15, the corresponding revenue is recognised in proportion to progress (over time). Progress is determined on the basis of an estimate of the hours expended and the final balance for each project underway. When the outcome of a project cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are expected to be recovered.

The related costs are stated as incurred unless they relate to future activity on the contract. An expected loss on a project in progress is immediately recognised as an expense in profit or loss.

The chargebacks to third parties for costs sustained on their behalf are accounted for by writing off the costs to which they relate.

L. Recognition of costs

Purchases of goods are recognised at the time of the transfer of ownership and are appraised at the fair value of the price due, net of any refunds, allowances, commercial discounts and year-end bonuses.

The costs for services are recognised based on the progress of the service being provided as of the end of the reporting period. Interest payable is measured on an accrual basis.

Financial costs are recognised in the comprehensive income as they are accrued, with the exception of borrowing costs directly ascribable to the acquisition, construction or production of assets that require a substantial amount of time before they are ready to be used or sold. With reference to such assets, capitalisation of which began on January 1, 2009, the applicable date of accounting standard IAS 23- Borrowing Costs (revised), the associated financial charges are capitalised as part of such assets.

M. Taxes

Current taxes are calculated on the basis of taxable income for the financial year. The taxable income differs from the result reported in the statement of comprehensive income due to the fact that it excludes positive or negative components that are taxable or deductible in other accounting periods and because it excludes components that are not taxable or deductible.

The current tax liabilities are calculated using the rates in force or actually applicable on the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it may be assumed that future taxable income will be sufficient to allow these deductible temporary differences to be exploited.

In particular, the value of the deferred tax assets for accounting purposes is reviewed at the end of every reporting period based on the updated forecasts of future taxable income.

Deferred tax assets and liabilities are not recognised if the temporary differences derive from the initial entry of goodwill or, in the case of transactions other than business combinations, of other assets or liabilities in operations that do not have any influence on either the result for accounting purposes or the result for tax purposes. Furthermore, deferred tax liabilities are recognised for temporary taxable differences related to investments in subsidiaries, associates, and jointly controlled companies; except where the Group is capable of controlling the annulment of such temporary differences and where it is probable that the latter differences will not be annulled in the foreseeable future.

The deferred tax assets and liabilities are calculated based on the tax percentage that will most likely be in force at the moment of realization of the asset or extinguishment of the liability, keeping in mind the tax percentages in force at the balance sheet date.

The deferred tax assets and liabilities are offset where there is a legal right to offset current tax receivables against current tax payables and when they refer to taxes due to the same revenue authority and the Group intends to pay current taxes due net of tax receivables.

N. Financial income and expenses

Financial income includes interest earned on cash invested (including all financial assets available for sale), dividend income, income from the sale of financial assets available for sale, changes in the fair value of financial assets recognised in the income statement, income from a business combination for the remeasurement of the fair value of the previous investment, if any, in the acquired company, gains on hedging instruments recognised/recorded in profit or loss and reclassification of net income previously recognised/recorded in other comprehensive income. Interest income is recognised in profit or loss on an accrual basis using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established; in the case of listed securities it is normally on the payment due date.

Financial expenses comprise interest payable on loans, the release of the discounting of funds and the corresponding deferred amounts, losses from the sale of financial assets available for sale, changes in the fair value of financial assets at the fair value stated in the income statement and the potential corresponding amounts, losses due to impairment of financial assets (other than trade receivables), losses on hedging instruments recognised in the profit or loss for the year and reclassification of net losses previously recognised in other components of comprehensive income.

The costs related to loans that are not directly attributable to the cost of acquisition, construction or production of an asset that justifies capitalisation are recognised in profit or loss using the effective interest method.

Exchange gains and losses on financial assets and liabilities are shown at the net between income and expenses based on the position of profits or net losses deriving from currency transactions.

O. Translation of items expressed in currencies other than the Euro

Transactions in foreign currencies are converted into € at the exchange rate in force on the date of the transaction. Monetary items stated in foreign currencies at the balance sheet date are converted into € at the exchange rate effective on that date. Currency translation gains or losses are reported under profit or loss for the year.

2.2 Use of estimates

The preparation of financial statements requires the management to apply accounting standards and methods that, in some cases, are based on difficult and subjective judgments and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic depending on the circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, namely, the balance sheet, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement, as well as other information provided.

The final balances shown in the financial statements, for which the above-mentioned estimates and assumptions were used, may differ from those reported in financial statements that disclose the actual effects of the occurrence of the event under consideration, due to the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Below is a brief description of the main items requiring a more subjective assessment by management when formulating estimates, and for which a change in the conditions underlying the assumptions made could have a significant impact on the balance sheet values of assets and liabilities.

Revenues and costs

The determination of revenues, costs, and hence the margin of earnings for the year from projects in progress, is based on the best estimates made by management regarding the work completion schedule. Such estimates entail forecasting the costs upon completion of the different projects underway. The assessments may undergo adjustment in the months following the balance sheet date.

Goodwill

In accordance with the accounting standards adopted in preparing the financial statements, the Company annually reviews goodwill in order to establish the existence of any impairment to be reported in the income statement. In particular, this involves the allocation of goodwill to cash generating units and subsequent determination of its recoverable amount. Whenever the recoverable amount is lower than the book value of cash generating units, it will be necessary to write down the goodwill allocated to them. Allocating goodwill to cash generating units and determining the recoverable amount thereof involves using estimates that depend on factors that may change over time and produce significant effects on the assessments made by management.

Deferred tax assets

Accounting of deferred tax assets is based on the expected income for future accounting periods. Assessing expected income in order to account for deferred taxes depends on factors that may vary over time and significantly impact the assessment of deferred tax assets.

