Annual Report

as at 31 December 2016

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LETTER TO SHAREHOLDERS

Dear Shareholders,

2016 was a decidedly challenging year for our Group, characterised by the enthusiasm of the launch of the 2015-2020 business plan, presented to the market at the end of 2015, which called for determination and courage on the part of directors and the entire management in drawing up a forward-looking view of the market in the near future and our Group's positioning in it.

The global macro-economic context recorded growth in the global economy at a persistently low rate, slightly improved prospects in emerging economies but still uncertain in the main advanced countries. In Italy, GDP started to grow slightly in the third quarter, and despite the decrease in the last few months of the year, the climate of confidence stood at significant values.

In this context, the ICT market placed even more emphasis on the inevitability of the “digital transformation”, driven by the renewed awareness of the manufacturing segment, and not only this. The term “industry 4.0” was coined for the connection of physical and digital systems, the use of intelligent and interconnected systems and the analysis of complex systems through Big Data and real-time adaptations. It has finally seemed to dawn that the awareness of digitalisation is the last chance for kick-starting Italian industry. The direction the market seems to have taken is the one outlined in our Business Plan.

All this has allowed the Italian ICT market to grow by 1.8% as a whole, with highs of 7.2% in the digital content segment and 5.7% in the software and ICT solutions segment, as reported to us in Assinform’s analyses.

In the same period, the Exprivia Group recorded revenues of Euro 141.8 million compared to Euro 144.8 million in 2015, EBITDA of Euro 12.8 million compared to Euro 15.3 million in 2015, net profit of Euro 2.8 million compared to Euro 4.6 million in 2015. The net financial position fell by roughly Euro 500 thousand, sitting at a negative Euro 35.8 million, after having absorbed the debt of the company ACS, which joined the scope of Group consolidation in July 2016.

The fall in revenues is mainly due to the consequences of the slowdown of activities on the foreign markets and the delay in starting an important contract in the BPO services market, although this did not involve a downturn in the Group's position in the reference market, which actually strengthened its position in the Italian market in particular.

Profit margins were impacted not only by the decrease in revenues, but also non-recurring costs and the increase in the provision for risks, due to a tax dispute involving a subsidiary, which concerns a period before the Group acquired it. It should be pointed out that, net of these extraordinary costs, EBITDA would be Euro 14.1 million, equal to 9.9% of revenues, in line with the previous year.

Net profit amounted to Euro 2.8 million, also down like EBITDA, absorbing the positive trend of falling interest expense and the positive contribution of the tax discount obtained by applying the new Patent Box legislation, which two Group subsidiaries benefitted from, thanks to the investments in proprietary software products and technologies.

Therefore, our Group’s performance on the Italian markets was generally positive. The industry market recorded growth of 10%, proof of the rather weak recovery in investments in the Italian production segment, driven by the digitalisation of processes. The Telco and Banking&Finance markets registered growth of 4% and 2% respectively. The Healthcare market recorded good staying power, despite the slight drop in extraordinary contracts. In the Energy market, the slowdown suffered as a result of the cost-saving policies of large clients, however, allowed the company to expand the scope of its offer to the redrafting of contracts for the benefit of future years.

The second half of 2016 also saw the company ACS join the scope of consolidation, the last acquisition of the Group, active in the space technologies market, and which accounted for Euro 4.2 million of ordinary revenues. Operating in the market for more than twenty years, the company develops ground stations for the reception and processing of satellite data, a sector in which the company has achieved a position of leadership at European level, thus thrusting our Group forwards in one of the most promising markets of the near future.

The year 2016 was also characterised by our Group's interest in a major extraordinary operation involving a large, long-established Italian industrial player operating in the design and development, in the international domain, of products and solutions for next-generation networks and telecommunications services. Its offer is composed of proprietary products, engineering services and consultancy on networks, services managed and solutions, the result of intense research and development activities.

Our Group's objective is to establish a single entity in the market, ahead of schedule, capable of fusing IT and telecommunications skills in a single global operator, with a strong reference international presence, but also a solid and widespread presence in the Italian economic and social environment.

I can affirm that this transaction, fully consistent with our Business Plan, would allow us to exceed the targets set therein and would lead to a business growth and development project whose economic and social significance involves not only our shareholders but the entire country and its skills in the technological and digital innovation sector.

It is well-known that the procedure is still in progress. Exprivia obtained the exclusive right for negotiations until next 31 May. The discussion between the parties is, however, now concentrated on the details of the transaction which we hope to finalise soon.

In this context, in order to protect all resources, therefore including financial resources, in view of such an important commitment for our company, and in compliance with a careful dividend distribution policy that is always adopted by the directors, the Board of Directors decided not to propose the distribution of dividends to the shareholders' meeting.

The Chairman

Domenico Favuzzi

SIGNIFICANT GROUP FIGURES AND RESULT INDICATORS

The table below gives a summary of the main consolidated economic, capital and financial data of the Group as at 31 December 2016 and 31 December 2015.

It should be noted that the figures as at 31 December 2016 include the effect of the consolidation of the subsidiary Advanced Computer Systems Srl - ACS (from 01.07.2016) and Exprivia Process Outsoursing Srl (from the incorporation date of 21.11.2016).

	31.12.2016	31.12.2015
Total production revenues	141,782,617	144,812,442
net proceeds and variation to work in progress to order	137,250,144	139,360,862
increase to assets for internal work	1,927,238	1,358,828
other proceeds and contributions	2,605,235	4,092,752
Difference between costs and production proceeds (EBITDA)	12,797,488	15,311,239
% on production proceeds	9.0%	10.6%
Net operating result (EBIT)	7,793,050	9,994,017
% on production proceeds	5.5%	6.9%
Net result	2,838,069	4,597,608
Group net equity	74,744,188	73,402,218
Total assets	206,228,144	178,808,809
Capital stock	25,154,899	25,754,016
Net working capital (1)	29,442,973	32,798,089
Cash flow (2)	9,284,104	7,909,996
Fixed capital (3)	102,810,040	91,065,368
Investment	13,641,013	2,452,257
Cash resources/bonds (*a*)	20,399,886	10,317,640
Short-term financial debts (*b*)	(29,003,855)	(37,109,580)
Medium-/long-term financial debts (*c*)	(27,184,505)	(9,522,335)
Net financial position (4)	(35,788,474)	(36,314,275)

(1) **"Net working capital"** is calculated as the sum of total current assets less cash at bank and on hand and total current liabilities plus current bank debt

(2) **Cash flow** is calculated as the sum of net profit (loss) adjusted by amortisation, changes in employee severance indemnities, write-downs and provisions

(3) **"Fixed capital"** is equal to total non-current assets

(4) **Net financial position** = a + (b + c)

The table below shows the main economic indicators of the Group as at 31 December 2016, compared with the same period of the previous year.

Exprivia Group	31/12/2016	31/12/2015
Index ROE (Net income / Equity Group)	3.80%	6.26%
Index ROI (EBIT / Net Capital Invested) **(5)**	6.74%	8.89%
Index ROS (EBIT / Revenues from sales and services, net of changes in inventories of raw materials and finished products))	5.68%	7.17%
Financial charges **(6)** / Net profit	0.979	0.558

(5) **Net capital employed** = **is equal to net working capital plus non-current assets net of total non-current liabilities** (excluding bank debt and bond issues)

(6) Financial Charges: calculated net of interest cost IAS 19

The table below shows the main capital and financial indicators of the Group as at 31 December 2016 and at 31 December 2015.

Exprivia Group	31/12/2016	31/12/2015
Net Financial Debt / Equity Capital	0.48	0.49
Debt ratio (Total Liabilities / Equity Capital)	2.76	2.44

The **consolidated revenues** in 2016 amounted to around Euro 141.8 million, compared to Euro 144.8 million in 2015.

Consolidated net revenues (including revenues from sales and services and the change in inventories of raw materials and finished products) in 2016 totalled around Euro 137.2 million, compared to Euro 139.4 million in 2015.

Consolidated EBITDA in 2016 amounted to around Euro 12.8 million (9 % of revenues) compared to roughly Euro 15.3 million in 2015.

Consolidated EBIT in 2016 amounted to around Euro 7.8 million (5.5% of revenues) compared to roughly Euro 10 million in 2015.

Consolidated profit in 2016 came to roughly Euro 2.8 million, equal to 2% of revenues.

The **Net Financial Position** as at 31 December 2016 was roughly a negative Euro 35.8 million, compared to a negative figure of around Euro 36.3 million at 31 December 2015.

The **Group shareholders**' **equity** as at 31 December 2016 totalled Euro 74.7 million, up compared to 31 December 2015 (approximately Euro 73.4 million).

SIGNIFICANT EXPRIVIA FIGURES AND RESULT INDICATORS

The table below outlines the main economic, capital and financial data taken from the separate financial statements of Exprivia SpA as at 31 December 2016, compared with the figures as at 31 December 2015.

	31.12.2016	31.12.2015
Total production revenues	62,744,154	67,104,499
net proceeds and variation to work in progress to order	60,445,245	63,133,082
other proceeds and contributions	2,298,909	3,971,418
Difference between costs and production proceeds (EBITDA)	4,908,810	6,418,410
% on production proceeds	7.8%	9.6%
Net operating result (EBIT)	(2,489,976)	4,126,996
% on production proceeds	-4.0%	6.2%
Net result	(1,908,465)	4,437,726
Group net equity	68,501,341	72,458,498
Total assets	141,977,393	141,660,079
Capital stock	25,154,899	25,754,016
Net working capital **(1)**	13,873,626	4,074,427
Cash flow **(2)**	5,365,308	5,588,086
Fixed capital **(3)**	92,529,939	94,792,459
Investment (*)	(3,276,024)	1,106,703
Cash resources/bonds ***(a)***	8,840,717	5,401,244
Short-term financial receivables (payables) (b)	(1,109,256)	(7,404,485)
Medium-term infragroup financial receivables (payables) (c)	3,551,910	1,019,791
Short-term financial debts ***(b)***	(16,027,202)	(20,031,638)
Medium-/long-term financial debts ***(c)***	(22,354,347)	(5,240,281)
Net financial position **(4)**	(27,098,178)	(26,255,369)

(1) - **"Net working capital"** is calculated as the sum of total current assets less liquidity and total liabilities plus current bank debt

(2) - Cash flow is calculated as the sum of net profit (loss) adjusted by amortisation, changes in employee severance indemnities, write-downs and provisions

(3) - "**fixed capital**" is equal to total non-current assets

(4) - **Net financial position** = (a + b + c) + (d + e)

(*) - For 2016, **Investments** reflect the write-down of the equity investment of the subsidiary Exprivia Enterprise Consulting Srl for Euro 6 million.

The table below shows the main economic indicators of the company for 2016 compared to 2015:

Exprivia	31/12/2016	31/12/2015
Index ROE (Net income / Equity Group)	-2.79%	6.12%
Index ROI (EBIT / Net Capital Invested) **(5)**	-2.44%	4.38%
Index ROS (EBIT / Revenues from sales and services, net of changes in inventories of raw materials and finished products))	-4.12%	6.54%
Financial charges **(6)** / Net profit	0.88	-0.35

(5) **Net capital employed =** is equal to the net working capital plus non-current assets, net of total non-current liabilities (excluding bank debt)

(6) Financial Charges: calculated net of interest cost IAS 19

The table below shows the main capital and financial indicators of the company as at 31 December 2016 and at 31 December 2015.

Exprivia	31/12/2016	31/12/2015
Net Financial Debt / Equity Capital	0.40	0.36
Debt ratio (Total Liabilities / Equity Capital)	2.07	1.96

Revenues amounted to Euro 62.7 million, which is a 6.5% drop compared to 2015 (Euro 67.1 million).

Net revenues amounted to Euro 60.4 million, a decrease of 4.3% compared to 2015 (Euro 63.1 million).

EBITDA amounted to Euro 4.9 million (Euro 6.4 million in 2015).

EBIT was a negative by Euro 2.5 million in 2016, and was a positive Euro 4.1 million in 2015.

A **loss** of Euro 1.9 million was recorded, compared to profit of Euro 4.4 million in 2015.

The **Net Financial Position** as at 31 December 2016 was a negative Euro 27.1 million, compared to a negative figure of Euro 26.3 million at 31 December 2015.

Lastly, **shareholders**' **equity** as at 31 December 2016 amounted to Euro 68.5 million compared to Euro 72.5 million at 31 December 2015.

CORPORATE BODIES

Board of Directors

As at 31 December 2016, the Board of Directors of Exprivia SpA, whose term of office will expire when the year-end 2016 financial statements are approved, was composed as follows:

Board Member	Office	Executive/ Non-Executive	Place and Date of Birth	Gender	First Appointment
Domenico Favuzzi	Chairman and Chief Executive Officer	Executive	Molfetta (BA) 18.04.62	M	29 June 2005
Dante Altomare	Vice Chairman	Executive	Molfetta (BA) 18.09.54	M	29 June 2005
Vito Albino	Independent Director (*)	Non-Executive	Bari 10.09.57	M	12 March 2013
Angela Stefania Bergantino	Independent Director (*)	Non-Executive	Messina 24.09.70	F	23 April 2014
Rosa Daloiso	Director	Non-Executive	Margherita di Savoia (FG) 05.04.66	F	31 March 2008
Mario Ferrario	Director	Non-Executive	Padua 05.02.46	M	23 Aprile 2014
Marco Forneris	Director	Non-Executive	Caluso (TO) 19.02.51	M	28 Aprile 2011
Alessandro Laterza	Independent Director (*)	Non-Executive	Bari 09.02.58	M	31 March 2008
Valeria Savelli	Director	Non-Executive	Matera 15.10.62	F	28 April 2011
Gianfranco Viesti	Independent Director (*)	Non-Executive	Bari 09.08.58	M	23 Aprile 2014

(*) Independent Directors under art. 3 of the Corporate Governance Code adopted by Borsa Italiana

For the purpose of their offices, all directors are domiciled at the registered offices of the Company in Molfetta (BA), Via Adriano Olivetti 11.

The Board of Directors is vested with all the broadest powers necessary for ordinary and extraordinary management of the company without any exception and all options are available to pursue the company purpose. Thus, it can undertake any type of obligation and perform any act without limitation as all operations fall within the scope of their competence with the exception of any matters expressly delegated by law to the shareholders' meeting.

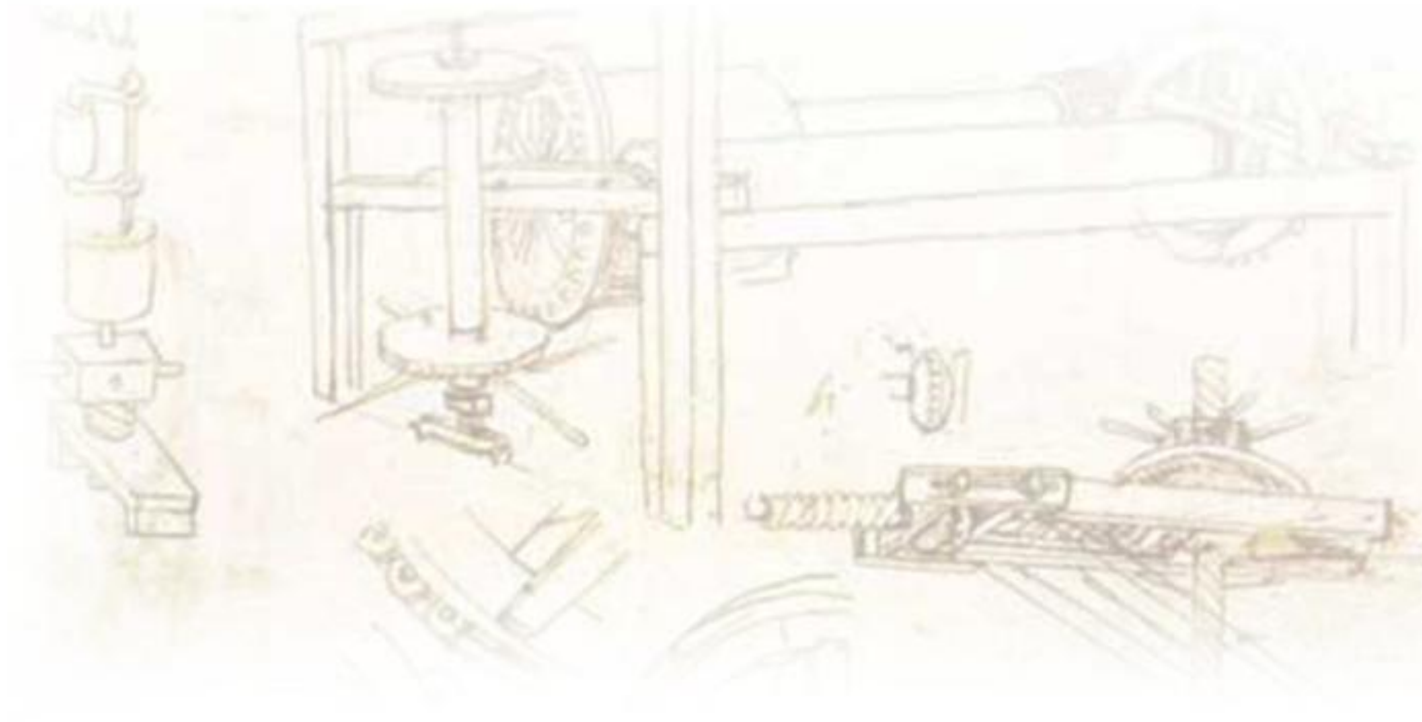
Board of Statutory Auditors

As at 31 December 2017 the Board of Statutory Auditors, whose term of office will end when the year-end 2016 financial statements are approved, was composed as follows:

Board Member	Office	Place and Date of Birth	Gender
Ignazio Pellecchia	Chairman	Bari 28.06.68	M
Anna Lucia Muserra	Regular Auditor	Genoa 21.09.62	F
Gaetano Samarelli	Regular Auditor	Molfetta (BA) 07.12.45	M
Valeria Cervellera	Substitute Auditor	Bari 07.08.69	F
Mauro Ferrante	Substitute Auditor	Bisceglie (BA) 01.11.64	M

Independent Auditors

On 23 April 2014, the shareholders' meeting appointed **PricewaterhouseCoopers SpA** as independent auditors for the years 2014 – 2022.