Provisions for risks and charges

To meet legal and tax risks, provisions are made to cover the risk of a negative outcome in legal proceedings. The amount of funds set aside for such risks represents the best estimate made by Company management at the balance sheet date. This estimate requires assumptions that depend on factors that may change over time and which could therefore have a significant impact on current estimates made by management in preparing the consolidated financial statements.

Reserve for bad debts

The reserve for bad debts reflects estimates of losses on the Company's receivables portfolio. Provisions have been made against expected losses calculated on the basis of historical experience with receivables with similar credit risk profiles, as well as the careful monitoring of the quality of the receivables portfolio and current and forecast conditions in the target markets.

2.3 Accounting Standards of future introduction

Shown below are the accounting standards, amendments and interpretations issued by the IASB and approved by the European Union, to be adopted mandatorily in the financial statements for the years beginning on or after January 1, 2018:

- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 9 – Financial Instruments;
- Amendments to IFRS 4, joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance contracts;
- Amendments to IFRS 1 and IAS 28, improvements of IFRS round 2014 – 2016;
- Amendments to IFRS 2, share based payments;
- Amendments to IAS 40, changing in destination of investment property;
- IFRIC 22, foreign currency transactions and advance consideration.

We note that the Company has adopted in advance from the fiscal year 2018 the accounting standard IFRS 15 - Revenue from Contracts with Customers. For further details, reference should be made to section 2.1.K Recognition of revenues from sales and services.

The adoption of the IFRS 9 – Financial instruments had no significant impact on these financial statements.

Below is a list of the accounting standards, amendments and interpretations issued by the IASB and approved by the European Union, and which must be mandatorily adopted in the financial statements for the years beginning on or after January 1, 2018:

- IFRS 16 – Leasing, in force as of January 1, 2019;
- Amendments to IFRS 9, prepayment features with negative compensation, in force as of January 1, 2019;
- IFRIC 23, Uncertainty over income tax treatments, in force as of January 1, 2019.

An assessment about the impacts generated by the adoption of IFRS 16, which replaces the IAS 17, is still ongoing. Currently, the effect is estimated in higher Non current assets, related to “Right of Use” assets, for about € 31.1 million and a concurrent Lease Liability for the same amount. The Company has elected to adopt IFRS 16 under the modified retrospective approach (Option 2).

2.4 Risk management

General principles of risk management

The founding principles of the risk policy are based on the prevention of major risks related to group objectives and concern strategic, operational and financial areas. These risks also

include dependence on key personnel.
The main risks are reported and discussed at the top management level in order to create the conditions for their coverage, insurance and evaluation of the residual risk.
In addition to the guidelines for risk management, there are specific guidelines for financial risks such as exchange and interest rate risks and credit risks.

Operating risks

The market for strategic consulting and ICT professional services is related to the performance of the economy, especially of the developed countries where the demand for quality products and services and/or high technological content is higher.

An economic downturn at a national and/or international level could have an impact.
The Company has joined the prestigious Japanese NTT DATA Group, which is among the world's leading IT companies.

The Company may further boast a management team with extensive experience in the industry, enabling it to offer top quality, competitive services and solutions to customers.

Financial risks

(i) Credit Risk

Credit risk is the risk that a customer will cause a financial loss by failing to fulfil an obligation and mainly derives from trade receivables. This credit risk is primarily related to the possibility that customers will not honour their debts to the Company on the agreed upon dates.

The customer base consists mainly of medium to large firms for which there are no special risks in terms of collecting receivables. The first 10 customers account for about 60% of receivables. With the majority of customers, the Group has been conducting business now for a long time and bad debts have not had adverse effects on turnover over time. The activity of monitoring credit with respect to customers takes place on the basis of a periodic report that provides an analysis of exposures. The Group companies allocate amounts to the reserve for bad debts that reflect the estimate of the possible losses on trade receivables and other receivables.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company has difficulty in meeting obligations associated with financial liabilities. The Company's approach to cash management is to ensure, as much as possible, that there are always sufficient funds to meet its obligations at maturity, both under normal conditions and conditions of financial stress, without incurring exorbitant costs or risk of harming its reputation.

Generally, the Company ensures that there is sufficient cash on demand to meet the needs generated by the operating cycle and investment, including costs related to financial liabilities. The treasury service engages in continuous financial forecasting based on expenditure and income expectations in the months ahead and takes corrective measures accordingly.
It should be noted that cash flows, funding requirements and liquidity are managed centrally at the EMEA level in contact with the headquarters in Tokyo, in order to ensure the optimisation of resources.

The strategic goal is to ensure that in every moment the Company has sufficient credit lines to cope with the financial needs for next twelve month.

Moreover, it must be pointed out that the Japanese Group NTT DATA boasts a prestigious rating, essential for assessing current risk.

(iii) Exchange rate Risk

Exchange rate risk is the risk that the Company might incur costs due to currency fluctuations on business or financial transactions.

(iv) Interest rate Risk

The interest rate risk to which the Company is exposed originates mainly from financial debts at variable rates (Euribor), even if this risk is significantly reduced considering that the Company has paid off its short and medium-term loans from credit institutions, which have been replaced with intercompany loans at a fixed rate received from the parent companies NTT DATA EMEA Ltd and NTT DATA Corporation.

3 Comments on the items included in the Balance Sheet and the Income Statement

3.1 Non-current Assets

3.1.1 Property, plant and equipment

The item “Property, Plant and equipment” and relevant changes as of March 31, 2019 are as follows:

(€ thousand)		Plant and equipment	Other tangible assets	Total
Book value		9.323	20.243	29.566
Accumulated depreciation		(8.812)	(15.880)	(24.692)
As of 31 March 2018		**511**	**4.362**	**4.874**
Book value	Increases	156	4.044	4.201
	Disposals	-	-	-
Accumulated depreciation	Depreciation	(211)	(2.282)	(2.494)
	Disposals	-	-	-
Book value		9.479	24.287	33.766
Accumulated depreciation		(9.023)	(18.163)	(27.186)
As of 31 March 2019		**456**	**6.124**	**6.581**

The increase in item “Plant and equipment”, amounting to € 156 thousand, mostly reflect purchases of computer equipment for expanding and modernizing the equipment base and upgrading the Company’s infrastructure.