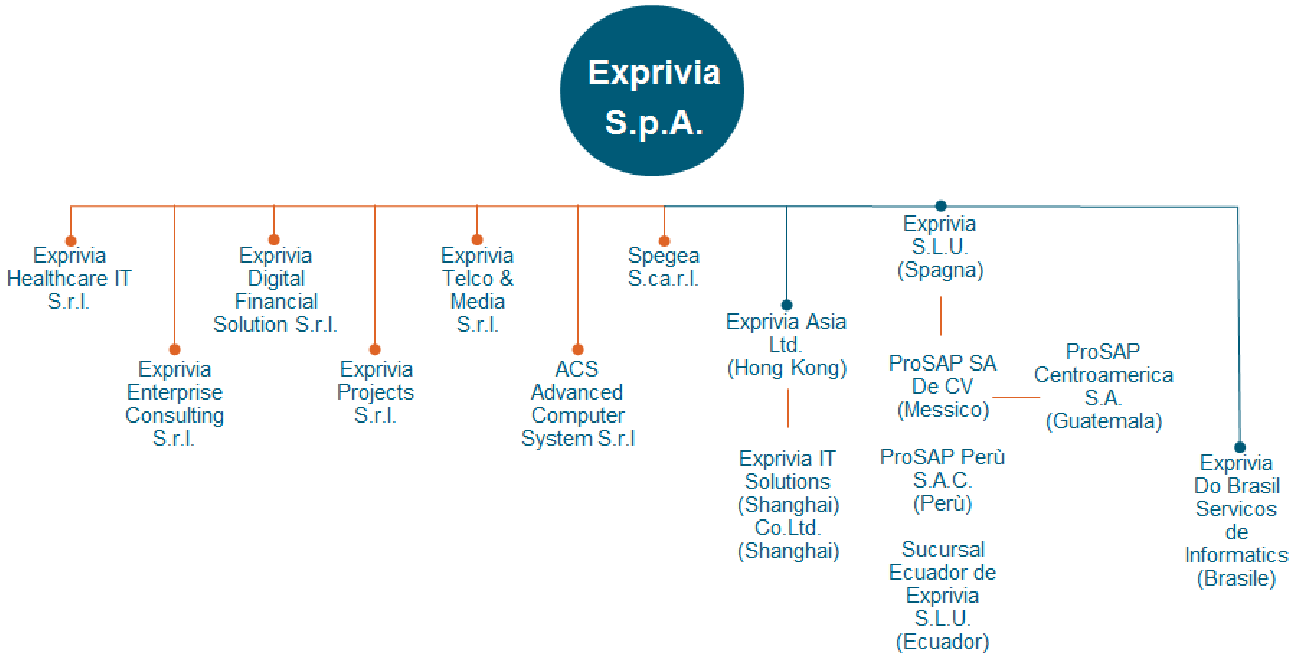
DIRECTORS' REPORT

EXPRIVIA: FUTURE. PERFECT. SIMPLE.

Exprivia is an international group, now composed of around 2,000 professionals, able to activate the processes of digital transformation through solutions that involve the entire chain of value. An entity that sets itself apart for its ability to manage complex projects through the connection and integration of vertical and horizontal skills, and for the capacity to create simple solutions to be utilised and updated, given based on constant research and innovation activities. Equipped with extensive know-how and experience gained in more than 30 years of constant presence in the market, Exprivia has a team of experts specialised in the various technological areas and domains, from Capital Market and Credit & Risk Management, to IT Governance, from BPO to IT Security, from Big Data to Cloud, IoT to Mobile, from the world of SAP, distributed amongst its various locations in Italy and abroad (Europe, America and Asia).

Listed on the stock exchange's MTA STAR segment since 2000, Exprivia works alongside its customers in the Banking&Finance, Telco&Media, Energy&Utilities, Aerospace&Defense, Manufacturing&Distribution, Healthcare sand Public Administration sectors.

The Group



The chart shows the main companies in the Group.

Exprivia Digital Financial Solution Srl, wholly-owned by Exprivia, based in Milan and with fully paid-up share capital of Euro 1,586,919.00, is a leader in Italy in the outsourcing of IT, legal and administrative services targeted at factoring companies, and supports the various phases of the credit life cycle with proprietary solutions.

Exprivia Telco & Media Srl, formerly Devoteam Ausytem, 100%-owned by Exprivia, based in Milan and share capital of Euro 1,200,000.00, has operated in the Italian market for more than 15 years as a reference company in the Telecommunications and Media sector.

ACS Srl., 100%-owned by Exprivia, has operated in the market for more than twenty years and develops ground stations for the reception and processing of satellite data, a sector in which it has reached a top global position. The company is based in Rome and Matera and also has a branch in Darmstadt, Germany.

Exprivia Healthcare IT Srl is 100% owned by Exprivia. It is based in Trento and has share capital of Euro 1,982,190.00 (fully paid-up). It is a leading ICT company in the healthcare IT sector with a broad and diverse customer base. It develops and manages healthcare IT systems based on proprietary solutions and web-oriented technologies, in addition to operating in the field of IT systems and software applications for regional public administration.

Exprivia Projects Srl is 100% owned by Exprivia. It is based in Rome and has share capital of Euro 242,000.00 (fully paid-up). It is specialised in designing and managing services and infrastructure for Call Centres, Contact Centres and Helpdesk services.

Exprivia Process Outsourcing Srl, 100% owned by Exprivia, based in Palermo and with a registered capital of Euro 100,000.00, provides Services and Infrastructure for Call Center, Contact Center and Help Desk.

Exprivia Enterprise Consulting Srl, wholly-owned by Exprivia, based in Milan and with fully paid-up share capital of Euro 1,500,000.00, represents the ERP / SAP centre of competence for the entire Exprivia Group in Italy and abroad; in addition to directly serving the manufacturing market in Italy, it provides other Group companies with the technical resources needed to develop SAP projects within their relevant product sector.

Consorzio Exprivia Scarl, 70% owned by Exprivia SpA, with the remaining 30% held by other Group companies wholly-owned by the holding company. This consortium's objective is to facilitate the Exprivia Group's participation in public tenders for project development and service provision.

Spegea S.C.a r.l. is 60% owned by Exprivia and has fully paid-up share capital of Euro 125,000.00. It is a School of Management based in Bari, organises and manages specialised seminars, training courses for companies and public administration in addition to the “Master in Management and Industrial Development” programme certified by ASFOR. It was founded 28 years ago by Confindustria Bari with the support of banks and institutions.

Foreign Companies

Exprivia SLU, a Spanish company 100%-owned by Exprivia, is the result of the merger by incorporation of the companies previously operating in Spain, Exprivia SL and Profesionales de Sistemas Aplicaciones y Productos SL (ProSap). The company has operated since 2002, also through its subsidiaries in **Mexico** (ProSAP SA de CV), **Guatemala** (ProSAP Centroamerica S.A.) and **Perù** (ProSAP Perù SAC), providing professional services and project development in the SAP environment, WEB portal development, and solutions and information systems for the Healthcare sector in the Spanish market and Latin American countries.

Exprivia do Brasil Serviços de Informatica Ltda, a Brazilian company specialised in IT Security solutions, operates at its headquarters in Sao Paulo. Exprivia SpA controls the company with a 52.22% share while the company Simest SpA holds 47.70%.

Exprivia Asia Ltd, a company operating in Hong Kong to act on behalf of Exprivia SpA, its sole shareholder, in the Far East in all market sectors considered strategic for the Exprivia Group. Exprivia Asia Ltda incorporated **Exprivia IT Solutions (Shanghai) Co. Ltd** as sole shareholder. The company is specialised in providing professional services in IT infrastructure and SAP.

Strategic Shareholdings

Software Engineering Research & Practices S.r.l, 6% held by Exprivia SpA, is spin-off of the University of Bari. Its goal is to implement the results of university research in the field of software engineering and transfer them into business processes.

Consortia Initiatives

Cefriel is a consortium company in operation since 1988 as a centre of excellence for innovation, research and training in the Information & Communication Technology sector. Its main goal is to strengthen relations between universities and business through a multidisciplinary approach, starting from business needs and integrating the results of research, the best technologies on the market, emerging standards and the reality of industrial processes to innovate or develop new products and services. On 4 July 2014, Exprivia SpA acquired a 5.78% share.

Italy Care, a consortium of which Exprivia has been a member since 2013 together with Farmalabor Srl, Villa Maria Care & Research Group, and MASMEC Biomed. It was established on 18 March 2014 and represents a consolidated and effective expression of the healthcare services chain with the aim of optimising results and investments in healthcare. Penetration of international markets plays an essential role in the mission of Italy Care. Promoting a winning image in the healthcare chain that crosses borders is the goal of the consortium.

Distretto Tecnologico Pugliese ("DHITECH"), based in Lecce, intends to develop and integrate an interdisciplinary cluster for nanosciences, bioscience and infoscience according to the guidelines of the seventh framework programme and national research plan.

Distretto Tecnologico Nazionale per l'Energia ("DiTNE"), based in Brindisi, it was formed to provide support for research in production sectors in the field of energy, to encourage technology transfer needed by national and international players in the sector, and to favour connections between the worlds of research, production of goods and services, credit and the territory.

Distretto H-BIO Puglia, a consortium company based in Bari, it is known as the "Puglia technological district for human healthcare and biotechnologies". It will develop its operations in the strategic areas of products for molecular diagnostics and integrated diagnostics, treatment and rehabilitation products and bioinformatics products.

Consorzio SI-LAB: is a consortium for innovation services set up by Daisy-Net as a result of the MIUR funding project for new public and private laboratories. It brings together companies and universities in Puglia and operates in clusters with similar laboratories in Calabria and Sicily. The focus of SI-Lab is the integration of services, which are then experimented in the field of healthcare services.

Distretto Agroalimentare Regionale ("D.A.Re."), a consortium company based in Foggia, it acts as the interface for technology transfer from the Puglia research system to the agribusiness system. It provides services to support technological innovation by managing complex projects relating to industrial research and competitive development.

Consorzio Biogene was formed to develop the project known as "Public-private laboratory for the development of integrated bioinformatic tools for Genomics, Transcriptomics, and Proteomics (LAB GTP)".

Società cons. a r.l. "DAISY – NET" was formed to undertake initiatives for the development of an I.C.T. technology centre to be part of a network of regional technology centres.

THE EXPRIVIA BUSINESS MODEL

Today we are one of the main players in the digital transformation of businesses, and we owe this to the wide range of skills and experience we have developed in more than twenty years of working in our various markets.

The Group's business model is distinguished by market segmentation, as follows:

- Banking & Finance
- Telco & Media
- Oil & Gas
- Energia & Utilities
- Aerospace & Defence
- Public Sector
- Industry
- Healthcare

Banking & Finance

The world of credit and finance is a complex one that arouses enthusiasm and fascination; however, it is not without its risks. Therefore, it is vital for every institution working within a rapidly evolving sector to have a partner like Exprivia to rely on for IT support.

From risk governance to data leveraging, from clouding to BYOD, from information security to nearshoring services, digital transformation works alongside the evolution of the credit and financial system.

Competence, Consulting, Know-how

With our long-term experience, we can support our customers with customised services and solutions designed to always keep pace with the unique needs of this market.

Exprivia's in-depth knowledge of typical market processes, combined with its solid technical skill and experience working with innovative technology suppliers and market leaders make it the ideal partner to promptly meet the evolving needs of customers.

Exprivia's solutions cover the following areas:

- Capital Market
- Factoring IT Solutions & BPO
- Credit Solutions
- Customer Experience
- Insurance

Systems, infrastructure and security: design, services and solutions

Exprivia's services and solutions cover the following areas:

- Governance, Risk Management and Compliance
- Big Data: from "noise" to "value"
- IT Tools & Outsourcing Services
- Video Conferencing
- Cloud, BYOD and Virtualisation
- IT Technical Consulting and Support Services
- Digital and total security
- On-premises e nearshoring: measurable and accessible.

Telco & Media

More software, less hardware: the world of telecommunications is looking for innovative solutions that are, at the same time, less costly to manage. Operators in the sector are increasingly oriented towards excellence in customer satisfaction, an objective to be pursued through continual improvements in the quality perceived by users of the services. Exprivia accepts this challenge by offering innovative services and solutions for telecommunications, a market influenced by continual technological evolutions.

Digital transformation with virtualization

In telecommunications, technology is not simply a support but the core of the business. An essential condition at a time when all the operators are trying to minimize their operating costs but, at the same time, to increase customer satisfaction.

Exprivia offers operators and builders in the telecommunications sector extremely high-level technological competencies as it allows them to manage the Digital Transformation, reducing their operating costs with innovative solutions.

Exprivia is the ideal partner for the Service Providers that find the solution for being agile, efficient and customer centric in the virtualization of networks and applications.

Exprivia's great ability to build complex systems results in a reduction of operating costs for companies due to the simplicity of management. The quality of the services provided enables the customer to transfer a better customer experience to its users, enabling the single needs to be satisfied also through customer loyalty policies.

The main services and solutions that Exprivia provides to the telecommunications market are:

- Voice&Media Application
- Network Optimization&Transformation
- Next generation OSS Solutions & Services
- IT Infrastructure Management
- Web Portal&Mobile Applications
- Carrier Grade solutiondevelopment

Oil & Gas

For more than 10 years, Exprivia’s knowledge has supported the entire energy sector procurement, distribution and marketing sector. A solid experience in the field of fossil-derived resources has enabled the company to develop process governance systems that are currently applicable to the entire sector, with a particular focus on renewable energy and widespread parcelled sources.

The main process areas covered are:

- In-houselogistics and supplies
- Contract Management
- Operationalprocesses
- Marketing and sales
- Administration and finance, planning and control
- Health, safety and environment (HSE)

- Downstream
- Midstreamandupstream
- Corporate communicationandgovernance

Energy &Utilities

Thanks to the introduction of innovative processes and services, Exprivia is capable of guaranteeing added value to all utilities that hope to overcome market challenges.

Energy, water and the environment

Support for the entire value chain of marketing and sales companies: management of digital channels, metering, billing and credit management, customer care management and sales solutions, relationship with networks, business intelligence, pricing & supply management, public lighting solutions, energy efficiency, smart metering and smart building.

In the distribution sector, Exprivia is specialized in developing solutions for the management of Network Development, Outage Management, Network Maintenance, Cartographic Service and Grid Topology.

In the production sector, Exprivia has gained competence in solutions for the management of plants and health & safety solutions.

Public transport, airports and ports

Logistics automation, smart ticketing, info-mobility applications, line and vehicle maintenance, workforce management (public transport); public briefing, safety and logistics management, real-time dashboards and monitoring of the main KPIs, crowd management and monitoring, indoor positioning & Port Community System (ports and airports).

Post, communication and logistics

Notification of administrative acts, Telematic postman, ERP solutions, electronic billing, corporate KPI monitoring solutions.

Aerospace&Defence

Safety on flights, land and sea transport, control of operations areas, vehicles, and digitized environments: all this has become fundamentally important in today's world. Its long experience in military and civil environments enables Exprivia to build defence systems and above all prevention systems in which Information Technology is the best tool for protecting humans and vehicles, whether military or civilian.

There is an even more urgent need for preventive action such as monitoring and controlling scenarios: no longer a posteriori but continuous control of vehicles, operating environments and routes, to take action before a crisis can occur.

An essential condition for IT support for strategic decisions in critical situations is situational awareness, the correct perception of what happens in the operating scenarios in real time. Exprivia has again been a protagonist of the digital transformation, which now offers a real advantage to the sector, making it possible to analyse the complexity of heterogeneous information (images, videos, data, texts, symbols, voices and sounds) coming from a large number of sensors, worn, fixed and mobile, during flight, navigation, in orbit and on vehicles or drones.

In particular, Exprivia develops systems for command and control, supervision, presentation of maps, processing of geographical maps and rapid prototyping of air, land and sea transport consoles that ensure maximum interaction with scenarios increasingly close to reality, also through augmented reality techniques, the richness of georeferenced information and social collaboration.

Space as driver of innovation

The acquisition of ACS in July 2016 opens new markets with a high technological value and strengthens the Group's innovation impetus even further.

ACS' offer focuses on the following areas:

- Ground Segment for the real-time acquisition and processing of data for Earth Observation
- Remote sensing applications for monitoring of the land, study of climate change and handling of environmental emergencies
- Maritime traffic monitoring systems
- Virtual Reality and Augmented Reality applications, usable on fixed and mobile devices.
- Analysis of digital images in the space domain and technological transfer to new sectors (biomedical, non-destructive testing, video-surveillance)

Public Sector

Cybersecurity, digital identity, digital documents and electronic payments: the Digital Agenda for Italy designs the economy 4.0, increasingly based on Big Data and the IoT.

Intangibleinfrastructure and digitalcitizenship

You can call it e-government, e-gov or digital administration: for us, it is just called innovation, simplicity and reliability for the protection of businesses, residents, public employees and the government.

Bureaucratic streamlining through the digitalised management of the PA - along with organisational renewal activities - now allows for the reconciliation of spending optimisation with service quality, as it provides users with multiple rapid and effective communication channels that connect residents with public institutions and provide the latter with a series of worry-free and completely secure tools for completing administrative procedures.

From this perspective, Exprivia has been able to rely on much of its experience in optimising processes for large private enterprises, which it has reconceptualised based on the needs of central and local governments and broken down into a range of areas, including:

- products and services for management (financial statements and accounting, human resources, management control, demographic services, document management, social services, etc.);
- eGovernment for relations with the public, businesses and institutions;
- eProcurement for purchase processes and to monitor suppliers;
- storage and sharing of electronic documents;
- planning and control through business intelligence platforms and business analytics;
- performance measurement in PA processes;
- solutions to support administrative processes concerning self governance and cooperation between administrations (SOA paradigm);
- exchanging information between entities, citizens and businesses through a single point of access;
- system integration for operational continuity 24/7 and automatic system repairs.

Industry

Exprivia rationalizes and reaches excellent levels of performance in the company processes of its customers, by modifying the entire value chain: from analysis to consulting, implementation, the Application and System Management services, also using proprietary, vertical solutions. The strategic relationship between the processes (increasingly simplified, quick and interlinked) and the in-depth knowledge of specific business features enables Exprivia to offer a tool for increasing the company's prospects of success.

Smart Manufacturing, digital innovation in industrial processes.

The recent research projects foreshadow a radical change in business scenarios: the fourth industrial revolution is in progress and will soon bring fully controlled, interconnected and automated production processes through the evolution of technology.

The expression "Industry 4.0", used for the first time at the Hanover Fair in 2011, defines this change in a panorama that is still evolving but already has precise development guidelines.

The four pillars of this transformation constitute the core of Exprivia's know-how and skills:

- use of data and connectivity (big data, open data, Internet of Things, machine-to-machine and cloud computing);
- analytics and machine learning;
- man/machine interaction (touch interfaces and augmented reality);
- digital/real interaction (additive manufacturing, robotic control, machine-to-machine interactions, storage of energy from various sources).

The impact of this transformation will be colossal, like that of the previous industrial revolutions brought over the centuries by steam, electricity, oil and computers and will only be quantifiable in the future. In the mean time, however, the clouding technologies are already influencing the work dynamics, which are evolving extremely rapidly. Every business must therefore introduce digital innovation in its industrial processes to gain the benefits of Smart Manufacturing.

Exprivia has taken this extraordinary opportunity by strengthening the entire industrial process with its digital solutions and automating the management of huge quantities of information in a simple, rational and efficient way, thus converting it into a strong presence on the market. This is the natural evolution of the vertical offer that Exprivia develops on the various industrial markets.

Exprivia, a SAP Gold Partner for 10 years

Exprivia is currently one of the main Italian companies specialized in the design, development and integration of software solutions and innovative services, with its many corporate skills gained during its twenty years of activity and through a privileged relationship with SAP for over 10 years. Exprivia provides the most innovative SAP solutions, such as SAP Business Suite 4 SAP HANA (High-Performance Analytic Appliance, an architecture designed to manage extremely high rates of complex transactions and queries on the same platform) with a view to ensuring the go-to-market for its customers and giving them the most appropriate support in the development and innovation of their business processes. The main areas of activity are Administration, Finance and Control, Operation & Logistics, Business Analytics, Human Capital Management

Professionals for your company's performance

500 professionals specialized in ERP and Extended ERP solutions, including over 300 certified resources, distributed across Italy and overseas (Spain, Mexico, Brazil, other Latina American countries and China) make Exprivia one of the leading players in the field of digital transformation.

- Service Partner
- Validated Expertise Partner
- Gold Var (Value Added Reseller) &PCoE (Partner Center of Expertise)
- Fast Start
- Smart BI - 1st EMEA partner
- RUN SAP Implementation - 1st partner in Italy
- Sybase Silver Partner
- Open Text Premier Partner
- SuccessFactors Solution Partner

Healthcare

Managing health is more than simply controlling healthcare expenditure. The operators in this sector have been saying this for years. Relations between the regional government, the healthcare facilities and the users must be improved by adopting technological innovations.

Exprivia is the ideal partner for a healthcare system oriented towards an excellent future that combines savings with efficacy and efficiency: its technological solutions for the healthcare system ensure absolute, simple and reliable technological coordination between the regional government and the healthcare provided by local health authorities, hospitals, ARNAS and IRCCS research centres, general and specialized hospitals, and domiciliary care systems.

A team of 350 specialists, 30 years of operation in the IT sector, solutions and services at 500 hospitals for 20 million patients confirm the efficacy of the Exprivia solutions in satisfying the needs of the healthcare sector, of fundamental importance for the economy and development of every region.

Suite of solutions

The Regions with the most efficient health service are those that spend the most but also spend the best, that is, without causing overruns of the regional budgets.

The Exprivia systems connect the entire Regional Healthcare system, from the administrative and management centres to the public and private hospital facilities along the entire supply chain, to the individual professionals and on-line services for users, so as to get the most from every resource.

This is done using the e4Cure suite, expressly designed for the healthcare environment, which coordinates the two main branches of the health system:

- Local healthcare providers
- Regional authorities and agencies

creating interface flows that ensure total, structured control.

Quality and riskmonitoring

In addition to its ISO 9001 quality certification, Exprivia has set up an ISO 13485 Medical Device quality system for monitoring clinical risks.

SKILLS

Working for the world to come requires not only a lively imagination, but also and especially solid training that keeps us continuously updated on trends and transformations under way to anticipate the needs of the market.

The Group has a team of highly-skilled experts specialised in several different technological areas:

- Capital Market
- Credit & Risk Management
- IT Governance & Infrastructure
- Big Data & Analytics
- BPO
- Cloud
- IoT
- IT Security
- Mobile
- SAP Suite

PERFORMANCE OF EXPRIVIA GROUP RESULTS AND COMMENTS ON THE PERFORMANCE OF INDIVIDUAL BUSINESS SEGMENTS

Revenues recorded a slight decrease in 2016 compared to the figures in the same period of 2015 (-1.5%)

In addition, for some other business lines, the name was translated into English, to make it easier for an international audience to understand which activities are carried out by each BU.

Details of the revenues relating to 2016 are shown below, compared with the figures for the same period of the previous year, broken down by business segment (€/1000).

Business Areas	31/12/2016	31/12/2015	Variation	Variation%
Banking & Finance	26,141	25,606	535	2.1%
Energia e Utilities	21,502	21,933	(431)	-2.0%
Industry	12,845	11,689	1,156	9.9%
Oil e Gas	12,701	15,725	(3,024)	-19.2%
Telco & Media	20,070	19,307	763	4.0%
Healthcare	21,497	22,018	(521)	-2.4%
Aerospace & Defence	13,888	11,221	2,667	23.8%
International Business	7,846	10,439	(2,593)	-24.8%
Other	760	1,423	(663)	-46.6%
Total	**137,250**	**139,361**	**(2,112)**	**-1.5%**

Details of the net revenues relating to 2016 are shown below, compared with the figures for the same period of the previous year, broken down by business segment (€/1000).

Exprivia Group (value in k Euro)	31/12/2016	31/12/2015	Variation	Variation%
Projects and Services	116,025	119,182	(3,157)	-2.6%
Maintenance	15,119	14,244	875	6.1%
HW/ SW third parties	4,006	2,835	1,170	41.3%
Own licences	1,418	1,681	(263)	-15.6%
Other	682	1,418	(736)	-51.9%
Total	**137,250**	**139,361**	**(2,111)**	**-1.5%**

Details of the net revenues relating to 2016 compared with the figures for the same period of the previous year, broken down by type of customer (public or private), are shown below (€/1000).

Exprivia Group (value in k Euro)	31/12/2016	Effect %	31/12/2015	Effect %	Variations %
PRIVATE	113,829	82.9%	109,389	78.5%	4.1%
PUBLIC	23,421	17.1%	29,972	21.5%	-21.9%
Total	**137,250**		**139,361**		**-1.5%**

Details of the net revenues relating to 2016 are shown below, compared with the figures for the same period of the previous year, broken down by geographic area (€/1000).

Exprivia Group (value in k Euro)	31/12/2016	Effect %	31/12/2015	Effect %	Variations %
ITALY	123,211	89.8%	126,800	91.0%	-2.8%
FOREIGN	14,039	10.2%	12,561	9.0%	11.8%
Total	**137,250**		**139,361**		**-1.5%**

Banking & Finance

The **Banks, Finance and Insurance** Business Unit closed 2016 with an increase of 2% over 2015, thanks in particular to the results in the second half, which boosted a first half that had closed in line with 2015.

The market as a whole was characterised by a weaker first half in which developments in terms of a general political review of the national scenario were accompanied by international dynamics shaped by the BRExit referendum and its unexpected outcome. On the other hand, the second half witnessed a significant upturn in IT expenditure driven by both the increasingly more crucial legislative-regulatory component and, lastly, the needs to rebuild strong links with its customers, also thanks to new Digital Transformation tools.

In this setting, the Business Unit managed to consolidate and expand its customer base, through the constant development of its overall offer portfolio, in support of Business Development initiatives. More specifically:

- the results in the finance area recorded growth of more than 8%, by virtue, in particular, of proactive monitoring of the customer base and expansion of the offer pertaining to the functional and regulatory component, as well as a greater number of capital market platforms;
- in the Credit Solutions domain, the closure of the period with an overall decrease of just 6.7% is attributable to the excellent performances in the last quarter (+33% compared to the 4th quarter of 2015), which made it possible, also thanks to the acquisition of two new customers, to recover strongly from the sharp downturn, especially due to the international component registered in the first nine months;
- despite 2016 being characterised by a partial turnover of the customer base, the results in the factoring segment, confirming the quality of the full outsourcing approach proposed, recorded growth of 2%, due, in particular, to the ability to adjust the specifications of the service provided to the needs of the individual customers;
- the results in the Digital Transformation domain (Big Data Analytics, Cloud & Security Infrastructure, Smart Process, Customer Experience) are in line with those of 2015, although achieved on a wider customer base and by virtue of a more marked and differentiated definition of the offer.

In conclusion, the results and the methods employed to achieve them determined a positive year. The evolution of the offer rewarded, especially in the second half of 2016, by the acquisition of new customers and the increase in the list of negotiations (pipeline), combined with the estimated rise in IT spending in this sector in 2017, lead us to reasonably predict positive development in Business Unit operations over the course of the next few quarters.

Telco & Media

In 2016, the **Telco & Media** business unit consolidated its growth of 4% with respect to the corresponding period in the previous year (Euro 20 million in 2016, compared to Euro 19 million in 2015).

The company reinforced business relations with the main telecommunications players in Italy. Exprivia Telco & Media acquired major contracts linked to the activation of new broadband access networks, automation and streamlining of the business processes of its customers, to vertical data analytics solutions for the monitoring of quality KPIs and for the predictive maintenance of fixed and mobile network services, and the implementation of innovative solutions for telecommunications security and privacy.

Oil & Gas

Uncertainty in 2016 over the global demand for energy and the related prices of raw materials prompted **Oil&Gas** market operators to confirm their global investment reduction programmes launched in 2015 and to continue with disinvestment plans for less profitable or non-core activities. Investments were frozen at global level along the entire chain of value. Various transactions were finalised between the end of 2015 and 2016 which modified the corporate structures of some major market operators, and which drained additional resources from development projects.

ICT demand for the **Oil&Gas** market in Italy remains heavily concentrated on a few large operators which represent the Business Unit’s main customers and which, despite maintaining the same levels of production as the previous year, registered substantial reductions in their profitability in 2016 due to the fall in the prices of energy commodities, which impacted Exploration&Production activities.

In this transition scenario, in 2016, Exprivia recorded a reduction of 19.2% in revenues in the **Oil&Gas** sector compared to the previous year (Euro 12.7 million in 2016 compared to Euro 15.7 million in 2015). In the first part of the year, Exprivia took part in a number of competitive processes, winning some significant multi-year contracts which helped the company reverse the trend of the previous few months in the final quarter. Revenues rose by 23% in the last quarter compared to the previous quarter (with the progress of project activities impacted by the holidays) and 7% compared to the revenues in the second quarter of the same year. Exprivia closed 2016 with a portfolio of contracts acquired during the year, but to be executed in the 2017-2018 period, worth more than Euro 15 million.

The reduction in revenues is in line with the fall in global ICT demand of the **Oil&Gas** market; therefore Exprivia did not lose its competitive positioning to its main competitors and, by being awarded the aforementioned tenders, actually managed to expand its perimeter of competence.

In addition to the vertical offer for the **Oil&Gas** sector, Exprivia continues to develop its offer in services for the digital transformation of Customer Engagement and Customer Operation processes, with a special focus on the development of new digital channels. The HSE offer is enriched by innovative solutions based on wearable technologies which provide access to new scenarios for the management of the safety of workers employed in high risk areas.

Utilities

In 2016, the **Utilities** Business Unit recorded revenues of Euro 21.5 million compared to Euro 21.9 million in 2015. The contracts commenced in the first quarter became fully operational in the second half of the year, allowing the company to reach, in line with the plans, the objectives set in terms of the value of production and operating margin, albeit recording a slight drop in revenues. The customer base was consolidated through greater diversification of activities by customer and the acquisition of customers not previously included in the portfolio.

Revenues from offers in the most innovative sectors recorded growth; digital transformation, customer experience and customer journey, home & lifestyle, grid management.

BPO (Business Process Outsourcing) is specialised in Customer Care, both front office and back office. In 2016, revenues totalled Euro 5.7 million, compared to Euro 6.9 million in the same period of the previous year. The variation is attributable to external factors which delayed the start of two energy sector contracts won in 2015, one of which commenced in March 2016 and the other at the end of December. In fact, turnover in 2016 was concentrated on the start-up of the first contract, which is provided by the Molfetta branch, and the closing Back Office service assigned to another provider in the last quarter of the year. The two active contracts will follow a figurative life cycle of ten months, and whose overlapping effects will be visible in 2017 which, therefore, henceforth presents interesting increases in both turnover and profit margins.

Aerospace & Defence

The **Defence & Aerospace** Business Unit closed 2016 with revenues of Euro 6.6 million compared to Euro 3.3 million in the previous year. The change is primarily related to the contribution made by the acquisition of the new investment in ACS Srl.

Specifically, Exprivia's Defence sector confirmed a performance in line with the contraction seen in a market that is still being held back by the restructuring of the main industrial companies and the large entities operating therein, and by an intense focus on the reduction of spending. The start-up of significant national and European programmes during the year, in both the civil and military domains, should facilitate a normalisation of the market and subsequent recovery, creating room for growth for companies like Exprivia that operate in high technology content scenarios.

The innovative company ACS Srl, which has operated in the market for more than twenty years and develops ground stations for the reception and processing of satellite data, a sector in which it has reached a top global position, joined the Aerospace & Defence Business Unit in the third quarter of 2016. Over the years, ACS has expanded its offering by taking advantage of the opportunities provided by the wide availability of Earth Observation data and the development of new technologies for studying the Earth. The increase in revenues in 2016 reflects the completion of some important contracts and the strengthening of ACS' presence in maintenance and operating support services for large satellite data acquisition and processing systems.

Public Sector

The revenues of the **Public Sector** Business Unit in 2016 amounted to roughly Euro 7.3 million compared to around Euro 8 million in 2015.

The results of the **Central Public Administration** recorded a slight drop in terms of turnover, when compared to 2015, due to the effects of the major spending review started in recent years on the entire sector. It should be noted that, in the fourth quarter, Exprivia won some important contracts from significant Central Public Administration institutions: Inail (National Institution for Insurance against Accidents in the Workplace) and MEF (Ministry of Economy and Finance). These contracts did not impact revenues in 2016, but will start to produce their effects in the second quarter of 2017.

Local Public Administration continues to witness a slowdown in activities (revenues of around Euro 2.6 million in 2016 compared to roughly Euro 3 million in 2015), only mitigated slightly in the last few months of 2016. The Local Public Administration still cannot find the right driving force for a radical change of ICT approach. By contrast, we are starting to see the first positive effects of the European 2014-2020 programming period getting up to full speed.

In general, the last few months of 2016 recorded a slight reversal of the trend recorded in the first few quarters. Some important entities showed a certain degree of enthusiasm, as a consequence of a general redefinition of the Digital Transformation targets, which have, by now, become a strategic objective for the entire sector.

Industry

The 2016 results of the **Industry** BU showed a clear sign of growth in revenues compared to the previous year, confirming the positive trend that commenced in the first few months of the year. In 2016, revenues amounted to around Euro 12.8 million, compared to Euro 11.7 million in the same period of the previous financial year, marking an increase of 10%.

The industry segment is interpreting the signs of an economic recovery with confidence, by including investments in IT projects in the budget and beginning important technological innovation initiatives. The customer base was provided with design services, application management services and in-cloud services, as part of mature offers such as those relating to ERP, HCM and extended ERP processes, rather than relating to highly innovative issues, like CRM solutions applied to after sales processes.

Some industrial sectors have been more decisive in starting to invest again, such as Machinery, Retail and Consumer Products and Food. Strong results were obtained in international rollouts for customers with head offices in Italy, both in European countries and in the Far East and Latin America.

The experience acquired by Exprivia in the SAP S/4 and SAP Hana platforms are of great importance for the growth prospects of 2017 and the ensuing years, technological innovations introduced to the market by the German software vendor which are sparking huge interest from companies, in respect of which technological migration projects are in place, including with Cloud Computing methods.

Again in terms of the offer, positive results were achieved in the development of web solutions and portals, bringing the efforts capitalised on in our Research and Development laboratories to the market.

Healthcare

The year 2016 saw the continued concentration of demand at regional and central level, resulting in the general expectation of lower spending, also due to the entry into force of the new Tender Code, which slowed the publication of calls for tender even further. On the other hand, the reduction in current spending due to the spending review involved a general penalisation of revenues, stemming from the management of recurring services for Healthcare customers.

In this general scenario, the performance of EHIT in 2016 did not register phenomena as such to reverse this trend; net revenues fell slightly (-2%) compared to 2015.

The segment hardest hit by the spending review was that of the regional area, also as a result of the expiry of an important contract with the Puglia Region for the supply of the regional healthcare information system.

On the other hand, the medical area contributed with the roll-out of new projects, in both the private and public sectors, through contract works acquired at the end of 2015.

In the second half of 2016, major orders were also acquired and the conditions were put in place for the drawing up of contracts totalling Euro 16.8 million for the 2017-2019 three-year period, both for significant private and public institutions, especially new customers.

International business

Exprivia's activities on non-Italian markets registered a drop in revenues in 2016, down from Euro 10.4 million to Euro 7.8 million. The decrease in revenues is mostly concentrated in Spain and in Mexico, while other countries recorded stable or increased revenues.

In Spain, where the Exprivia Group was present through two subsidiaries, **Profesionales de Sistemas Aplicaciones y Productos SL (ProSap) and Exprivia SL.**, their merger was completed in 2016 by combining the commercial and technical structures to strengthen the offer of ERP applications and SAP services for industry and distribution of Business Intelligence solutions for the Healthcare sector.

The evolution of business in 2016 was not altogether satisfactory, even though company activities from August 2016 were targeted at economic-capital restructuring. Also in the final quarter they led to the stabilisation of revenue lines, through the containment of market risks. The cost structure was rationalised and adapted to developable revenues. The SAP business area essentially maintained activities with its customer base. The Business Intelligence area was reduced considerably, essentially owing to the decrease in investments by the biggest customer in the Healthcare sector.

In Central America, where the Exprivia Group operates directly through con **Prosap Mexico** and Prosap Centroamerica (Guatemala), sales and delivery actions continued with major private and public companies operating in the infrastructure construction sector in Latin America countries. The Mexican company was also subject to economic-capital restructuring activities, whose effects were felt in the fourth quarter of the year in particular.