The increases in the item “Other assets” amounting to € 4,044 thousand refer for € 2,785 thousand to the purchase of capital goods, in particular the EDP equipment, necessary for the Company’s core activities, and for € 1,259 thousand to the purchase of furniture and fittings following the modernization and expansion of the Milan and Naples offices.

3.1.2 Goodwill

The item “Goodwill” amounted to € 104,265 thousand and was generated as follows: € 40,539 thousand in 2004 as a result of the merger of VP Technologies Srl, V.P. Web S.p.A. and Software Factory S.p.A; € 63,220 thousand in 2008 as a result of the merger of Etnoteam S.p.A; € 197 thousand in the course of the 2009 financial year as a result of the merger of the company Agora S.r.l. and € 309 thousand in 2010 as a result of the merger of the company Net Value S.r.l..

At March 31, 2019 a number of impairment tests had been carried out, with the assistance of independent experts, in order to detect the existence of any loss in value of the recorded goodwill.

The cash-generating units ("CGU") are identified based on the geographical area to which goodwill has been allocated, which coincides with Italy, consistently with the lowest level at which goodwill is monitored for internal management purposes.

The recoverability of the value of goodwill allocated to the CGU is verified by estimating the value in use of the same, understood as the present value of the expected cash flows.

For the purpose of determining the discount rate, reference was made to the Capital Assets Pricing Model, based, to the extent possible, on indicators and parameters observable on the market.

The expected cash flows were determined on the basis of the Business Plan for 2020-2023 approved by the Board of Directors.

The main basic assumptions used in the impairment test are illustrated below.
With reference to the year ended March 31, 2019, no reductions in the value of goodwill as reported emerged from the impairment test.

Specifically, the impairment test set up by the Company takes into consideration the following aspects:

- Cash flows for the explicit period: they are constructed on the basis of the Business Plan drawn up by the Company management. In particular, the forecasts included in the plan predict an increase in revenues at a CAGR (Compounded Average Growth Rate) of 2.3% and a concurrent marginality increase in the last years of projection. Working capital turnover ratios are forecast to remain stable as a result of the excellent results achieved in 2019, with a substantial stability of turnover ratios both in respect of trade receivables (thanks also to reliance on factoring schemes) and trade payables.
- Time extension of cash flows and "Terminal Value": the terminal value was determined based on the normalisation of cash flows for 2023, to which a normalised growth rate of 2% which is aligned with main companies comparable and coherent with long term growth expectations of the reference market.
- Investments: an estimate of investments over the period of the plan was formulated, taking into account the investments made up to now by the Group.
- WACC: the discount rate was determined by the company taking into consideration the beta coefficients and rates used for companies comparable to the NTT DATA Italia Group and amount to 8.5%.

The WACC level where there would be a cancellation of the existing difference between the value in use of the CGU and its carrying amount is equal to 9.8%, while the g rate that would lead to the annulment of a value greater than the book value would be equal to 0.2%.

To better assess the results of the impairment test carried out with the "value in use" method, an alternative revenue-based method of evaluation was adopted; it uses specific multipliers on revenues of companies operating in the Italian Information Technology sector. The application of the alternative method confirmed the results of the application of the method described above.

3.1.3 Other intangible assets

The item "Other intangible assets" has the following composition and changes:

(€ thousand)	Industrial patent rights and use of intellectual property	Concessions, licenses, and similar rights	Software in progress	Total
As of 31 March 2018	**6.633**	**17**	**946**	**7.597**
Internal works	960	-	-	960
Purchases	193	-	85	279
Depreciations	(3.196)	(12)	-	(3.208)
Depreciations	**4.590**	**6**	**1.032**	**5.628**

The increase in the item "Patent rights" for internal work, amounting to € 960 thousand, mainly refers to development activities related to the "Encoding" project (€ 302 thousand), the "Docspa" project (€ 139 thousand), the "Block Trace Evolution" project (€ 81 thousand), the "IOT Multiprotocol Gateaway" (€ 50 thousand), the "AI Ethical Hacking" (€ 61 thousand), the "AI Sales Assistant" (€ 64 thousand) and the "SWM" project (€ 180 thousand).

For additional information please refer to paragraph "Investments in innovation" in the Report on Operation section.

The increase in the item "Patent rights" for acquisitions relates mainly to purchases of software.

3.1.4 Investments

The item "Investments" has the following composition and changes:

(€ thousand)	Investments in subsidiares	Investments in associates	Other investments	Total
As of April 1, 2017	**3.939**	-	**18**	**3.957**
Increases	-	-	-	-
Decreases	-	-	-	-
As of March 31, 2018	**3.939**	-	**18**	**3.957**
Increases	-	-	-	-
Decreases	-	-	-	-
As of March 31, 2019	**3.939**	-	**18**	**3.957**

The table below provides a list of the companies in which the Company had an investment as of March 31, 2019:

Company name	Head office	% Shares held	Total equity *(€ thousand)*	Share of equity *(€ thousand)*	Carrying value *(€ thousand)*
Investments in Subsidiares					
NTT Data Danismalik Ltd Sirketi	Istanbul	99,97%	1.619	1.618	3.192
Ifi Solution Co., Ltd	Hanoi	99,90%	2.677	2.675	747
Other investments					
Consorzio ABI Lab	Rome				2
Consorzio IDC	Milan				10
Consorzio KS	Milan				6

The balance of the item 'Equity investments' remained unchanged from the previous period.