With a view to stabilising relations in the area and better monitoring of country risk, sales and development initiatives were strengthened throughout the area; the branch in **Ecuador** that participated, as part of the RTI (temporary association of companies), in some significant public and private tenders in the Healthcare sector is waiting for the finalisation of the tender award procedures; the company **Prosap Perù** is waiting for sales initiatives in the healthcare and telecommunications domains which could inject fresh impetus.

In Brazil, the revenues of the company **Exprivia do Brasil Serviços de Informatica Ltda** are in line with those of the previous year and therefore do not show growth, also due to the country's current macro-economic situation. Relations with the key customers in the IT Security area remain extremely strong however and promise new developments in 2017.

In **China**, where **"Exprivia IT Solutions (Shanghai) Co. Ltd",** whose sole shareholder **"Exprivia Asia Ltda" in Hong Kong,** has developed its business in providing professional services in IT infrastructure and SAP. The year 2016 saw an increase of 40% in turnover compared to 2015; the customer base is still currently made up of Italian companies and institutions operating in China and European manufacturing industries.

RISKS AND UNCERTAINTIES

Internal Risk

RISK RELATED TO EMPLOYMENT OF KEY STAFF MEMBERS

The success of the Exprivia Group mainly depends on the competence and skills of its workers. In addition to the executive directors of the Group and subsidiaries, the Exprivia Group also has senior managers with many years of experience in the sector who play a decisive role in managing the operations.

Already in 2012 the company set up institutional processes to map and develop certified skills, thereby reducing the risk that the skills of certain key figures might become obsolete and to confirm the Group's ability to attract leading figures with a proven record for innovation.

The programme for building loyalty and keeping the most skilled and deserving workers through performance management schemes, which include systems for rewarding key resources in the organisation.

RISK RELATED TO DEPENDENCE ON CUSTOMERS

The Exprivia group provides services to companies operating in different markets (Healthcare, Public Administration, Banking and Finance, Telecom & Media, Industry, Aerospace and Media and Utilities).

The revenue of the Group is well distributed over an array of customers but, nevertheless, the withdrawal of certain leading customers from the portfolio could weigh on the economic, capital and financial situation of the Exprivia Group.

RISK RELATED TO CONTRACTUAL COMMITMENTS

The Exprivia group develops high value solutions with a high technological content and related underlying contracts may provide for the application of penalties for compliance with stipulated terms and quality standards. The application of these penalties could have negative effects on the economic and financial results of the Exprivia Group.

The Group has, therefore, stipulated insurance policies with leading insurance companies, considered adequate to safeguard itself from the risks arising from professional liability (the policy covering "all IT risks"). Should this cover be insufficient and Exprivia group required to pay for damages amounting to higher than the limit stipulated, the economic, capital and financial situation of the Exprivia group could suffer significant negative effects, in line, moreover, with risk parameters for the sector.

RISK RELATED TO INTERNATIONALISATION

In its internationalisation strategy the group could be exposed to typical risks deriving from the performance of business at an international level, which include changes in politics, macro-economic outlook, taxation and/or regulations, as well as currency variations. Nevertheless, the company was considerably active in foreign markets, where the country risk is considered under control and minor.

External Risk

Risk arising from the general conditions of the economy

The Information Technology market is naturally linked to trends in the economy.

An unfavourable economic phase, particularly at a domestic level, could slow demand, which would result in a capital, economic and financial impact. The Group has proven its ability to react, raising and maintaining the necessary profitability even in the current stagnation in the global economy. The risks in this regard are related to the duration of this cycle and the number of variables connected to the national and international political-economic system.

Risk related to IT services

The ICT consulting services sector in which the Exprivia group operates features fast and profound technological changes and constant evolution of the composition of professionals and skills to gather in the creation of services, together with a need for constant development and updating of new products and services.

The Exprivia group has always been able to anticipate these changes, and be ready for the needs of the market, also because of conspicuous investment in research and development.

Risk related to competition

The Exprivia Group competes in markets where the companies are - usually - rather large, which means remaining competitive depends on economy of scale and adequate pricing policies. The Exprivia Group mitigates this risk with continuing research and development, encouraged by the near-shoring centre of Molfetta, where it is possible to have access to human resources that are always in line with trends in the sector, especially considering the vicinity of the university and the extensive collaboration with the latter.

Risk related to changes in legislation

The work conducted by Exprivia Group is not subject to any specific legislation in the sector.

Financial Risk

Financial Risk

Interest Rate Risk

Over the years Exprivia group has obtained various loans including several medium-long term at a fixed rate and others at a facilitated rate, the latter relating to funded research and development projects. Concerning variable rate loans, where considered necessary the Group stipulates interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

Credit Risk

Exprivia group does not have significant concentrations of credit risk except for work carried out in the Public Administration sector, where delays are recorded mainly due to the payment policies adopted by public bodies. They often do not respect the conditions set forth in contracts but, nevertheless, they do not lead to the risk of bad debts.

The group also manages this risk by selecting counterparts considered to be solvent by the market and with high credit standing.

All amounts receivable are periodically assessed for each individual customer, and they are written down when they are considered impaired.

LIQUIDITY RISK

Prudent management of liquidity risk is pursued by planning cash flows, financing needs and the liquidity of the Exprivia group to ensure effective management of financial resources by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones.

EXCHANGE RATE RISK

Since the majority of operations conducted by the Exprivia group are in the Euro area there is limited exposure to foreign exchange risk arising from transactions that are not in the usual currency (Euro). Opening up to markets characterised by major fluctuations (e.g., Brazil) might constitute a risk to be monitored, depending, however, on the volumes in place, which for the moment are not significant.

SIGNIFICANT EVENTS IN 2016

On **20 April 2016,** the **Ordinary Shareholders' Meeting of Exprivia SpA** met on first call to **approve the financial statements as at 31/12/2015,** resolving the distribution of a dividend amounting to Euro 1,105,128.31, equal to Euro 0.0213 per share.

The **Corporate Governance and Ownership Report and the Remuneration Report** for directors and management with strategic responsibility of the Exprivia Group were approved during the same shareholders' meeting. Both reports are published on the company's website in the "Corporate – Corporate Governance - Corporate Information" section.

The Ordinary Shareholders' Meeting **also approved the issuing of a new authorisation to purchase and dispose of own shares**, pursuant to articles 2357 and 2357-ter of the Italian Civil Code.

On 28 April 2016, the company distributed a total dividend of Euro 1,044,774.63, of which (i) Euro 513,864.99 relating to the ISIN of the majority vote shares (loyalty shares) and (ii) Euro 530,909.64 for the other shares with normal ISIN, the difference with respect to profit allocated by the Shareholders' meeting to the dividend, is due to the dividends accrued by own shares held by the company which, as at 25 April 2016, amounted to 2,827,694.

Acquisitions/Sales in the Exprivia Group

On **11 April 2016**, the deed of **merger by incorporation** by incorporation of **Exprivia SLU in Prosap SLU** was formally registered. The incorporating company **Prosap took the name of the incorporated company Exprivia SLU**. The transaction became effective retroactively for accounting and tax purposes on 1 January 2016.

On **4 May 2016**, the activities required to close **Prosap US Holding Ltd** and its subsidiary **Prosap Consulting LLC** were completed.

On **22 June 2016**, Exprivia **completed the acquisition of ACS S.p.A.**, an innovative company operating in the field of software applications and systems for the space sector. On **5 July 2016,** Exprivia SpA acquired de facto control over ACS, transformed from a SpA (joint-stock company) to a Srl (limited liability company) following the appointment by the sole shareholder Exprivia of the administration and control bodies. Exprivia, which already held a stake of 16.2% in ACS, increased its shareholding to **become the sole**

shareholder. On **28 October 2016,** Exprivia **completed the share capital increase of ACS Srl for Euro 1.8 million**.

On **21 November 2016**, **Exprivia Process Outsourcing Srl** was incorporated, wholly-owned by Exprivia SpA, with registered office in Palermo, for the provision of Call Centre, Contact Centre and Help Desk services. The company commenced its activities on 19 December 2016.

EVENTS AFTER 31 DECEMBER 2016

Corporate Events

On **16 March 2017**, the company's Board of Directors, based on the prior favourable opinion of the Board of Statutory Auditors, **appointed Valerio Stea,** the new administrative manager of the holding company Exprivia Spa, as **Executive Manager responsible for preparing the corporate accounts** of the Exprivia Group.

Acquisitions/Sales in the Exprivia Group

There were no significant events worth noting.

Other subsequent events

On 7 March 2017, a second instance judgment was filed in relation to a tax dispute which was unfavourable for Exprivia Enterprise Consulting Srl.

For more details, please refer to note 20.

EXPRIVIA'S STOCK MARKET PERFORMANCE

Exprivia shares have been listed on the Electronic Stock Market of Borsa Italiana (MTA - STAR segment) since August 2000 and on 28 September 2007 Exprivia SpA was admitted to the STAR segment (high performance securities).

A total of 51,883,958 shares constitute the Share Capital as at 31 December 2016 with a nominal unit value of Euro 0.52.

Stock Exchange ISIN code:	IT0001477402
Symbol:	XPR
Specialist	Banca Akros

COMPOSITION OF SHAREHOLDERS

On the basis of the entries in the shareholders' register, as supplemented by instructions received in accordance with art. 120 of the Consolidated Finance Act and available information, as at 31 December 2016, the shareholder structure of Exprivia was as follows:

Shareholder	Shares	Amount held
Abaco Innovazione S.p.A.:	24,145,117	46.54%
Own shares held	3,509,153	6.76%
Other shareholders	24,229,688	46.70%
Total shares	**51,883,958**	**100%**

STOCK PERFORMANCE

The graph below shows the performance of Exprivia stock on the FTSE Italia Star index in 2016 (closing at 100 at 1 January 2016).

BUSINESS OUTLOOK

In 2016, the Group implemented innovative projects for its customers in all markets served; from systems for the management of the radiology process of major national Healthcare providers, to IoT and Big Data solutions for the monitoring of rail networks, to human-machine interfaces for rendering algorithms of 3D scenarios in augmented reality. The Group continued to invest in research and, as part of the growth process, finalised the acquisition of a company operating in the space technologies sector and opened a new branch in Palermo.

Therefore, the company continues to implement the 2015-2020 Business Plan which it presented to the market at the end of 2015, in the context of the "digital transformation", driven by companies' renewed awareness of the need to digitalise the chain of company processes through the new solutions offered by ICT.

The ICT market, as a whole, is experiencing a phase of consolidation in which increasingly larger players are responding to the need for a greater presence in the entre chain of value of customers, therefore, it rewards its players increasingly more for their capacity for investment and innovation. Our Group now measures itself against large international players, capable of benefitting from economies of scale as a differentiating element and competitive advantage. In 2017, management commenced a reorganisation of the Group's internal structure, targeted at assessing the benefits of management of the business as a single unit, aimed at improving the efficiency of decision-making and competitive processes.

The year 2016 was also characterised by our Group's interest in a large, long-established Italian industrial player operating in the design and development, in the international domain, of products and solutions for next-generation networks and telecommunications services.

In consideration of all of the above, the company believes that the economic context, despite the continued high volatility, allows us to presume potential growth in line with the cornerstones of its Business Plan.

INVESTMENTS

EXPRIVIA SPA'S REAL ESTATE

All the real estate of the Group is in the name of the Holding Company Exprivia SpA.

The property in Viale PIO XI 40 in Molfetta (BA) consists of two rooms totalling about 120 sq. m .

The Company's current head offices, located in Molfetta (BA), Via Adriano Olivetti 11, covers a surface area of about 8,000 sq. m on which there is a complex of buildings (made up of four blocks, three of which are multi-story). All of these are office space and warehouses for a net total of approximately 5,000 sq. m of office space.

In 2013, an investment project, which began in 2013, was concluded. Its aim was to bolster and improve the logistics of the head offices of the Holding Company Exprivia thereby making the latter more functional and agreeable for clients.

Training programmes on the most modern IT technologies for large groups of people are organised and carried out at the Molfetta office. The development of technical staff, both internal staff and customers, is based on continuing professional training and education.

The areas dedicated to IT instrumentation, equipped with advanced security systems, are perfectly able to host not only the current equipment necessary for the management and development of the Group's infrastructure and R&D Laboratory, but also additional IT systems used to provide the market with complete solutions for development projects and outsourcing with the most sophisticated security systems and non-stop operations.

In April 2012 Exprivia SpA transferred its Milan branch from Via Esterle 9 to Via dei Valtorta 43, thus occupying a rented independent three-storey building with a total of 2,500 sq. m of floor space available for office use.

The Company started expanding its Molfetta production unit during the first half of 2012, a project provided for in the programme agreement signed with the Regione Puglia on 5 December 2011 for a total value of Euro 10.4 million. The first stage of the investment in material assets, totalling Euro 5.6 million, is the erection of a new four-storey office building with a total of 2,500 sq. m of floor space, which was completed in February 2014.

The second phase involved the renovation of offices in Via Olivetti (Molfetta, Italy) and bolstering of electrical and network infrastructures, which was completed on 30 June 2014.

In November 2014, Exprivia SpA held a public institutional event to present the restyling of the offices in Via Olivetti and the new building.

In December 2014 Exprivia SpA transferred its Rome office from Via C. Colombo, 456 to Viale del Tintoretto, 432. It occupies an entire floor with a total surface are of 2,036 sq. m, thus making it possible to integrate all the personnel of the Exprivia subsidiaries: Exprivia Telco & Media and Exprivia Enterprise Consulting Srl.

The main goal of the new offices, built on a project commissioned by Exprivia SpA, was to create a representative office as well as an operational office. The project enabled a significant expansion of office space, in addition to bolstering ICT infrastructure.

In January 2015, new offices were identified for the Vicenza production unit, in the Serenissima Area of East Vicenza, in via Zamenhoff 200 with an area covering 500 sq. m, to which all personnel present in the old Via

Benedetto Marcello office were transferred in April 2015. The new office has architectural and service characteristics in line with the Group's renovated offices.

ACS SRL'S REAL ESTATE

Acquisition of the ACS Srl investment increased the Exprivia Group's real estate; in particular, ACS owns the site in Rome, in via della Bufalotta 378. The site is composed of two lots: the first, measuring around 1,250 m^2 is owned by the company, the second, covering roughly 1,050 m^2, is used under a property lease, with the possibility of redemption at maturity in 2019.

Research & Development

In line with the previous Strategic Business Plan, in collaboration with the company business units, the objectives of the research programmes active in 2016 were essentially met successfully. The main priorities of the Research & Development programme were as follows: *Sanità 2.0* and *Intelligent Transportation System (ITS)*.

All Research & Development projects are backed by co-financing from the participation in national tenders for research promoted by the competent Ministries and Regional Administrations.

Sanità 2.0.

As regards healthcare, in 2015 Exprivia essentially concluded project **DSE** through the participation in the Public-Private Laboratory SILAB. The public-private laboratory ensured the following objectives:

- the production of a prototype DSE-IT platform which supports the management of a Digital Services Ecosystem;
- the creation of Healthcare services and solutions.

Exprivia has made a significant contribution to the creation of the platform and has developed a Therapeutic Compliance solution, which it aims to test.

The **ActiveAgeing@Home** project was also essentially completed, financed as part of the cluster "Technologies for Living Environments", which Exprivia participated in through the MIUR tender for the definition of National Cluster Technologies (Directors' Decision 257/Ric of 30 May 2012).
The project tackled the issues of monitoring health and remote assistance for vulnerable persons, with special attention to people with neurological disabilities. Exprivia provided its specialist skills in the sector and created solutions to support patients and their "caregivers".

Intelligent Transportation System

The **ITS (Intelligent Transportation System) Italy 2020** project is underway. It was acquired as part of the tender for National Technological Clusters, through the participation in the National Technological Cluster "Means and systems for mobility on land and sea". The object of the innovation is to define technological standards and communications protocols to develop national intermodal logistics.

Lastly, following a laborious administrative process, Exprivia took part in the MISE Horizon 2020 and Grandi progetti ('large projects') tenders. In collaboration with its partners, Exprivia presented two project proposals respectively:

- **BIG IMAGING:** "BIG DATA" and Genomic Imaging for the development of innovative nano vector biological indicators and drugs for the diagnosis and treatment of inflammatory processes in dementia;
- **FINDUSTRY 4.0:** the ultimate objective is to define, create and provide a platform able to offer technologies, ICT systems and expertise, as well as methodological support which enables the dissemination and adoption of technologies that allow digital innovation in the Italian manufacturing sector.

- ACS has always been geared towards technological innovation, which is a distinctive trait of its Aerospace offering. And with this in mind, ACS is committed to various Research projects, financed by national and European programmes.

The **GAPS** project, co-financed by the Ministry of Economic Development, aims to trial new SAR satellite data processing techniques based on the use of GPGPU cards. The project, which will end in the middle of 2017, has delivered extremely interesting results, which are already being applied to systems proposed by ACS.

The **EVER-EST** project, financed by the EC as part of the Horizon 2020 programme, aims to create a virtual collaboration environment. The recipients of this system are Earth Sciences researchers, who represent the main users of the remotely sensed satellite data. The project, coordinated by the European Space Agency (ESA), represents an important opportunity for expanding the offer to final users of remote sensing.

The European project **MELODIES**, co-financed in the FP7 domain and concluded recently, made it possible to examine the Linked Open Data themes in depth, with a particular focus on oceanographic data. The experience gained in this project can easily be used in the Space and PA domain offers.

SpaceNav is a European project co-financed by the 7th Framework Research Programme. SpaceNav's objective is to develop innovative techniques for optimising commercial shipping routes. The system developed by SpaceNav uses the data remotely sensed by satellites to create navigation plans that reduce consumption, emissions and the costs connected with maintenance and inspections.