3.1.5 Other financial assets

The item "Other financial assets" as of March 31, 2019 and as of March 31, 2018 breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Security deposits	171	214
Total	**171**	**214**

3.1.6 Other non-current Assets

The balance of the item “Other non-current Assets” as of March 31, 2019 amounted to € 1,267 thousand and refers to the capitalisation of costs incurred by the parent company in the acquisition of some new projects from customers and resulting from the application of the accounting standard IFRS 15.
For further details, please refer to the section headed 2.1.K - Recognition of revenues from sales and services.

3.1.7 Deferred tax assets and liabilities

(€ thousand)	31 March 2018	31 March 2019
Deferred tax assets	5.252	5.388
Total	**5.252**	**5.388**

Deferred tax assets and liabilities as of March 31, 2019 and as of March 31, 2019 break down as follows:

	Deferred tax assets		Deferred tax liabilities	
(€ thousand)	31 March 2018	31 March 2019	31 March 2018	31 March 2019
Temporary difference generated by:				
- Bad debt provision	1.122	568	-	-
- Other non deductible funds	1.953	3.093	-	-
- Tax losses	735	3	-	-
- Cash deductible costs	90	61	-	-
- Depreciation (New tax law)	613	660	-	-
- Value adjustments	461	520	-	-
Differences generated by IFRS transition:				
- Severance pay adjustment as per IAS 19	675	831	(398)	(348)
Total	**5.650**	**5.735**	**(398)**	**(348)**

The Company management judges the amount of deferred tax assets to be entirely recoverable in light of the company’s income expectations as documented in the business plan.

3.2 Current assets

3.2.1 Work in progress

Work in progress refers to projects underway as of March 31, 2019. These projects are accounted for according to the percentage of completion method, net of any losses.

(€ thousand)	31 March 2018	31 March 2019
Work in progress	12.375	21.818
Total	**12.375**	**21.818**

The increase compared to March 31, 2018 is mainly due to some significant projects in the Energy & Utilities market and the Telecom market in progress at the end of the period.

3.2.2 Trade receivables

The item "Trade receivables" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Receivables from third parties	131.160	163.279
Receivables from subsidiares	131	162
Receivables from parent companies	3.607	5.778
Receivables from affiliate companies	1.544	2.173
Bad debt provision	(5.622)	(3.402)
Total	**130.821**	**167.990**

The increase in trade receivables is basically linked to the higher revenues of the 2019 financial year compared to those of the previous year, the increase in revenues is, in fact, equal to € 40,899 thousand.

The breakdown of receivables as of March 31, 2019 is as follows:

(€ thousand)		Expired but not devalued				
	Not due	0-30 days	30-90 days	90-180 days	>180 days	**Total**
31 March 2019	147.084	16.636	3.941	329	-	**167.990**
31 March 2018	115.748	9.477	5.075	44	477	**130.821**

Trade receivables as of March 31, 2019 break down as follows by geographical area:

(€ thousand)	v/Subsidiar	v/Parent Companies	v/Affiliate Companies	v/Third Parties	Total
Italy	-	-	78	157.167	157.245
Europe (excluding Italy)	-	3.118	1.351	2.165	6.634
Resto del mondo	162	2.659	744	546	4.111
Total	**162**	**5.778**	**2.173**	**159.877**	**167.990**

Changes in the Reserve for bad debts are summarised below:

(€ thousand)	31 March 2018	31 March 2019
Beginning balance	**4.946**	**5.622**
Increases	675	492
Uses/releases	-	(2.712)
Ending balance	**5.622**	**3.402**

The increase for the year, amounting to € 492 thousand, refers to the risk of non-collection of some receivables due from customers.
The use of the year, amounting to € 2,712 thousand, is mainly related to the closure of old credits prescribed or subject to insolvency proceedings that are now definitively closed.

3.2.3 Tax receivables

The item “Tax receivables” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Income tax advances	-	30
Reimbursement requested for taxes paid	3	3
Other	3.254	4.116
Total	**3.257**	**4.148**

The item “Others” mainly refers to the withholdings applied at the time of payment to invoices issued to customers residing in certain foreign countries, in particular Brazil and Turkey. These withholdings will be recovered in future years.

The increase for the year, equal to € 891 thousand, is mainly attributable to the greater VAT credit generated by the application of the “Split Payment” legislation which provided, for certain categories of subjects included in the lists published by the Ministry of the Economy and Finance (including some of NTT DATA Italia’s main customers), the obligation to pay directly to the Tax Authorities the value added tax charged by their suppliers on the invoice.

3.2.4 Other receivables and current assets

The item "Other receivables and current assets" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Receivables from employees	689	625
Receivables from social security institutions	49	53
Accrued income and prepaid expenses	8.783	11.545
Other receivables	4.260	3.588
Provision for other bad debts	(3.000)	(3.141)
Total	**10.782**	**12.670**

The increase in the item "Accrued income and prepaid expenses" is mainly attributable to invoicing by part of the suppliers of maintenance fees that cover future periods and for which the cost was therefore suspended as it is not related to the current financial year.

It should be noted that the item "Other receivables" decreased as the receivable, amounting to € 1,202 thousand at March 31, 2018, due from the Ministry of University and Research (MIUR) for the project "Cyber Security", was collected in March 2019 for € 894 thousand. The item also includes, for € 3,000 thousand, a receivable from the former parent company, Value Partners S.p.A. (now Invest Tre S.r.l) prudently written down by entering a risk provision of the same amount in the 2012 financial year.