EVENTS AND SPONSORSHIPS

A selection of the main initiatives in which Exprivia took part in 2016 are provided below:

- On **11-12 February 2016** Exprivia participated in the event called "**Borsa dell'innovazione e dell'alta tecnologia 2016**" ('2016 innovation and high technology fair') and held discussions with national and foreign firms, in particular, on the topics of Mobile Health, Clinical-Diagnostic Solutions and Smart Cities.
- On **4 March 2016,** Exprivia took part in the event organised by Sole24Ore in Bari entitled "**Viaggio nell'Italia che innova**" ('travel in Italy that innovates') Exprivia participated in the initiative of the President and CEO **Domenico Favuzzi** in the round-table group "**Crescere per competere meglio"** ('grow to compete better').
- On **7-8 March 2016,** Exprivia took part in the event in Milan called **Mobility Conference Exhibition (MCE 2016)**. The initiative analysed the topic of future mobility and solutions for implementing "smart mobility". At the event, Exprivia participated in one-to-one meetings with innovative start-up companies to evaluate the implementation of new joint projects.
- On **16 March 2016**, Exprivia took part in "**Star Conference 2016**" in Milan, organised by Borsa Italiana for the companies listed in the STAR segment, with one-to-one interviews with leading national and international institutional investors.
- On **12 April 2016,** in collaboration with the Asap Service Management Forum community, Exprivia organised the event "**UN SERVIZIO POST-VENDITA EFFICACE, Casi di successo nella riprogettazione di processi, sistemi e organizzazione**"(AN EFFECTIVE AFTER-SALES SERVICE, Success cases in the redesign of processes, systems and organisation), which was held in the Department of Engineering in the University of Brescia. The success cases of two of Exprivia's SAP BU customers were presented on the day: Aligroup and ABMedica.

- On **11-12 May 2016,** Exprivia participated in the event "**Diving into Smart Manufacturing Blue Waters**" which was held at the Genoa Aquarium. The event, organised by the sedApta Group, in collaboration with Exprivia, focused on the theme of Smart Manufacturing. Exprivia was present with a demo station and gave two demos.
- On **12 May 2016,** Exprivia took part in event "**Sanità Digitale – il futuro del servizio pubblico**" ('Digital Healthcare – the future of the public service') held at the Chamber of Deputies – Parliamentary Groups Building in Rome, with an address by Dante Altomare on digital innovation in the medical and technology field.
- On **27-28 May 2016,** Exprivia took part in the "**45°Convegno Nazionale AIDP - Scommettiamo su persone e lavoro**" ('45th National AIDP Convention - Let's bet on people and work') which was held in Bari. Exprivia participated in the round-table group entitled "Smart Working, Sharing Economy and new forms of organisation", with a speech by Domenico Favuzzi and an exhibition desk. The technologies by Exprivia in the Human Resources field were examined in depth.
- Exprivia took part in the meeting known as "**Pre Commercial Procurement per la Salute**" ('Pre-commercial Procurement for Health'), held on **14 September 2016** at the Levante Trade Fair in Bari, in the Agorà space of the Puglia Region pavilion. At the meeting, focused on the issues of the research of innovation and promotion of Health and Well-being, Exprivia presented its pre-commercial procurement pilot case, which relates to the "Metabolink" prototype solution launched in Puglia on healthcare.
- Exprivia took part in the "47th National S.I.R.M. Conference" held between **15 and 18 September 2016** at the la Mostra d'Oltremare di Napoli (Overseas Exhibition of Naples). At the two-yearly edition of **Congresso Nazionale S.I.R.M.,** the reference event for hospital operators in the field of Medical Radiology, Exprivia was present with its exhibition space to present the radiological offer and with workshops dedicated to e4cure suite products.
- Exprivia participated in the event **"I Dialoghi di Trani – Condividere X"** (Trani Dialogues – Sharing X) held from **20 to 25 September 2016** at Trani Castle. Exprivia's President and CEO Domenico Favuzzi gave a speech on the subject.
- Exprivia took part in the event "**ANCI EXPO 2016**" held from **12 to 14 October 2016** at the Levante Trade Fair of Bari. The objective of the conference is to promote dialogue between directors, work supervisors, the business world and the Government, in order to discuss the main political matters of interest to Local Authorities. Exprivia was present with an exhibition space which it used to present innovative solutions and technologies for the Public Administration.
- On **14 October 2016,** Exprivia took part in the convention called "**Il Rating delle Imprese**" ('the Rating of Companies') organised by the Province of Bari. The convention saw the presentation of the results of research conducted on a sample of local and national companies who chose to examine the knowledge of their rating in depth, with the goal of managing it thereby improving it, benefitting from the best conditions in terms of access to credit. Exprivia took part in the workshop with a speech by Roberta Gulden, Credit&Risk Management Area Manager of Exprivia Digital Financial Solution Srl.
- Exprivia participated in the event "**SAP Innovation Forum 2016**" held on **20 October 2016** in Milan, with its own exhibition space and a speech by Alberto Boatto, Senior Account Manager of Exprivia's SAP area.
- Exprivia sponsored the event "**Lezioni di Storia**" (history lessons) held from **23 October to 18 December 2016** at the Petruzzelli Theatre of Bari. Exprivia was the sponsor of the Barese stage which is one of a cycle of meetings which aims to have distinguished historians try their hand at art to place it in its numerous settings, from the cultural to the political, economic and social.
- On **26-27 October 2016**, Exprivia took part in the event "**Med.it - Health Innovation**" in Vicenza. Exprivia had an exhibition space at the event to present its Healthcare offer. In particular, Exprivia gave special demos in eHealth workshops in Cardiology, for the eCardio suite and Risk Management in Pathological Anatomy and demos on the voice recognition systems integrated in the functioning of macroscopic-telemedicine analysis. In addition, Exprivia participated in the workshop "Audizione Commissione Nazionale in Anatomia Patologica" ('Appearance before National Commission in Anatomical Pathology')

and in "Health App Reboot the System", a meeting with the institutional decision-makers of Regional Healthcare.

- On **28-29 October 2016,** Exprivia sponsored the event "**SIRM Marche**" in Ancona. SIRM Marche is a two-day convention aimed at the world of radiologists specialised in Magnetic Resonance and, in particular, at the Heads of Radiologist Departments at public hospitals in the Marches region.
- On **16 November 2016**, Exprivia took part in the event "**Digital Impact**" organised by SDA Bocconi's DEVO Lab. The event is reserved exclusively to the guests of the Founding Member companies of the DEVO Lab and targeted at company Top Executives and analysed the results of research conducted by DEVO LAB with the Massachussets Institute of Technology (MIT), on the impact of digital technologies on company business.
- On **15 December 2016**, Exprivia took part in the event "**La telemedicina a sostegno delle reti assistenziali e la sostenibilità del sistema sanitario**. **Il modello Puglia e lo scenario nazionale**" ('Telemedicine in support of welfare networks and the sustainability of the healthcare system. The Puglia model and national scenario') organised at AOU Policlinico Bari (University Hospital, Polytechnic of Bari). Exprivia participated in the Round-table Group entitled: La Telemedicina: Modelli organizzativi e sostenibilità (Telemedicine: Organisational models and sustainability). Change in supply and demand, with a speech by Dante Altomare, President of Exprivia Healthcare IT and afternoon event "Telemedicina. I bisogni e la programmazione delle Aziende sanitarie e ospedaliere pugliesi e le novità offerte dall'ICT" ('Telemedicine. The needs and planning of healthcare providers and Puglia hospitals and innovations offered by ICT'), with an address by Francesco Bellifemine, Production and Delivery Director of Exprivia SpA.

MANAGEMENT TRAINING AND DEVELOPMENT

The Exprivia Group invests by focusing, in particular, on developing skills and expertise in a context strongly geared towards innovation. The new business plan includes new major investments in training and development on particularly innovative matters. The analysis of gaps in skills, on which investment policies are based, is linked to an annual process of mapping and balancing of skills identified as the Skill Inventory.

The Organisation Development office provides support to the companies in the Group by:

- Managing performance and remuneration plans (Performance Management);
- Professional development (Training);
- Optimisation of the personnel placement and reallocation process (Selection and Orientation department).

For all the companies in the Group remuneration is connected to results achieved by each individual, and it was designed to be sustainable and compatible with company results while ensuring the approach is based on merit.

In 2016, initiatives were launched linked to individual and organisational well-being and to social organisation:

- **Company Welfare – Exprivia People Care**. The entire company population benefitted from: Supplementary healthcare insurance to cover individual and family welfare; a flexible welfare package that the employee can put together based on individual and family requirements, choosing from services connected with:

- education, family support, goods and services in kind, associated with the concessions set forth in art. 51 of the Income Tax Consolidation Act (TUIR);
- arrangements to support work-life balance (family care, easy shopping, culture) deductible within the limit of 5 per thousand of staff costs.

Company Smartphones and SIMs with unlimited data and telephone calls; restaurant e-tickets.

- **Enterprise Social Collaboration** – through an experimental process, we have launched social collaboration at the company to improve the levels of connection, interaction and sharing of expertise and skills, in particular, in order to:
  - raise the quali-quantitative level of internal communication
  - put in place an effective vehicle for knowledge and facilitating collaboration
  - promote the correlation between good staff management practices and company performance
  - analyse and collect information in the field using a bottom-up approach
  - favour the fusion, innovation and dissemination of ideas
  - pro-actively involve highly valued personnel
  - improve Exprivia's brand and corporate identity
  - adopt a vehicle for organisational change
  - facilitate the introduction of smart working.
- **Smart Working** – through an experimental programme, we launched a flexible work method for managing time and space, reconciling personal and work needs. The company population is expected to be involved in the experimental phase, with 10% of the total Italian population involved.

In terms of Training, the Training Master Plan 2016, a planning tool for training, provided for approximately 10,298 hours of training for 945 participants compared to 20,435 hours of training in 2015. In particular, the 2016 plan made provision for additional financed training initiatives of around 10,000 hours which, owing to restrictions deriving from the financing, can be provided in 2017.

The training courses were set up at the start of the year and reviewed every quarter in order to make the training investment policies consistent with the objectives of each business unit and sustainable with respect to budget targets. The training programmes, not including those on regulatory provisions (e.g., safety at the workplace), were organised in accordance with regulatory requirements and designed according to market and investment needs. In particular, training programmes concerned the development of:

- **specialised technical skills:** measures for developing technical knowledge and skills to support technological innovation and development programmes, through specialised training plans, also for the purpose of obtaining certification. These specialisation courses were held for all ICT roles in the firm belief that improving skills means raising the value of persons and so the competitive advantage of the organisation. Of particular interest were training courses regarding SALESFORCE, ORACLE EBS HCM, SCRUM MASTER, BUSINESS ANALYST BASICS, TIBCO, SAP HANA, SAP FIORI.

- **management skills:** measures to develop managerial skills of the Exprivia Group's middle management, i.e. focused on improving organisational conduct.

The following professional development courses are specifically noted:

1. Training course for the PMP-Project Management Professional certification**:** we defined a new training process in blended mode, part e-learning (asynchronous support) part classroom-based (instructor-centred), after having verified that the traditional classroom-based courses were not sufficient for adequately preparing candidates for passing the PMP certification exam. In the new mode, training alternates between instructor-centred lessons in the classroom and distance tutoring, in environments for discussion and publication of contents that allow pupils to be adequately and continuously supported during the exam preparation phase;
2. Re-training process in Application Management on the TIBCO platform: training process and on-the-job training for the re-training of personnel in order to offer new professional opportunities in the Exprivia Group.

The training programmes involved resources from several companies in the Group, encouraging integration of organisational cultures and experiences acquired in different markets. Exprivia has always aimed at the attainment of technical certification for its personnel, in this way ensuring its customers with the objective certification of the technical abilities of its staff involved in the projects. In 2016, 184 certification exams were taken and 147 were passed with success (80%).

As regards the Business Process Outsourcing unit (Contact Centre), the following courses were held:

- About 4,003 hours dedicated to continuous training in order to improve the performance of our workers for the activities in question. These hours involved around 4,245 participants.
- About 1,378 hours dedicated to specialised training to enable our workers to deal with new activities. These initiatives involved about 595 participants.
- Around 11,375 hours dedicated to new entry training. These initiatives involved about 125 participants.

Concerning Orientation, Recruiting and Selection, in 2016 about 130 new staff were hired, including new graduates and workers qualified in technical/IT disciplines and process experts. A total of 62 new workers were placed in the contact centre.

Furthermore, 236 staff were hired in the Business Process Outsourcing Business Unit (Contact Centre), following the launch of the new company Exprivia Process Outsourcing Srl based in Palermo.

The selection processes were targeted at those with specialised skills in order to reinforce the associated Business Units and, therefore, Exprivia's competitiveness in each of the reference markets.

Also in 2016, as in the past, Exprivia invested in the continuous links with schools, universities, polytechnics and research centres, fully aware of its role in generating innovation and opportunities for young undergraduate students and graduates. This collaboration materialises in:

- school/work projects; we should report that on 31 May 2016, we launched School-Work Projects. School-work projects consist of the creation of processes designed, implemented, verified and assessed, under the responsibility of the educational institution, based on the appropriate agreements with the companies willing to take on students for periods of learning on the job, which do not constitute individual employment relationships. The school/work project processes are naturally included in the three-yearly plan of the training offer of the educational institution as an integral part of the educational courses (from 3rd to 5th school year); therefore, they were launched in 2016 and will continue until 2018. The school/work programme involves 129 students from 9 higher education institutes in the Puglia region, for a total average of 200 hours per student in the three-year period;
- Internships for final-year university students to carry out innovative projects for specific markets;
- Post-graduate internships to provide the opportunity to gain experience in areas directly related to business administration, or research projects in research and development laboratories;
- Funding for doctorate programmes or high-level internships to combine research with market needs.

STAFF AND TURNOVER

Tables are provided below which show the staff of the Group companies as at 31 December 2016, compared with the figure at 31 December 2015 and the average number of employees and temporary workers for the years 2016 and 2015. In particular, the first table (table 1) reports the number of resources, around 25.65% of whom are part-time; part-time can involve various arrangements in terms of contract hours. The second table shows the number of full-time equivalent workers (on an annual basis) (Table 2):

Table 1.

	Employees		Media Employees		Temporary workers		Media Temporary workers	
Company	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016
Exprivia SpA	673	659	670	673	2	2	8	2
Exprivia Healthcare IT Srl	335	325	330	330	-	-		
Exprivia Enterprise Consulting Srl	156	123	165	138	1	1	1	1
Exprivia Digital Financial Solutions Srl	194	198	194	196	-	-	-	-
Exprivia Projects Srl	219	242	302	236	-	-	-	-
Exprivia Process Outsourcing Srl	-	236	-	236	-	-	-	-
Exprivia Telco & Media Srl	358	365	311	365	1	-	4	-
Advanced Computer Systems Srl	0	64	-	64	-	-	-	-
Exprivia It Solutions Shanghai	17	14	16	18	1	1	1	1
Exprivia SLU (Spagna)/ProSap SA de CV/ProSap Centroamerica SA	88	91	105	106	-	-	-	3
Exprivia do Brasil Servicos de Informatica Ltda	21	22	20	23	8	8	8	7
Spegea Scarl	8	7	8	7	1	1	1	1
Total	**2069**	**2346**	**2121**	**2392**	**14**	**13**	**23**	**15**
Executives	*39*	*47*	*48*	*49*	-	-	-	-
Middle Managers	*192*	*193*	*192*	*199*	-	-	-	-

Table 2.

	Employees		Temporary workers	
Company	31/12/2015	31/12/2016	31/12/2015	31/12/2016
Exprivia SpA	649	632	2	2
Exprivia Healthcare IT Srl	316	306	-	-
Exprivia Enterprise Consulting Srl	144	112	1	1
Exprivia Digital Financial Solutions Srl	187	187	-	-
Exprivia Projects Srl	38	138	-	-
Exprivia Process Outsourcing Srl	-	144	-	-
Exprivia Telco & Media Srl	357	364	1	-
Exprivia It Solutions Shanghai	16	13	1	1
Exprivia SLU (Spagna)/ProSap SA de CV/ProSap Centroamerica SA	15	-	-	-
Advanced Computer Systems Srl		61	-	-
Gruppo ProSap + Spagna	73	91	-	-
Exprivia do Brasil Servicos de Informatica Ltda	21	22	8	8
Spegea Scarl	7	6	1	1
Total	**1823**	**2076**	**14**	**13**
Executives	*39*	*47*		
Middle Managers	*191*	*192*		

As regards the FTE table (Table 2), the figure for employees as at 31.12.2016, unlike the figure at 31.12.2015, does not include resources subject to CIGO [ordinary wages guarantee fund]/CIGD [extraordinary wages guarantee fund]/absences due to long-term illnesses. The number of employees and temporary workers in the foreign perimeter as at 31 December 2016, reported in tables 1 and 2, with respect to the same figure at 31.12.2015, felt the effects of a revision and reclassification of employees and temporary workers, which took place in 2016, to make them more consistent with Italian regulatory standards. This generates a difference in the number of employees and temporary workers between the 2015 and 2016 figures. Similarly and, as a consequence, the average figure as at 31.12.2015 changes, reported in this report, with respect to the figure published as at 31.12.2015 in the previous report.

The tables below show the number of incoming and outgoing resources, by contractual group and by Company.

HIRES

	EXECUTIVES		MID MANAGERS		STAFF		TEMPARARY WORKERS	
	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016
Exprivia SpA	1	-	2	1	45	44	7	-
Exprivia Projects Srl	-	-	-		100	80	-	
Exprivia Telco &Media	-	-	3	2	128	69	3	-
Exprivia Digital Financial Srl		2	1	2	17	17	-	-
Exprivia Healthcare IT Srl	-	-	1	1	33	6	-	-
Exprivia Enterprise Consulting Srl	-	1	-		1	1	-	-
Advanced Computer Systems Srl	-	8	-	14	-	42	-	-
Exprivia Process Outsourcing Srl	-	-	-	-	-	236	-	-
Spegea Scarl	-	-	-	-	-	-	-	-
Foreign	-	-	-	3	-	13	-	1
Total	1	11	7	23	324	508	10	1
Total Population	39	47	192	193	1838	2016	14	13
% Turnover	**3%**	**23%**	**4%**	**12%**	**18%**	**25%**	**71%**	**8%**

RESIGNATIONS

	EXECUTIVES		MID. MANAGERS		STAFF		TEMORARY WORKERS	
	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016
Exprivia SpA	1	-	2	5	44	54	15	-
Exprivia Projects Srl	-	-	-		241	57	-	-
Exprivia Telco & Media Srl	1	-	-	1	43	62	7	1
Exprivia Digital Financial Srl	-	-	3	2	12	15	-	-
Exprivia Healthcare IT Srl	1	1	4	5	18	11	-	-
Exprivia Enterprise Consulting Srl	-	1	1	7	14	27	-	-
Advanced Computer Systems Srl	-	-	-	-	-	-	-	-
Exprivia Process Outsourcing Srl	-	-	-	-	-	-	-	-
Spegea Scarl	-	-	-	-	-	1	-	-
Foreign	-	1	-	2		13		1
Total	3	3	10	22	372	240	22	2
Total Population	39	47	192	193	1838	2106	14	13
% Turnover	**8%**	**6%**	**4%**	**11%**	**20%**	**11%**	**157%**	**15%**

MANAGEMENT AND CONTROL ORGANISATION MODEL (PURSUANT TO LEGISLATIVE DECREE 231/2001)

Effective 31 March 2008, Exprivia adopted its Organisation, Management and Control model under Legislative Decree no. 231/2001 and set up a Supervisory Body. None of its members are directors of Group companies.

This model is integrated with the principles and provisions of the Exprivia Ethics Code. The unique nature of Exprivia's governance system and policies is thus confirmed, which also focuses on developing a corporate culture that fully complies with the principals of conduct for the Exprivia Group.

The Supervisory Board meets periodically and performs its job in observance of the tasks assigned to it by the Model and Regulations/Articles of Association it has independently adopted, all with the aim of supervising the model's operation and of updating it.

The Organisation, Management and Control model is published on the Company website in the section "Investor - Corporate Governance – Corporate Information Report".

GROUP QUALITY ASSURANCE CERTIFICATION

The Company has developed an Integrated Management System compliant with the requirements of international standards ISO 9001, ISO 13485, ISO / IEC 20000-1, ISO / IEC 27001, ISO 22301. This system is integrated with specific standards for software engineering and Of systems with the aim of developing work methodologies and processes capable of combining standardization with flexibility and self-improvement capabilities through the support of competent, aware and motivated people.

In 2014, she gained maturity level 2 over the CMMI-DEV model by developing a process for developing software projects that helps improve product / service quality through reduced service and non-compliance, as well as Improve customer satisfaction and process performance.

In addition to the parent company, Advanced Computer Systems ACS Srl is ISO 9001 certified.

In 2016 regular and verifiable audits were carried out on a regular basis by the external body to maintain ISO certifications.

INTER-COMPANY RELATIONS

The organisational structure of the Exprivia Group functionally integrates all staff services of the Group subsidiaries within the consolidation area, thereby optimising the operational structures of each company to ensure effectiveness and efficiency in supporting the business of the Group.

The Administration, Finance and Control Department unites the Group Finance function with the Administration, Finance and Control functions.

The Human Resource Department reports directly to the Chairman of the Exprivia Group, who is the head of the department ad interim.

The Internal Audit, Merger & Acquisition, Corporate Affairs and International Business Departments also report to the Chairman.

The Group companies constantly collaborate with each other for commercial, technological and application development. In particular the following should be pointed out:

- widespread use of specific corporate marketing and communication competencies within the group including the production of paper, digital and web-based promotional material;
- centralised management for the supply of specialist technical resources between group companies to manage critical points in turnover and to give all operational units access to highly specialised technical competencies;
- coordinated participation by Exprivia in public contract tenders with the contribution of all companies according to their specific competencies.

A cash pooling relationship is in place between the Italian Group companies, and all companies adhere to tax consolidation based on a specific regulation.

RELATIONS WITH RELATED PARTIES

In compliance with applicable legislative and regulatory provisions, and in particular with:

(i) the "Regulations on transactions with affiliated parties – CONSOB resolution no. 17221 of 12 March 2010" as amended by resolution no. 17389 of 23 June 2010; (ii) the outcome of the subsequent "consultation" published by CONSOB on 24 September 2010; (iii) the CONSOB notice on guidelines for applying the regulations published on 24 September 2010; (iv) CONSOB notice no. 10094530 of 15 November 2010 with additional clarifications, on 27 November 2010 the Board of Directors of the Company adopted a “Procedure for Transactions with Related Parties”, setting forth provisions concerning transactions with related parties in order to ensure the transparency and substantive and procedural correctness of operations with related parties carried out directly or through companies that are directly and/or indirectly controlled by Exprivia ("Exprivia Group").

This procedure replaced the one previously in force, which had been introduced on 26 March 2007and is published on the Company's website under "Corporate> Corporate Governance> Corporate Information".

Transactions with related parties made by the Company during 2016 fall within normal business management and are governed by normal market conditions. No atypical or unusual transactions with such parts have been made.

In March 2016, the Company and Abaco Innovazione SpA, which carries out management and coordination activities for the Company, signed two contracts in execution of a unitary scope and therefore qualifiable as more significant transactions pursuant to the Procedure for Transactions with Related Parties.

For these transactions, the Company prepared a “**Disclosure Document**” pursuant to art. 5, first paragraph, of the CONSOB Regulation which was **published on 8 April 2016 on the Company’s website** in the “Corporate - Corporate Governance - Corporate Information” section.

INFORMATION REGARDING MANAGEMENT AND COORDINATION

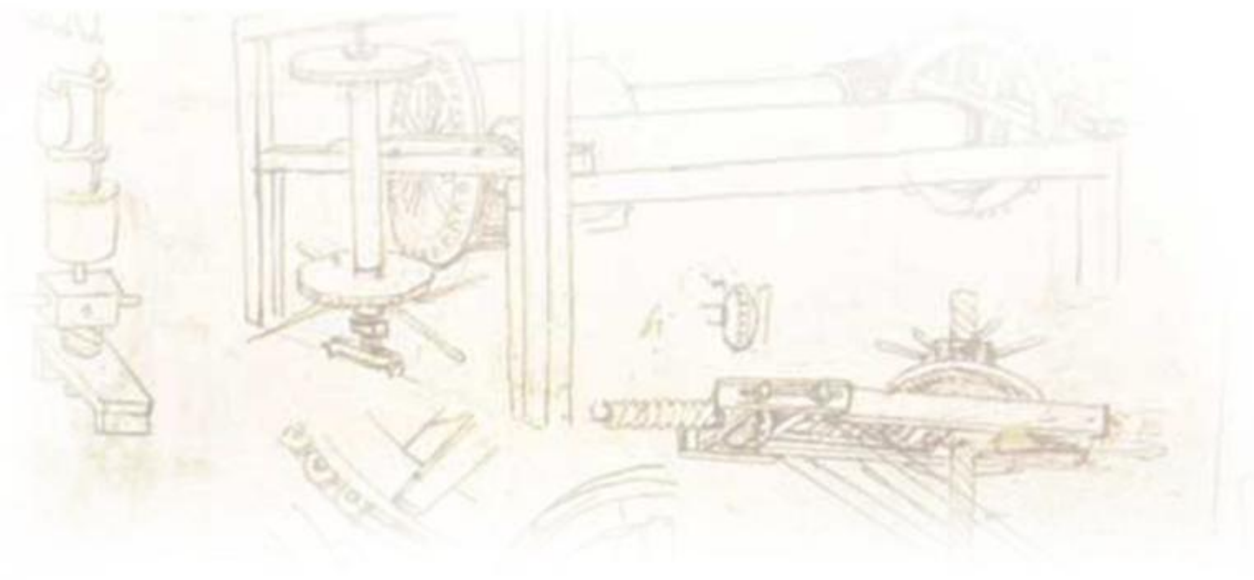
In accordance with Art. 2497 et seq. of the Italian Civil Code, governing transparency in the exercise of company management and coordination, it is recognised that this is exercised by Abaco Innovazione S.p.A., with head offices in Viale Adriano Olivetti 11, Molfetta (Bari, Italy), tax code and VAT No. 05434040720.

It should be noted that in the performing said activity:

- Abaco Innovazione SpA has not caused any damage to the interests and assets of the Exprivia Group;
- full transparency of inter-company relations was ensured to the extent that anyone can check whether this principle is being observed;
- transactions with Abaco Innovazione S.p.A. were carried out on an arm's length basis, i.e., under conditions that would have been applied by independent parties.

Relations with Abaco Innovazione SpA of an economic, capital and financial nature are set forth in the section of this Directors' Report "Group Relations with Parent Companies".

In accordance with art. 2.6.2(10) of the Regulations for Markets regulated and managed by Borsa Italiana SpA, the Directors declare that, as at 30 June 2015, the Company does not meet the conditions provided under art. 37(1) of CONSOB regulation no. 16191/2007.



GROUP RELATIONS WITH THE PARENT COMPANY

The financial and equity relations between the Exprivia Group and the parent company Abaco Innovazione SpA as at 31 December 2016 compared to 31 December 2015 are laid out below.

RECEIVABLES

Description	31/12/2016	31/12/2015	Variation
Exprivia S.p.A.	3,066,588	1,305,338	1,761,250
TOTAL	**3,066,588**	**1,305,338**	**1,761,250**

The balance as at 31 December 2016 includes, for an amount of Euro 2,985,338, the receivable relating to an unsecured loan with no guarantees taken out in 2016 with the parent company Abaco Innovazione SpA and disbursed for Euro 1,680,000 in cash and, for Euro 1,305,338 as reclassification of payables outstanding as at 31 December 2015. The balance also included Euro 75,150 in interest income accrued on said loan and receivables for administrative services (Euro 6,100).

COSTS

Description	31/12/2016	31/12/2015	Variation
Exprivia SpA	276,231	84,575	191,656
TOTAL	**276,231**	**84,575**	**191,656**

The balance as at 31 December 2016 refers to costs for the guarantee given by the parent company to obtain the Euro 25 million loan disbursed to Exprivia SpA by a pool of banks in April 2016.

REVENUE AND INCOME

Description	31/12/2016	31/12/2015	Variation
Exprivia S.p.A.	80,150	29,188	50,962
TOTAL	**80,150**	**29,188**	**50,962**

The balance as at 31 December 2016 refers, for Euro 75,150, to interest on the loan granted to the parent company; it also includes charge-backs for administrative services (Euro 5,000).

2016 CONSOLIDATED FINANCIAL STATEMENTS FOR THE EXPRIVIA GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

Consolidated Balance Sheet

Amount in Euro	Note	31.12.2016	31.12.2015
Land and buildings		13,869,992	10,981,543
Other assets		2,171,240	2,815,269
Property, plant and machinery	1	16,041,232	13,796,812
Goodwill		67,428,110	67,118,492
Goodwill and other assets with an indefinite useful life	2	67,428,110	67,118,492
Intangible assets		4,112,591	820,552
Research and development costs		4,188,397	3,370,013
Work in progress and advances		3,314,652	
Other Intangible Assets	3	11,615,640	4,190,565
Investments in other companies		167,561	896,195
Shareholdings	4	167,561	896,195
Receivables to parent companies		2,596,910	1,305,338
Other receivables		209,659	201,199
Derivative financial instruments		34,568	
Other financial assets	5	2,841,137	1,506,537
Other receivables		1,772,942	1,716,806
Other financial assets	6	1,772,942	1,716,806
Tax advances/deferred taxes		2,943,418	1,839,961
Deferred tax assets	7	2,943,418	1,839,961
NON-CURRENT ASSETS		**102,810,040**	**91,065,368**

Amount in Euro	Note	31.12.2016	31.12.2015
Trade receivables		59,422,457	58,097,533
Other receivables		9,527,989	7,947,205
Tax receivables		2,796,038	2,655,240
Trade receivables and other	**8**	**71,746,484**	**68,699,978**
Stock		1,019,248	269,325
Stock	**9**	**1,019,248**	**269,325**
Work in progress to order		15,652,180	11,228,568
Work in progress to order	**10**	**15,652,180**	**11,228,568**
Other receivables		1,572,833	
Receivables from parent		469,678	
Other Financial Assets	**11**	**2,042,511**	
Current banks		12,455,496	7,005,422
Cheques and unpresented effects		39,437	38,588
Cash resources	**12**	**12,494,933**	**7,044,010**
Shareholdings in subsidiaries		462,748	501,561
Assets classified as owned for sales and those included in aggregates for disposal	**13**	**462,748**	**501,561**
CURRENT ASSETS		**103,418,104**	**87,743,442**
ASSETS		**206,228,144**	**178,808,809**

Amount in Euro	Note	31.12.2016	31.12.2015
Share Capital		25,154,899	25,754,016
Share capital	14	25,154,899	25,754,016
Share premium		18,081,738	18,081,738
Share Premium Reserve	14	18,081,738	18,081,738
Revaluation reserve		2,907,138	2,907,138
Revaluation reserve	14	2,907,138	2,907,138
Legal reserve		3,931,382	3,709,496
Revaluation reserve	14	3,931,382	3,709,496
Other reserves		20,579,266	17,201,619
Other reserves	14	20,579,266	17,201,619
Retained earning/loss		2,246,057	1,945,640
Profits/Losses for previous periods	14	2,246,057	1,945,640
Profit/Loss for the period		2,838,069	4,597,608
SHAREHOLDERS' EQUITY		**75,738,549**	**74,197,255**
Minority interest		994,361	795,038
GROUP SHAREHOLDERS' EQUITY		**74,744,188**	**73,402,218**

Amount in Euro		31.12.2016	31.12.2015
Non-current bond		1,839,297	3,311,748
Non-current bond	**15**	**1,839,297**	**3,311,748**
Non-current bank debt		24,624,683	6,111,015
Non-current bank debt	**16**	**24,624,683**	**6,111,015**
Trade payables after the financial year		698,021	109,273
Payables to other lenders		10,000	
Derivative financial instruments		12,503	
Other financial liabilities	**17**	**720,524**	**109,273**
Tax liabilities and amounts for social security payable after the financial year		2,881,594	408,762
Other financial liabilities	**18**	**2,881,594**	**408,762**
Amounts payable to pension and social security institutions		436,004	
Other no current liabilities	**19**	**436,004**	
Other provisions		1,068,718	622,311
Provision for risks and charges	**20**	**1,068,718**	**622,311**
Employee severance indemnities		10,403,774	9,228,805
Employee provisions	**21**	**10,403,774**	**9,228,805**
Provisions for deferred taxes		1,189,221	1,038,852
Deferred tax liabilities	**22**	**1,189,221**	**1,038,852**
NON CURRENT LIABILITIES		**43,163,815**	**20,830,766**

Amount in Euro	Note	31.12.2016	31.12.2015
Current bond		1,508,246	1,007,399
Current bond	23	1,508,246	1,007,399
Current bank debt		25,845,581	35,879,446
Current bank debt	24	25,845,581	35,879,446
Trade payables		18,816,906	17,087,806
Trade payables	25	18,816,906	17,087,806
Advances		3,394,884	2,774,376
Advances payment on work in progress contracts	26	3,394,884	2,774,376
Payables for equity investments		359,999	
Other payables		925,172	384,214
Other financial liabilities	27	1,285,171	384,214
Tax liabilities		12,360,112	7,583,444
Tax liabilities	28	12,360,112	7,583,444
Payables to welfare and social security institutions		6,866,252	5,480,960
Other payables		17,248,628	13,583,144
Other current liabilities	29	24,114,880	19,064,104
CURRENT LIABILITIES		87,325,780	83,780,789
TOTAL LIABILITIES		206,228,144	178,808,809

Consolidated Income Statement

Amount in Euro			
	Note	31.12.2016	31.12.2015
Revenue from sales and services		137,297,652	139,233,663
Revenues	30	137,297,652	139,233,663
Other revenues and income		719,734	1,108,882
Grants related to income		1,885,501	2,983,870
Increase in capitalised expenses for intenal projects		1,927,238	1,358,828
Other income	31	4,532,473	5,451,580
Var. stock of products being processed, semi-finished items		(47,508)	127,199
Variation in stock of finished products and products being processed	32	(47,508)	127,199
PRODUCTION REVENUES		**141,782,617**	**144,812,442**
Costs of raw, subsid. & consumable mat. and goods	33	11,078,729	11,199,568
Salaries	34	91,740,115	90,581,123
Costs for services	35	20,960,775	22,259,052
Costs for leased assets	36	4,219,041	4,216,394
Sundry operating expenses	37	311,910	979,329
Provisions	38	674,559	265,737
TOTAL PRODUCTION COSTS		**128,985,129**	**129,501,203**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		**12,797,488**	**15,311,239**

Amount in Euro	Note	31.12.2016	31.12.2015
Ordinary amortisement of intangible assets		2,665,083	2,394,563
Ordinary amortisement of tangible assets		1,725,451	1,919,542
Devaluation of credits included in working capital		613,904	1,003,117
Amortisation, depreciation and write-downs	39	5,004,438	5,317,222
OPERATIVE RESULT		**7,793,050**	**9,994,017**
Financial income and charges	40	(3,024,899)	(2,332,328)
PRE-TAX RESULT		**4,768,151**	**7,661,689**
Income tax	41	1,930,082	3,064,081
PROFIT OR LOSS FOR THE PERIOD	42	**2,838,069**	**4,597,608**
Attributable to:			
Shareholders of holding company		2,821,368	4,515,391
Minority interest		16,701	82,217
Earnings per share losses	43		
Basic earnings per share		0.0578	0.0904
Basic earnings diluted		0.0578	0.0904

Consolidated Statement of Comprehensive Income

Amount in Euro			
Description	**Note**	**31/12/2016**	**31/12/2015**
Profit for the year		**2,838,069**	**4,597,608**
Other gains (losses) total will not subsequently be reclassified in profit (loss)			
Profit (loss) Actuarial effect of IAS 19		(623,258)	181,146
Tax effect of changes		149,582	(49,815)
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss)	**14**	**(473,676)**	**131,331**
Other gains (losses) total that will be subsequently reclassified to profit (loss) for the period we			
Change in translation reserve		993,107	(648,744)
Profit (loss) on AFS classified financial assets		(44,520)	
Profit (loss) on cash flow hedge derivatives		(12,286)	
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss)	**14**	**936,301**	**(648,744)**
NET COMPREHENSIVE INCOME FOR THE PERIOD		**3,300,694**	**4,080,195**
attributable to:			
Group		3,101,371	4,208,550
Minority interest		199,323	(128,356)