3.2.5 Cash and cash equivalents

The item "Cash and cash equivalents" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Cash at banks	24.727	24.557
Cash on hand	3	2
Total	**24.730**	**24.559**

Please refer to the statement of cash flows for details on the cash flows of the two years.

3.3 Equity

3.3.1 3.3.1 Share capital

As of March 31, 2019 the share capital amounted to € 33,107,160 and was made up of 13,242,864 ordinary shares with a face value of € 2.50 each.

As of March 31, 2019 all of the issued shares were subscribed and paid up.

3.3.2 Other reserves including Profit of the year

The item “Other reserves including Profit for the year” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Legal reserve	2.039	2.039
Other reserves	(7.660)	(5.037)
Merger reserves	(239)	(239)
Net result	3.115	4.968
Total	**(2.744)**	**1.731**

The item “Other Reserves” as of March 31, 2019 mainly includes the losses carried forward, amounting to € 4,094 thousand.

The changes in the “Other reserves” may be detailed as follows:

- allocation of the positive result for the year 2018 (€ 3,115 thousand) to profit/(loss) carried forward, as per the resolution of the General Meeting of Shareholders that approved the financial statements for the year 2018 on July 16, 2018;
- change in the IAS reserve of € -492 thousand following the application of Accounting Standard IAS 19 and the consequent results of actuarial valuation results.

For further details, please refer to the statement of changes in shareholders’ equity.

3.3.3 Breakdown of distributable reserves

Nature/Description		Amount (€)	Possibility of utilization	Available (€)	Summary of the uses in the prior three fiscal years for coverage of losses	for other reasons
Share capital		**33.107.160**				
Capital reserve						
	Share premium*	-				
Income reserves						
	Legal reserve	2.039.076	B			
	Deficit merger reserve	(239.046)				
	IAS 19 reserve	(942.962)				
	Retained earnings/(losses)	(4.093.596)				
Total reserves		**(3.236.528)**		-		
Not available amount				-		
Residual available amount				-		
Profit/(loss) of the year		**4.968.026**				
Total Equity		**34.838.658**				

Legenda
A: for share capital increase
B: for coverage of losses
C: distribution to shareholders

* Pursuant to article 2432 of Italian Civil Code share capital premium reserve can not be distribuited until legal reserve will not reach one fifth of share capital

3.4 Non-current liabilities

3.4.1 Employee benefits

The item "Employee benefits" refers to severance indemnity (TFR):

(€ thousand)	31 March 2018	31 March 2019
Severance indemnity	19.390	19.651
Total	**19.390**	**19.651**

In application of the IAS 19 Accounting Standard for the valuation of the severance indemnity (TFR), the method called "Projected Unit Credit Cost" was used, with the following assumptions:

	31 March 2018	31 March 2019
Economic assumptions:		
Annual inflation rate	1,50%	1,50%
Annual discount rate	1,03%	0,60%
Annual increase in salaries	2,62%	2,63%
Annual growth rate of the employee severance	2,62%	2,63%
Demographic assumptions:		
Likelihood of death	RG 48 survival tables of the Italian population	
Likelihood of disability	INPS tables divided by age and gender	
Likelihood of resignation	8,0%	8,0%
Likelihood of retirement	Fulfilment of the minimum requisites provided by the General	
Likelihood of advances	3%	3%

The changes in the Severance Indemnity can be summarized as follows:

(€ thousand)	31 March 2018	31 March 2019
Beginning balance	**19.909**	**19.390**
Interest cost	186	196
Actuarial (gain)/loss	(125)	648
Payments	(581)	(582)
Ending balance	**19.390**	**19.651**

It should be noted that the assessment of the liabilities relating to the severance indemnity was carried out with the support of an independent firm expert in actuarial matters.

3.4.2 Provisions

The item "Provisions" and the related changes can be detailed as follows:

(€ thousand)	Disputes	Other	Total
As of 1° April 2017	**832**		**832**
Increases	-	-	-
Uses	(14)		(14)
As of 31 March 2018	**818**	-	**818**
Increases	-	-	-
Uses	(146)	-	(146)
As of 31 March 2019	**672**	-	**672**

The item "Disputes" mainly refers to disputes with employees and suppliers; uses during the 2019 financial year are due to payments made in execution of settlement agreements finalized during the year.

3.4.3 Financial liabilities

The item “Financial liabilities” breaks down as follows:

(€ thousand)	31 March 2018			31 March 2019		
	Short	Mid-long	Total	Short	Mid-long	Total
Loans from Parent Company	-	117.500	117.500	-	117.500	117.500
Loans from third parties	-	-	-	-	-	-
Total financial liabilities	-	**117.500**	**117.500**	-	**117.500**	**117.500**

During the year the Company’s financial position did not change compared to the previous period.

NTT DATA Italia continued to benefit from the “notional cash pooling” project, started in 2017 and coordinated by NTT DATA EMEA with JP Morgan, a leading Banking Group.

This treasury project (“notional cash pooling”) envisages interest rates in line with the market and with what is currently applied to NTT DATA Italia by other banks in Italy. It should be noted that the compensation of creditors and debtors balances on the accounts linked to the same pool takes place without physical movement or transfer of money balances (“notional”).

3.5 Current liabilities

3.5.1 Trade payables

The item “Trade payables” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Payables to third parties	63.583	89.866
Payables to subsidiares	223	248
Payables to parent companies	1.255	3.407
Payables to affiliate companies	947	1.018
Total	**66.008**	**94.539**

As of March 31, 2019 the breakdown of payables in terms of due date is the following:

(€ thousand)		Expired				
	Not due	0-30 days	30-90 days	90-180 days	>180 days	**Total**
31 March 2019	83.595	9.383	801	60	700	**94.539**
31 March 2018	55.969	8.205	609	132	1.092	**66.008**

The amounts over 90 days past due mainly refer to invoices that were disputed or are under dispute.

The increase in payables is mainly due to the greater reliance on external consultants, which the Company relies on to meet market demands for specific competencies.
As of March 31, 2019, trade payables could be broken down geographically as follows:

(€ thousand)	v/Subsidiare	v/Parent Companies	v/Affiliate Companies	v/Third	Total
Italy	-	-	675	83.564	84.239
Europe (excluding Italy)	-	3.322	156	4.723	8.201
Rest of the world	248	84	187	1.580	2.099
Total	**248**	**3.407**	**1.018**	**89.866**	**94.539**

3.5.2 Tax and social security payables

The item "Tax and social security payables" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Payables to Social Security Institutions	10.181	12.298
Withholding tax	2.770	2.966
Income tax payables	38	442
VAT payables	866	12
Others	226	173
Total	**14.081**	**15.892**

The increase in the item "Payables to Social Security Institutions" is mainly due to the accrual of costs related to the contributions on the bonuses to be paid to employees.

The decrease in the item "VAT Payables" is mainly due to the "Split Payment" procedure. For more details, see the comments on paragraph 3.2.3 "Tax receivables".

3.5.3 Other payables and current liabilities

The item "Other payables and current liabilities" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Payables to employees	22.388	27.332
Advances from customers	37.038	46.855
Accrued expenses and deferred income	131	131
Others	774	1.072
Total	**60.331**	**75.390**

The increase in the item “Payables to employees” for € 4,944 thousand, is mainly attributable to the allocation of costs related to bonuses to be paid to employees as well as costs related to holidays and permits accrued and not yet used by the employees as of the balance sheet date.

The increase in the “Advances from customers” item is due to the greater billing to customers for activities that will be rendered and will accrue revenues during the 2020 financial year compared to similar operations carried out at the end of the previous year.

3.6 Income Statement

3.6.1 Revenues from sales of goods and services

The revenues from sales of goods and services amounted to € 362,540 thousand. Reference may be made to the Directors’ Report on Operations for comments relating to revenue trends.

(€ thousand)	31 March 2018	31 March 2019
Professional services	294.939	322.178
Hardware and software	14.366	25.467
Maintenance	12.336	14.895
Total	**321.641**	**362.540**

The breakdown by geographical area is as follows:

(€ thousand)	31 March 2018	31 March 2019
Italy	306.704	344.219
Europe (excluding Italy)	10.532	13.199
Rest of the world	4.405	5.121
Total	**321.641**	**362.540**

3.6.2 Other income

The item “Other income” is zero as of March 31, 2019.

3.6.3 Change in work in progress

(€ thousand)	31 March 2018	31 March 2019
Change in work in progress	(6.933)	9.444
Total	**(6.933)**	**9.444**

See paragraph 3.2.1 “Work in progress” for further details.

3.6.4 Increase in fixed assets for internal work

(€ thousand)	31 March 2018	31 March 2019
Increased assets for internal work	760	960
Total	**760**	**960**

See paragraph 3.1.3 for further details.

3.6.5 Costs for materials and services

The item “Costs for materials and services” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Professional services	101.516	119.589
Travel expenses	5.933	6.782
Purchases of materials	9.861	21.692
Leases and rentals	6.023	6.515
Utilities	2.564	2.847
Others	12.827	15.978
Total	**138.724**	**173.404**

The costs of collaborations and professional services mainly refer to consultancy and maintenance activities performed by third party suppliers on currently ongoing projects for customers of NTT DATA Italy. The increase of € 18,073 thousand, compared to the previous year, is mainly related to higher revenues for services to third parties and confirms the Company’s tendency to increase cost flexibility to support revenue growth.

The item “Purchases of materials” mainly refers to Hardware and Software products intended for resale to customers and the increase of € 11,831 thousand is directly related to the increase in revenues from the sale of products and software usage licenses.

The item “Other services and miscellaneous services” mainly includes:

- maintenance costs: € 2,202 thousand (€ 1,384 thousand as of March 31, 2018);
- insurance costs: € 2,038 thousand (€ 2,134 thousand as of March 31, 2018);
- management fees: € 3,526 thousand (€ 2,854 thousand as of March 31, 2018);
- personnel training costs: € 1,125 thousand (€ 1,054 thousand as of March 31, 2018);
- services provided by professionals (tax and legal consultants, etc.): € 1,522 thousand (€ 1,467 thousand as of March 31, 2018);
- IT costs: € 1,786 thousand, of which € 1,655 thousand of Group companies’ chargebacks (€ 1,448 thousand as of March 31, 2018, of which € 1,146 thousand of Group companies’ chargebacks).

3.6.6 Costs for personnel and directors

The item “Costs for personnel and directors” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Wages and salaries	116.729	130.563
Social Security Contibutions	33.217	37.686
Severance indemnity	8.313	8.873
Others	4.814	5.927
Car rentals	2.307	2.538
Total	**165.381**	**185.587**

The increase in the item in question, equal to € 20,206 thousand, is mainly due to the strengthening of the company workforce which became necessary following the significant increase in projects and therefore in revenues.

The following table shows the data concerning the workforce, with a breakdown of changes:

(No. of units)	As of		Average	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
Executives	167	182	170	179
Managers	515	552	500	529
Employees	1.972	2.099	1.968	2.015
Apprentices	177	348	134	267
Total	**2.831**	**3.181**	**2.771**	**2.990**

3.6.7 Amortisation, depreciation and write-downs

The item “Amortisation, depreciation and write-downs” breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Depreciations of intangible assets	4.098	3.208
Depreciations of tangible assets	2.208	2.494
Total	**6.307**	**5.702**

For further details see paragraph 3.1.1. “Property, plant and equipment” and paragraph 3.1.3 “Other intangible assets”.