Statement of Changes in Consolidated Shareholders' Equity

Amount in Euro	Company Capital	Own shares	Share Premium Fund	Reval. Reserve	Legal Reserve	Other Reserves	Profits (Losses) brought forward	Profit (Loss) for the period	Total Net Worth	Minority Interests	Total Group Net Worth
Balance at 01/01/2015	**26,979,658**	**(569,389)**	**18,081,738**	**2,907,138**	**3,561,670**	**16,712,971**	**2,014,991**	**3,037,163**	**72,725,940**	**959,836**	**71,766,104**
Reclassification previous year's profit to previous year's profit					147,826	1,355,940	1,533,397	(3,037,163)	-		-
Dividend							(1,452,751)		(1,452,751)		(1,452,751)
Acquiring equity attributable third Prosap Group							(149,999)		(149,999)	(36,442)	(113,557)
Purchase of own shares		(656,253)				(349,879)			(1,006,132)		(1,006,132)
Components of comprehensive income											
Profit (loss for the period)								4,597,608	4,597,608	82,217	4,515,391
Effects of applying IAS 19						131,331			131,331	2,926	128,405
Translation reserve						(648,744)			(648,744)	(213,500)	(435,244)
Total income (loss) for the year Overall									**4,080,195**	**(128,356)**	**4,208,550**
Balance at 31/12/2015	**26,979,658**	**(1,225,642)**	**18,081,738**	**2,907,138**	**3,709,496**	**17,201,619**	**1,945,640**	**4,597,608**	**74,197,255**	**795,038**	**73,402,218**
Reclassification previous year's profit to previous year's profit					221,886	3,110,712	215,075	(3,547,673)	-		-
Dividend								(1,049,935)	(1,049,935)		(1,049,935)
Change in consolidation scope							85,342		85,342		85,342
Purchase of own shares		(599,117)				(195,691)			(794,808)		(794,808)
Components of comprehensive income											
Profit (loss for the period)								2,838,069	2,838,069	16,701	2,821,368
Effects of applying IAS 19						(473,676)			(473,676)	(211)	(473,465)
Translation reserve						993,107			993,107	182,833	810,274
Profit (loss) on cash flow hedge derivatives						(12,286)			(12,286)		(12,286)
Profit (loss) on AFS classified financial assets						(44,520)			(44,520)		(44,520)
Total income (loss) for the year Overall									**3,300,694**	**199,323**	**3,101,371**
Balance at 31/12/2016	**26,979,658**	**(1,824,759)**	**18,081,738**	**2,907,138**	**3,931,382**	**20,579,266**	**2,246,057**	**2,838,069**	**75,738,549**	**994,361**	**74,744,188**

Consolidated Cash Flow Statement

Amount in Euro	NOTE	31.12.2016	31.12.2015
Operating activities:		(1)	(1)
Profit (loss)	44	2,838,069	4,597,608
Amortisation, depreciation and provisions		5,744,525	4,314,105
Provision for Severance Pay Fund		4,245,322	3,983,347
Advances/Payments Severance Pay		(3,544,029)	(4,985,064)
Adjustment of value of financial assets		217	
Cash flow arising from operating activities		**9,284,104**	**7,909,996**
Increase/Decrease in net working capital:			
Variation in stock and payments on account		(4,649,421)	(1,316,965)
Variation in receivables to customers		(1,721,438)	4,227,592
Variation in receivables to parent/subsidiary/associated company			501,797
Variation in other accounts receivable		(1,702,186)	3,782,472
Variation in payables to suppliers		1,758,020	(5,335,921)
Variation in payables to parent/subsidiary/associated company			(63,344)
Variation in tax and social security liabilities		6,161,961	(7,740,370)
Variation in other accounts payable		3,122,584	(3,300,443)
Cash flow arising (used) from current assets and liabilities		**2,969,520**	**(9,245,182)**
Cash flow arising (used) from current activities		**12,253,624**	**(1,335,186)**
Investment activities:			
Variation in tangible assets		(3,969,871)	(1,013,253)
Variation in intangible assets		(10,512,108)	(1,436,161)
Variation in financial assets		399,202	(243,634)
Purchase of minority interests			(150,000)
Purchase of majory interests		(360,000)	
Cash flow arising (used) from investment activities		**(14,442,777)**	**(2,843,048)**
Financial activities:			
Changes in financial assets not held as fixed assets		2,765,525	(432,187)
Changes in fair value of derivatives		(34,568)	
Capital increase		(794,806)	(1,006,137)
Dividend paid		(1,049,935)	(1,402,336)
Variation shareholdres' equity		1,033,928	(567,820)
Cash flow arising (used) from financial activities		**1,920,144**	**(3,408,480)**
Increase (decrease) in cash		**(269,009)**	**(7,586,714)**
Banks / funds / securities and other financial assets at the beginning of the year		8,565,365	13,478,132
Banks / cash and other financial liabilities at the beginning of the year		(46,631,913)	(43,957,966)
Banks / funds / securities and other financial assets at end of period		17,852,802	8,565,365
Banks / cash and other financial liabilities at end of period		(56,188,359)	(46,631,913)
Increase (decrease) in liquidity		**(269,009)**	**(7,586,714)**
(1) including taxes and interest paid in the period		5,035,037	4,916,444

EXPLANATORY NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS FOR THE EXPRIVIA GROUP

LEGAL REFERENCES, PREPARATION POLICIES AND PRESENTATION

In application of European Regulation No. 1606/2002 of 19 July 2002 and Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements of the Exprivia Group and the financial statements of the parent company Exprivia SpA as at 31 December 2016, were drawn up in compliance with International Accounting Standards issued by the International Accounting Standards Board (IASB), approved by the European Union (hereinafter referred to individually as IAS/IFRS or together as IFRS) in force as at 31 December 2016.

The consolidated financial statements were prepared based on the draft financial statements as at 31 December 2016 provided by the management bodies of the consolidated companies. Where necessary, they were duly adjusted to bring them in line with the classification policies and accounting standards adopted by the Group. The consolidated financial statements were prepared under the general policy of giving an accurate and truthful presentation of the Group's financial standing, economic result and cash flows, while adopting the going-concern assumption, and the general policies of accrual basis accounting, presentation coherence, relevance and aggregation, rule against offsetting and comparability of information. The reporting period and the closing date for preparing the consolidated financial statements correspond to those of the financial statements for the Holding Company and for all the consolidated companies. The consolidated financial statements are presented in euro, which is the currency used by the Holding Company Exprivia SpA, and all figures are rounded off to the euro, unless stated otherwise. The consolidated financial statements provide comparative information referring to the previous financial year.

The schedules in the financial statements are the following:

- For the balance sheet the current assets, non-current assets, current liabilities and non-current liabilities are posted separately. Current assets are those that are to be made, sold or consumed during the normal operating cycle of the Group. Current liabilities are those that are to be extinguished during the normal operating cycle of the Group or within twelve months following the end of the financial year;
- For the income statement, the cost and revenue items are posted according to their nature;
- For the comprehensive income statement, a separate schedule was prepared;
- For the cash flow statement, the indirect method was used.

Adjustments to comparative data

In order to make the presentation of data more intelligible, the presentation was changed for certain items in the comparative data of the income statement presented in accordance with IAS 1, with respect to data published in the consolidated financial statements as at 31 December 2015. This had no effect on the result and net equity at that date. In particular, the balance as at 31 December 2015, presented for comparative purposes, of the item “Costs for services” increased compared to the data published in the consolidated financial statements as at 31 December 2015 by Euro 533 thousand (from Euro 21,726,478 to Euro 22,259,052) with reference to bank fees previously recognised under “Sundry operating expenses”, the balance of which fell from Euro 1,511,903 to Euro 979,329.

Drafting and presentation criteria

The accounting policies and valuation criteria are those adopted to prepare the financial statements as at 31 December 2016.

The valuation and measurement policies are based on the IFRS standards in effect as at 31 December 2016 and approved by the European Union.

The following table contains the list of international accounting standards and interpretations approved by the IASB and endorsed for adoption in Europe and applied for the first time to the current year.

Description	Endorsement date	Publication on G.U.C.E.	Effective date provided by principle	Effective date for Exprivia Group
Amendments to IFRS 10, IFRS 12 and IAS 28 Investments Entities	22 September 2016	23 September 2016	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 27 - Shareholders' equity method in separate financial statements	19 December 2015	22 December 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 1 - disclosure initiative	18 December 2015	19 December 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Annual Improvements to IFRS 2012-2014	15 December 2015	16 December 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 16 and IAS 38 clarification on acceptable amortization methods	02 December 2015	03 December 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IFRS 11 Accounting for acquisitions of interests in jointly controlled assets	24 November 2015	25 November 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture bearing the title Agriculture: fruit plants	23 November 2015	24 November 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions	17 December 2014	09 January 2015	Exercises that begin on or after February 1, 2015	01 January 2016
Annual Improvements to IFRS 2010-2012	17 December 2014	09 January 2015	Exercises that begin on or after February 1, 2015	01 January 2016

The adoption of these standards did not have any material impact on the valuation of the Exprivia Group's assets, liabilities, costs and revenues.
The amendment to IFRS 10, IFRS 12 and IAS 28 "Investment Entities", clarifies some aspects relating to investment entities. The amendments made to IFRS 10 confirm the exemption from the drafting of consolidated financial statements for an intermediate parent (that is not an investment entity) which is controlled by an investment entity.
As regards IAS 28, the standard was amended in relation to investments held in associates or joint ventures that are "investment entities": these investments can be valued using the equity method or at fair value.
The amendment to IAS 27 "Separate Financial Statements" introduced the option to account for investments in subsidiaries, associates and joint ventures using the equity method, while previously IAS 27 required that they should be accounted for at cost or in accordance with IFRS 9 (IAS 39 for entities that did not adopt IFRS 9).
The amendments to IAS 1 "Disclosure Initiative (amendments to IAS 1)", clarify certain aspects concerning the presentation of financial statements highlighting the emphasis on the importance of information (disclosures) in the financial statements, specifying that there is no longer a specific order for presenting explanatory notes and giving the possibility to group/ungroup items so that items considered as minimum content under IAS 1 can be grouped together when not considered significant.
The 2012-2014 improvements cycle brought amendments to certain accounting standards, especially concerning certain aspects not considered clear. In particular, the amendments concerned:

• lo IAS 19 "Employee benefits", where the IASB clarified that the discount rate for an obligation under a defined benefit plan should be determined on the basis of "high-quality corporate bonds or government bonds" identified in the same currency used to pay the benefits;
• IFRS 7 "Financial instruments - disclosures": the IASB clarified that an entity transferring financial assets and derecognising them from its balance sheet is required to disclose any continuing involvement, where existing. In addition to the disclosures required by IFRS 7 concerning offsetting financial assets and liabilities this is required only for the annual report and provided in the interim financial statements only where deemed necessary;
• IAS 34, where the IASB clarified that the disclosures required under this standard can be included in the notes to the interim financial statements, or they can be included in other documents (such as the risk reports), by providing references to them in the interim financial statements, as long as the users of the interim financial statements have access to the same conditions and timeframes as the interim financial statements.
The annual improvements to IFRSs 2012-2014 cycle also includes amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are currently not applicable to the Exprivia group.
With the amendment to IAS 16 and IAS 38 "Property, Plant and Equipment", the IASB clarified that a depreciation process according to revenues cannot be applied for property, plant and equipment since this method is based on factors, for instance volumes and sale prices that do not represent the actual consumption of the economic benefits of the asset.
IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" clarifies how to account for the acquisition of interests in joint operations that constitute a business.
Amendments to IAS 16 "Property, Plant and Equipment" and to IAS 41 "Agriculture" concern accounting rules for fruit trees.
The amendment to IAS 19 "Employee Benefits" concerns accounting for defined employee benefits plans that envisage contributions from third-parties or employees.
The IFRS 2010-2012 annual improvements include minor amendments to several standards for sections that needed clarification. In brief:
• with amendments to IFRS 2 "share-based payments", the IASB clarified the criteria and characteristics that a performance condition should meet;
• with the amendment to IFRS 3 "Business Combinations", the IASB clarified aspects for the classification and valuation of contingent considerations;
• with the amendment to IFRS 8 "Operating Segments", the IASB introduced a new disclosure requirement to include a brief description of the operating segments that were aggregated and the financial indicators that were used for the aggregation and clarified the reconciliation of assets belonging to the operating segments subject to the disclosure with all of the entity's assets only in cases where the disclosure is normally provided at the highest level of the entity's management ("CODM");
• with the amendment to IFRS 13, the IASB clarified that the goal of amendments to IAS 39 following publication of IFRS 13 was not to exclude the possibility to assess short-term receivables and payables without taking into account the effect of discounting, if the effect is not considered significant. Since the amendments to IFRS 13 refer only to the basis for conclusion, they were not approved by the European Union;
• with the amendments to IAS 16 and to IAS 38, the IASB clarified how to apply the method to determine the values under the above standards;
• with the amendment to IAS 24, the IASB extended the definition of "related party" to management companies.
The adoption of these interpretations and standards did not and will not have any material impact on the valuation of the Group's assets, liabilities, costs and revenues.
The table below shows the IFRS and interpretations approved by IASB and approved for adoption by Europe, effective after 31 December 2016:

Description	Endorsement date	Publication on G.U.C.E.	Effective date provided by principle	Effective date for Exprivia Group
IFRS 9 "Financial Instruments"	22 November 2016	22 November 2016	Exercises beginning on or after 1 January 2018	01 January 2018
IFRS 15 Revenues from Customer Contracts Including Amendments to IFRS 15 Effective Date	22 September 2016	29 October 2016	Exercises beginning on or after 1 January 2018	01 January 2018

The IASB finished the draft of the accounting standard on financial instruments and issued the complete version of IFRS 9 "Financial Instruments". The new rules under the standard: (i) amend the classification and measurement model for financial assets; (ii) introduce the concept of expected credit losses amongst the variables to be considered in the valuation and write-down of financial assets; (iii) amend regulations on hedge accounting. The amendments take effect for reporting periods starting on or after 1 January 2018.
IFRS 15 "Revenue from Contracts with Customers" requires companies to recognise revenue at the moment control of the goods or services is transferred to customers at the amount of payment that would be expected in exchange for such goods or services. The new standard introduces a method following five steps to analyse transactions and to define recognition of revenues according to their timing and amount.
The Exprivia Group started to evaluate the areas potentially impacted by the aforementioned new standards, in order to define how to correctly account for each of them. In consideration of the fact that this process is ongoing, it is still not possible to reliably estimate the impacts of the application of the above-mentioned standards, particularly in relation to IFRS 15.

The table below shows the international accounting standards, interpretations and amendments to existing accounting standards and interpretations, which are specific provisions contained in the standards and interpretations approved by the IASB, which were not yet approved for approval in Europe at the date of this annual report:

Description	Effective date provided by principle
IFRS 14 regulatory deferral accounts (issued on 30 January 2014)	Exercises beginning on or after 1 January 2016
IFRS 16 Leases (issued on 13 January 2016)	Exercises starting on or after 1 January 2019
Amendments to IFRS 10 and IAS 28 : sale or contribution of assets between an Investor and ist associate or joint venture (issued on 11 September 2014)	It was waiting for definition
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)	Exercises beginning on or after 1 January 2017
Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)	Exercises beginning on or after 1 January 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	Exercises beginning on or after 1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment. Transactions (issued on 20 June 2016)	Exercises beginning on or after 1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	Exercises beginning on or after 1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	Exercises beginning on or after 1 January 2017/2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	Exercises beginning on or after 1 January 2018
Amendments to IAS 40: Transfers of Investmenty Property (issued on 8 December 2016)	Exercises beginning on or after 1 January 2018

With the new standard IFRS 16 "Leases", the IASB replaced the accounting rules under IAS 17, which were no longer suitable to represent leasing in the current economic context. The new accounting standard requires that all leasing contracts should be recognised in the balance sheet as assets and liabilities whether they are "finance" or "operating".
IFRS 14 "Regulatory Deferral Accounts" concern rate regulated activities, i.e., segments subject to prices through regulations.
With amendments to IFRS 10 "Consolidated Financial Statements" and to IAS 28 "Investments in Associates and Joint Ventures", the IASB resolved a conflict between these two standards concerning the accounting treatment applied in cases when an entity sells or transfers a controlled entity to another entity over which it exercises joint control (joint ventures) or significant influence ("associated entities").
Amendments to IAS 12 "Recognition of deferred tax assets for unrealised losses" clarifies how to account for deferred tax assets related to debt instruments measured at fair value.
The amendments to IFRS 15 "Revenue from Contracts with Customers "Clarifications to IFRS 15" published by the IASB, aim to clarify some provisions and provide further simplifications, in order to reduce costs and complexity, for those applying the new standard for the first time.

Amendments to IAS 7: disclosure initiative is targeted at making some amendments to the standard, also needed as a consequence of the amendments to IAS 1, to ensure consistency between international accounting standards.
Amendments to IFRS 2: classification and measurement of share-based payment transactions specifies the method for accounting for deferred tax assets relating to debt instruments measured at fair value.
Amendment to IFRS 4: applying IFRS 9 Financial Instruments with IFRS 4 insurance contracts aims to address some issues deriving from the application IFRS 9 "financial instruments", before its future implementation.
The IASB also published various amendments to the standards and an IFRIC interpretation, to further clarify some provisions of IFRS, such as:

- "Annual improvements to IFRS Standards 2014-2016 cycle" which modifies IFRS 1, IFRS 12 and IAS 28;
- IFRIC interpretation 22 Foreign currency transactions and advance consideration and
- the amendment to IAS 40 "investment property: transfers of investment property", in force on 1 January 2018.

The Exprivia Group will adopt these new standards, amendments and interpretations according to the date of application required for each, and it will assess the potential impact when they are approved by the European Union.

CONSOLIDATION CRITERIA

The consolidation area includes the financial statements of the Holding Company Exprivia S.p.A. with those of the subsidiaries and associated companies, except for the shareholdings held for sale.

Companies considered subsidiaries are those where: voting rights, also potential, held by the Group enable achievement of a majority of votes in the ordinary shareholders' meeting of the company; control is obtained by virtue of any agreements between the shareholders or any particular statutory stipulations that give the Group the power to oversee the company; the Group controls a sufficient number of votes to exercise control in the ordinary shareholders' meeting of the company.