3.6.8 Other operating costs

The item "Other operating costs" breaks down as follows:

(€ thousand)	31 March 2018	31 March 2019
Other operating costs	580	492
Bad debt provision	202	633
Others	13	43
Total	**795**	**1.168**

The item "Other operating expenses" consists mainly of association membership fees and costs for the waste collection tax.

The item "Bad debt provision" refers to provision set aside to cover the risk of uncollectibility of some trade receivables.

3.6.9 Net financial charges

The table below provides a breakdown of the main components of the item in question:

(€ thousand)	31 March 2018			31 March 2019		
	Charges	Income	Net	Charges	Income	Net
Exchange rate differences	471	123	594	140	(87)	53
Others	168	0	168	262	0	262
Interest (income)/expenses	1.329	(190)	1.139	1.312	(170)	1.142
Total	**1.969**	**(67)**	**1.902**	**1.714**	**(257)**	**1.457**

Reference may be made to the Directors' Report on Operations for comments regarding changes in the net financial charges.

3.6.10 Income taxes

Taxes for the year ending on March 31, 2019 amount to € 658 thousand and refer to current taxes for € 730 thousand, to a decrease in deferred tax assets of € 70 thousand, to a decrease in deferred tax liabilities of € 51 thousand and to a positive adjustment of previous years taxes of € 91 thousand.

(€ thousand)	Amount	Tax	%
Income before taxes	5.626		
Theoretical income taxes		(1.350)	24,0%
Income tax based on different taxable income (IRAP)		(730)	-13,0%
Temporary differences		1.577	28,0%
Other permanent differences and tax from previous years		(155)	-2,8%
ACTUAL INCOME TAX		**(658)**	**-11,7%**

At March 31, 2018 the taxes for the year amounted to a total of € 375 thousand, reflecting current taxes totalling € -335 thousand, a decrease in deferred tax assets of € -365 thousand and a tax benefit of € 1,075 thousand ensuing from the claim of an IRES (corporate income tax) refund submitted in relation to previous years.

4 Related-party transactions

In the accounting periods ended on March 31, 2019 and March 31, 2018 the Company entered into transactions with NTT DATA EMEA, the company responsible for oversight and coordination, and other related entities as follows:

(€ thousand)	Relationship	31 March 2018	31 March 2019
Trade payables:			
NTT DATA Danismanlik VeBilisim Cozumleri Ltd Sirketi	Subsidiary	71	42
NTT DATA Corporation (Japan)	Parent Company	1.440	2.659
NTT DATA Deutschland Gmbh	Affiliate	414	312
NTT DATA UK Limited	Affiliate	22	372
NTT DATA UK Consulting and IT Solutions	Affiliate	81	237
NTT DATA Emea Ltd	Parent Company	2.167	3.118
NTT DATA Osterreich	Affiliate	273	154
NTT DATA Danmark A/S	Affiliate	48	48
IFI Solution Co., Ltd	Subsidiary	60	120
Itelligence Inc.	Affiliate	8	4
Itelligence AG	Affiliate	-	29
Everis Italia S.p.A.	Affiliate	84	78
NTT Com Managed Services, S.A.U.	Affiliate	87	85
NTT DATA Global Technology Services Japan Co., Ltd.	Affiliate	65	-
NTT DATA Inc.	Affiliate	68	642
Everis Spain, S.L.U.	Affiliate	357	4
Everisconsultancy, Limited	Affiliate	-	110
NTT Data Global Delivery Services Limited	Affiliate	37	98
Work in progress:			
Everis BPO Brasil Serviços Complementares a Empresas	Affiliate	8	-
NTT DATA UK Limited	Affiliate	30	1
NTT DATA Emea Ltd	Parent Company	-	1
NTT DATA Inc.	Affiliate	200	49
NTT DATA Deutschland Gmbh	Affiliate	2	-
Other receivables:			
Dimension Data Italia S.p.A.	Affiliate	-	119

(€ thousand)	Relationship	31 March 2018	31 March 2019
Trade payables:			
NTT DATA Emea Ltd	Parent Company	1.129	3.322
IFI Solution Co., Ltd	Subsidiary	223	228
NTT Data Global Delivery Services Limited	Affiliate	425	175
NTT DATA UK Limited	Affiliate	20	-
NTT DATA Danismanlik VeBilisim Cozumleri Ltd Sirketi	Subsidiary	-	20
NTT DATA Corporation (Japan)	Parent Company	126	84
Servicios Informaticos itelligence S.A.	Affiliate	-	3
NTT DATA Deutschland Gmbh	Affiliate	22	15
Itelligence AG	Affiliate	4	2
Everis Aerospacial y Defensa SLU	Affiliate	135	-
Everis Italia S.p.A.	Affiliate	192	213
NTT DATA Romania	Affiliate	13	13
NTT DATA Services Italy S.r.l.	Affiliate	119	8
NTT Europe Ltd	Affiliate	14	0
NTT Security (Germany) GmbH	Affiliate	1	124
NTT Security France SAS	Affiliate	3	-
Dimension Data China/Hong Kong Ltd	Affiliate	-	13
Dimension Data Italia S.p.A.	Affiliate	-	454
Other paybles:			
NTT DATA Corporation (Japan)	Parent Company	469	679
NTT DATA Global Technology Services Japan Co., Ltd.	Affiliate	3	-
Everis S.p.A.	Affiliate	2	-
NTT DATA Osterreich	Affiliate	20	204
NTT DATA UK Consulting and IT Solutions	Affiliate	5	85
Itelligence AG	Affiliate	-	494
Itelligence AB	Affiliate	13	13
NTT DATA Deutschland Gmbh	Affiliate	-	125
NTT DATA Emea Ltd	Parent Company	-	535
Financial Liabilities:			
NTT DATA Emea Ltd	Parent Company	117.500	117.500

(€ thousand)	Relationship	31 March 2018	31 March 2019
Revenues and other income:			
NTT DATA Emea Ltd	Parent	1.030	766
NTT DATA Deutschland Gmbh	Affiliate	678	875
NTT DATA UK Limited	Affiliate	56	524
NTT DATA Osterreich	Affiliate	601	812
NTT DATA UK Consulting and IT Solutions	Affiliate	133	208
NTT DATA Corporation (Japan)	Parent	3.528	3.864
Itelligence Inc.	Affiliate	8	4
Everis Italia S.p.A.	Affiliate	326	193
Itelligence AG	Affiliate	-	122
NTT DATA Global Technology Services Japan Co., Ltd.	Affiliate	62	3
NTT DATA Danmark	Affiliate	8	-
NTT Com Managed Services, S.A.U.	Affiliate	490	492
Everisconsultancy, Limited	Affiliate	-	110
Everis BPO Brasil Serviços Complementares a Empresas Ltda.	Affiliate	8	16
Itelligence AB	Affiliate	9	0
NTT DATA Inc.	Affiliate	499	876
Everis Spain, S.L.U.	Affiliate	373	-
Operating costs and financial charges			
IFI Solution Co., Ltd	Subsidiary	562	298
NTT DATA Danismanlik VeBilisim Cozumleri Ltd Sirketi	Subsidiary	(324)	(180)
NTT DATA Emea Ltd	Parent	871	2.450
NTT DATA Deutschland Gmbh	Affiliate	(7)	(21)
NTT DATA Osterreich	Affiliate	95	-
NTT Data Global Technology Services Private Limited	Affiliate	20	-
NTT DATA Romania	Affiliate	134	64
NTT Data Global Delivery Services Limited	Affiliate	566	224
NTT DATA UK Limited	Affiliate	49	-
NTT DATA Inc.	Affiliate	(4)	(2)
NTT DATA UK Consulting and IT Solutions	Affiliate	(13)	(4)
NTT DATA Corporation (Japan)	Parent	13	(316)
Intelligence AG	Affiliate	3	2
Servicios Informaticos itelligence S.A.	Affiliate	-	5
NTT DATA Services Italy S.r.l.	Affiliate	105	212
Everis Spain, S.L.U.	Affiliate	-	(6)
Everis Italia S.p.A.	Affiliate	158	419
Everis Aerospacial y Defensa SLU	Affiliate	135	-
NTT Europe Ltd	Affiliate	32	33
NTT Security (Germany) GmbH	Affiliate	5	304
NTT Security France	Affiliate	1	-
NTT Electronic Corporation	Affiliate	24	-
Dimension Data China/Hong Kong Ltd	Affiliate	-	77
Dimension Data Italia S.p.A.	Affiliate	-	318

Transactions with related parties are carried out under normal market conditions in the interest of the Company and refer to both commercial transactions and financial transactions.

The Directors of the Company did not accrue remuneration during the year.

The fees accrued against independent auditing firm amount to € 149 thousand.

5 Commitments

The item Commitments includes:

(€ thousand)	31 March 2018	31 March 2019
Guarantees to third parties	28.750	33.546
Total	**28.750**	**33.546**

Guarantees given in favour of third parties mainly relate to bank and insurance guarantees given for the proper execution of contract work in progress and for the Company's participation in tenders for public works.

6 Subsequent Events

There were no events subsequent to the date of publication of the financial statements that could require an adjustment of the values reported in the financial statements or an inclusion of further information.

- On June 28, 2019 the Board of Directors of NTT DATA Italia S.p.A. welcomes the decision of the NTT DATA EMEA Ltd Board to increase the company's equity, allocating € 50 million to reserves;
- in addition, NTT DATA EMEA's loan to NTT DATA Italia is renewed for a period of 3 years for an amount of € 97.5 million, at market rates. The previous loan amounted to € 117.5 million and expired on June 28, 2019;
- on June 4, 2019, NTT DATA Italia acquired 10% of the share capital of Tolemaica srl, an innovative startup qualified for the legal certification of data and photographs and founded in Naples in 2015. The transaction took place through a capital increase and a strategic partnership in both technical and commercial terms

On behalf of the Board of Directors the CEO

Walter Ruffinoni

PROPOSAL OF THE BOARD OF DIRECTORS

Dear Shareholder,

While we thank you for placing your trust in us, we ask you to approve the financial statements for the year ended March 31, 2019, with a positive net result of € 4,968,026 and to carry forward this profit.

On behalf of the Board of Directors
The CEO
Walter Ruffinoni

REPORT OF THE INDEPENDENT AUDITOR

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
NTT DATA Italia S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of NTT DATA Italia S.p.A. (the "Company"), which comprise the statement of financial position as at 31 March 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto.

In our opinion, the separate financial statements give a true and fair view of the financial position of the NTT DATA Italia S.p.A. as at 31 March 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of NTT DATA Italia S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters – Management and coordination

As required by the law, the Company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of NTT DATA Italia S.p.A. does not extend to such data.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of NTT DATA Italia S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of NTT DATA Italia S.p.A. are responsible for the preparation of the Company's directors' report at 31 March 2019 and for the consistency of such report with the related separate financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Company's separate financial statements at 31 March 2019 and its compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the directors' report is consistent with the separate financial statements of NTT DATA Italia S.p.A. at 31 March 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 4 July 2019

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit

ざくろ

ざくろは西洋において生産性、繁栄、富の象徴とされています。果実に含まれる種子は結束力を示しています。また、ざくろからとれるジュースはエネルギーの源を比喩しています。

ザクロ

繁栄

凝集

団結