Subsidiaries are consolidated line-by-line in consolidated accounts starting from the date in which control is established and until the Group no longer holds such control. The book value of the interests in subsidiaries is eliminated from the accounts against the related shareholders' equity for the period, not including the profit or loss for the period. The share of shareholders' equity and profit or loss pertaining to minority interests is reported under the item "Minority Interests" in the Balance Sheet and under the item "Minority Shareholders" in the Income Sheet. The result of the comprehensive income statement for a subsidiary is attributed to minorities also when this means minority interests have a negative balance. Interests in associated companies are valued with the equity method. An entity is considered associated when the Group is able to participate in defining its operational and financial policies even if it is not controlled or subject to joint control. According to the equity method, interests in an associated company is carried at purchase cost and adjusted, up or down, by the variations in the associate's net assets for the amount pertaining to the Group. Goodwill pertaining to the associate is included in the book value of the interest, and it is not subject to amortisation. Transactions generating internal earnings between the Group and associates are eliminated by the percentage of Group ownership. Adjustments are made to the financial statements of companies valued with the equity method in order to make them compliant with the valuation policies adopted by the Group. All balances and transactions between consolidated entities, including profit not yet realised, are eliminated. Losses deriving from intercompany transactions and not yet realised are eliminated with the exception of cases where there is impairment of transferred assets. Third party profits and losses not yet realised and deriving from transactions with associated companies or joint ventures are eliminated in the amount pertaining to the Group. Transactions concerning acquisitions and disposal of minority interests in consolidated subsidiaries are considered transactions with shareholders and therefore their effects are reported under shareholders' equity.

CONSOLIDATION OF FOREIGN COMPANIES

All assets and liabilities of foreign companies in currency other than the Euro and that fall within the consolidation area are converted using the exchange rate at the reference date of the financial statements. Income and expenses are converted at the average exchange rate. The exchange differences arising from the application of this method are classified under shareholders' equity until disposal of the investment. In preparing the consolidated financial statements the average exchange rates were used to convert foreign subsidiary cash flows.

Goodwill and fair value adjustments generated by the acquisition of a foreign entity are recorded in the relevant currency and are converted using the exchange rate effective at the end of the accounting period.

The primary exchange rates used for conversion into euro of the financial statements of foreign companies for 31 December 2016 were as follows:

Exchange rate	EUR/GTQ	EURO/MXN	EURO/PEN	EURO/USD	EURO/BRL	EURO/HKD	EURO/CNY
31/12/2016	7.9338	21.7719	3.5402	1.0541	3.4305	8.1751	7.3202
Average year 2016	8.4151	20.6550	3.7355	1.1066	3.8616	8.5900	7.3496

Transactions in foreign currency are initially converted into the reporting currency at the exchange rate applicable on the date of the transaction. At the end of the period in question the monetary assets and liabilities in foreign currency are converted into the reporting currency at the exchange rate applicable on the closing date. Exchange differences are recognised in the Income Statement. Non-monetary assets and liabilities in foreign currency, valued at cost, are converted at the exchange rate applicable at the date of the transaction, whereas those measured at fair value are converted at the exchange rate applicable on the date the measurement is made.

BUSINESS COMBINATIONS

Business combinations are recognised according to the purchase accounting method pursuant to IFRS 3. According to this method, the cost of a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and the equity instruments issued to the seller in exchange for control over the acquired entity. Acquisition-related costs for the transaction are recognised in the income statement when incurred.

The cost of a business combination it compared to the fair value of assets, liabilities and contingent liabilities found on purchase. Any positive difference between the purchase cost and the amount pertaining to the group of the fair value of assets, liabilities and contingent liabilities found on purchase is recognised as goodwill. If the difference is negative it is charged directly to the Income Statement. If only a temporary initial book value of a business combination can be determined the initial value adjustments are carried within twelve months from the date of purchase. Amounts pertaining to third parties are carried according to the fair value of the net assets purchased. If a business combination is made over several phases with subsequent purchase of shares each phase is valued separately using the cost and information on fair value of assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any difference. When a subsequent purchase results in obtaining control of an entity the amount previously held is carried again according to the fair value of assets, liabilities and contingent liabilities determined at the date control is achieved. Any amounts payable by the buyer are recognised at fair value on the date of acquisition. Changes in the fair value of amounts payable and classed as assets or liabilities, as a financial instrument under IAS 39, are recognised in the Income Statement or in the schedule containing the other components of the comprehensive income statement. When the amount does not fall under IAS 39 it is measured in accordance with the appropriate IFRS. If the amount is classed under shareholders' equity its value is not redetermined and its subsequent regulation is accounted for under shareholders' equity. Goodwill is initially recognised at cost, i.e., the excess of the sum of the amount paid and the amount carried for minority interests with respect to the net assets acquired and liabilities undertaken by the

Group. If the amount is lower than the fair value of the acquired investee company's net assets the difference is carried in the Income Statement.

The option to purchase a part of minority interests or the option to sell minority interests is taken into consideration when determining whether control has been acquired.

Additionally, if control is acquired the amounts related to minority call options are considered financial liabilities as provided for under IAS 32.

Accounting estimates used in preparing the financial statements

Preparation of the financial statements in accordance with applicable accounting standards required the use of estimates and assumptions based on historical experience and on other factors that are deemed reasonable with respect to the circumstances and knowledge available as at the date of the financial statements. Actual results may depart from these estimates. The estimates and assumptions are revised constantly. The effects of revised estimates are recognised in the income statement for the period in which the estimates are revised. The estimates mainly concern: amounts allocated to provisions for bad or doubtful debts, made according to the expected sale value of related assets; amounts allocated to provisions for risks, made according to the reasonable estimate of the amount of the potential liability, also with respect to any demands from the counterparty; amounts allocated for employee benefits, recognised according to actuarial valuations; amortisation/depreciation of tangible and intangible assets, recognised according to their remaining useful life and their recoverable value; income taxes, determined according to the best estimate applying the current rate for the financial year; development costs, initial capitalisation for which is based on the technical and financial feasibility of the project (future cash flow projections are made for each project).

The Group conducts impairment tests on goodwill at least once per year. For such tests an estimate is made on the value of the cash generating unit to which the goodwill pertains. This estimate requires a projection of future cash flows and the estimate of the discount rate after tax, which reflects the market conditions at the date of the assessment.

ACCOUNTING STANDARDS AND VALUATION POLICIES

The accounting standards adopted for drawing up the consolidated financial statements are the same as those adopted for drawing up the consolidated financial statements of the Group for the financial year which closed as at 31 December 2015.

The financial statements were prepared in accordance with IFRS. IFRS is intended as the International Accounting Standards (IAS) now in force, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") formerly called the Standing Interpretations Committee ("SIC"), and in accordance with the regulatory provisions issued to implement art. 9 of Italian Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 providing the "Rules for financial statement schedules", CONSOB Resolution no. 15520 of 27 July 2006 providing the "Changes and amendments to the Issuer Regulations adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114(5), Italian Legislative Decree 58/98").

PROPERTY, PLANT AND MACHINERY

Property, plant and machinery are recognised at the cost of acquisition or production. The cost of acquisition or production is the price paid to acquire or build the business and any other cost incurred to prepare the asset for use. The price paid to acquire or produce the asset is the cash price equivalent at the time of accounting; therefore, if payment is deferred beyond normal credit extension terms, the difference with respect to the equivalent cash price is recorded as interest for the extension period. The financial charges incurred for the acquisition or production of the asset are never capitalised. The capitalisation of costs relating to the expansion, modernisation or improvement of leased assets is done only in so far as they satisfy the requirements for being classified as an asset or part of an asset.

After initial recognition, plant, machinery and other assets are entered at cost, net of accumulated depreciation and any impairment. The depreciated value of each significant component of a tangible asset, with a different useful life, is amortised by the straight-line method over the expected period of use. Considering the homogeneity of the assets included in the individual categories of the financial statements, it is assumed that the useful life per category of assets is the following (with the exception of certain significant cases):

Land	indefinite useful life
Buildings	33 years
Plant and Machinery	4 – 7 years
Office Furnishings and Electronic Equipment	5 – 8 years
Equipment and Vehicles	4 - 7 years

Land, including pertaining to buildings, is accounted for separately and not depreciated as it is a component with indefinite useful life.

The amortisation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.

Industrial buildings are carried at a value periodically reassessed at market value less depreciation and impairment (revaluation model). As set forth by IAS 16, the company measures fair value and then remeasures it only when there is a significant difference with respect to the book value.

Costs that can be capitalised for improvements to leased assets are attributed to the classes of fixed assets to which they refer and depreciated for the shorter time between the remaining period on the lease agreement and the remaining useful life of the asset to which the improvement was made.

The book value of property, plant and machinery is maintained in the financial statements to the extent that such value can be recovered through use. If significant factors are noticed, which include the likelihood of recovering the net carrying amount, an impairment test is performed to determine any loss of value. A reversal is applied if the conditions at the basis of the impairment no longer apply.

GOODWILL

Goodwill is recognised based on the acquisition method in accordance with IFRS 3, as described in the section on business combinations, is not amortised but is subject to impairment tests at least once a year. To this end these values are allocated to one or more cash generating units starting on the acquisition date or by the end of the financial year.

If goodwill was allocated to a cash generating unit and the entity disposes of an asset that belongs to that unit then the goodwill associated to the asset is included in the book value of the asset when determining the gain or loss from the disposal. This amount is determined according to the values of the assets disposed of and the part kept.

OTHER INTANGIBLE ASSETS

Other intangible assets, which include development costs, patent rights and use of intellectual property, concessions, licenses, trademarks and similar rights and software, are recognised as assets only if all the conditions laid down in IAS 38 are met (cost can be measured reliably, technical feasibility of product, the asset can be identified or separated, the Group controls the asset, or it has the power receive its future economic benefit, expected volume and price indicate that the costs incurred during development will generate future economic benefit) and valued at cost minus accumulated amortisation, determined on a straight-line basis over the period of expected use, on average, except for specific cases of 3-5 years, and any impairment. The amortisation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.

Costs for development projects are capitalised under the item “costs for capitalised internal projects” only when the development phase has ended and the product developed begins to generate economic benefit. They are subject to amortisation. During the period in which costs are incurred for capitalised internal development projects they are floated in the Income Statement as increases in fixed assets for internal work and classed under “costs for capitalised internal projects”.

LEASING

Machinery owned through financial leasing contracts, for which the group has substantially assumed the risks and benefits which would arise from ownership, are recognised as assets on the basis of the criteria indicated by IAS 17. They are depreciated according to estimated useful life.

Leasing agreements where the lessor substantially keeps all risks and benefits of ownership are considered as operating leasing. The costs for leasing are carried in consistent amounts in the Income Statement for the duration of the agreement.

The amount payable to the lessor is included in the other financial liabilities.

GOVERNMENT GRANTS

Government grants are reported in the presence of a formal resolution and are accounted for as income in the financial year when related costs are incurred.

Grants received against specific assets whose value is carried under fixed assets are entered in the income statement in relation to the period of amortisation/depreciation for the assets to which they refer.

Advances received for terminated projects, for which a closing report has yet to be issued, have been classified as deductions from receivables. For ongoing projects, advances remain accounted for under liabilities.

IMPAIRMENT OF ASSETS

Impairment occurs every time the book value of an asset is greater than its recoverable value. The existence of any indicators suggesting impairment is checked at every balance sheet date. If those indicators are found the recoverable value of the asset is estimated (impairment test) and a write-down is recognised where necessary. Regardless of the existence of the indicators, an impairment test is carried out at least once a year for the assets not yet available for use and for goodwill.

The recoverable value of an asset is the greater between its fair value, net of sale costs, and its use value. The recoverable value is calculated with reference to a single asset, unless it is unable to generate incoming cash flow from continued use notably independent of the incoming cash flows generated by other assets or groups of assets, in which case the test is carried out for the smallest unit generating independent flows which include the asset in question (Cash Generating Unit).

When the write-down has no reason to be maintained, the book value of the asset (or cash generating unit), except for goodwill, is increased to the new value obtained from its estimated recovery value, in any case not over the net carrying amount that the assets would have had if the write-down due to impairment had not been made. The restored value is charged to the income statement, unless the asset is measured at the re-valued figure; in this case the recovered value is posted under the revaluation reserve.

FINANCIAL ASSETS AND LIABILITIES

Investments in other companies constituting financial assets available for sale are measured at fair value, if determinable, and gains and losses arising from changes in fair value are attributed directly to other comprehensive profit/(loss) until they are sold or are impaired; at that time, the Other comprehensive profit/(loss) previously recognised under net equity are recognised in the income statement of the period. Investments in other companies for which the fair value is unavailable are carried at cost, less any impairment.

Dividends received from these companies are included under the item financial income and charges and other investments.

All the other financial assets are classified into the following categories:

- Financial assets at fair value offset in the Income Statement: financial assets mainly acquired with the intention of making a profit from short-term price fluctuations (a period not longer than three months) or designated as such from the start;
- Financial assets held to maturity: investments in financial assets with preset maturity and fixed payments or determinable payments that the Group has the intention and capability to maintain through to maturity;
- Loans and other financial receivables: financial assets with payments that are fixed or can be decided, not listed on an active market and different from those originally classified as financial assets at fair value and offset in the income statement or as financial assets available for sale;
- Financial assets available for sale: financial assets other than those in the above categories or those designated as such from the start.

The Group classifies financial assets at the date of acquisition and accounts for them at fair value at the date of acquisition.

After initial recognition, the financial assets at fair value offset in the income statement and assets available for sale (where there is no “active” market) are measured at fair value, financial assets held to maturity and as well as loans and other financial receivables are valued at amortised cost.

Profit and loss arising from changes in the fair value of financial assets at fair value offset in the income statement is recognised in the income statement of financial year in which they occur. Unrealised profit and loss arising from changes in the fair value of assets classified as available for sale are carried under net equity.

The fair value of financial assets is determined on the basis of their market prices or by using financial models. The fair value of unlisted financial assets is measured using special assessment techniques adapted to the specific context of the Company. Financial assets for which the current value cannot be determined in a reliable manner are accounted for at a lower cost due to impairment.

The existence of any impairment indicators is checked at each balance sheet date. Write-downs in the income statement and under net equity reflect the valuation policies for financial assets. The impairment previously accounted for is eliminated whenever the circumstances leading to the write-down no longer apply, with the exception of assets valued at cost.

Loans, payables and other financial and/or trade liabilities with preset or definable maturity are initially carried at their fair value, not including costs incurred for assuming the amounts payable. The valuation policy applied following initial recognition is the amortisation cost using the effective interest rate method. Long-term loans without an interest rate are accounted for by discounting future cash flows at the market rate if the increase in amounts is due to the passing of time. Amounts for interest are then carried in the income statement under the item “net financial income and charges". Financial payables are cancelled when the obligation underlying the payable is extinguished, voided or settled.

INVENTORIES

Inventories are recognised at the lesser value between the purchase price, determined in accordance with the specific cost, and the net sales price. The cost is the fair value of the price paid and any other cost directly attributable with the exception of financial charges. The net sales value is the estimated sales price net of costs for completion and sales. Any write-downs are eliminated in subsequent financial years if the reasons for the write-down no longer apply.

CONTRACT WORK IN PROGRESS

Work in progress is recognised according to the state of progress or percentage of completion so that costs, revenue and margin are carried according to the state of progress determined by referring to the ratio between costs incurred at the date of valuation and total expected cost. The valuation reflects the best estimate of programmes carried out at the balance sheet date. The estimates are updated periodically. Any economic effects are accounted for in the financial year in which the updates are made. If completed contract work is expected to result in a loss this is recognised entirely in the financial year in which it is reasonably forecast. Contract work in progress is carried without including any write-down provisions, losses on contract completion, or payments on account and advances for the contract being executed. This analysis is performed on a contract by contract basis. Whenever the difference is positive for work in progress higher than the amount of payments on account then it is classified under assets in the item in question. Whenever this difference is negative the amount is classified under liabilities in the item “advance payment for contract work in progress".

CASH AT BANK AND ON HAND

Cash at bank and on hand consists of short-term investments (generally not exceeding three months), easily convertible into known amounts of cash and subject to an insignificant risk of changes in value. They are carried at fair value.

For the purpose of the cash flow statement, liquid assets are made up of cash, demand deposits at banks, short-term, highly liquid financial assets (original maturity not exceeding three months), and overdraft facilities. Current account overdrafts are carried under current financial liabilities.

OWN SHARES

Own Shares

Own shares are reported in reduction of share capital. No profit (loss) is recognised in the Income statement for the acquisition, sale, issue or cancellation of own shares.

EMPLOYEE BENEFITS

Short-term benefits

Short-term benefits for employees are accounted for in the income statement in the period in which the work was performed.

Defined benefit plans

The Group grants its employees benefits under the Employee Severance Indemnity Fund (TFR). The employee severance indemnity accrued as at 31 December 2006 is considered a defined benefit to be accounted for in accordance with IAS 19. These benefits fall under the definition: defined benefit plan determined in existence and amount but uncertain in when payable.

The total amount of the obligation is calculated on a yearly basis by an external actuary using the Projected Unit Credit Method. Actuarial gains and losses are fully accounted for in the related financial year.

Recognition of the changes in actuarial gain/loss is carried amongst the comprehensive income statement components after the revised version of IAS 19 (Employee benefits) was adopted.

Defined contribution plans

The Group takes part in public or private pension plans with defined contributions on a mandatory, contractual or voluntary basis. Payment of the contributions fulfils the Group’s obligation towards its employees. Thus, such contributions form an expense for the period in which they are due.

The employee severance indemnity accrued after 31 December 2006 is considered a defined contribution obligation.

STOCK OPTIONS

Share-based payments are measured at fair value on the date they are assigned. This value is charged to the income statement and offset under shareholders’ equity over the entire period in which the entitlement accrues. The fair value of the options, calculated on the date of assignment, is measured by using financial mathematical models and taking into consideration the basic terms and conditions under which the entitlement is assigned. The Group plan concluded in 2011 and the related reserve was classified under other provisions.

POTENTIAL ASSETS AND LIABILITIES

Potential assets and liabilities of an unlikely (but possible) or remote nature are not recognised in the financial statements; nevertheless, adequate information is given concerning possible potential assets and liabilities.

Whenever there is any financial disbursement relating to the obligation, and it occurs after the normal payment terms and the effect of discounting back is significant, the amount set aside corresponds to the current value of future payments expected to cancel the obligation.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are probable liabilities of an uncertain amount and/or due date deriving from past events whose fulfilment will entail the use of economic resources. The amounts are only set aside if there is a current, legal or contractual obligation which makes the use of economic resources necessary, provided a reliable estimate of the obligation can be made. The amount recognised is the best estimate of the expense to fulfil the obligation as at the balance sheet date. Provisions set aside are reviewed at every balance sheet date and adjusted to ensure they are the best current estimate.

DERIVATIVE INSTRUMENTS

Derivative contracts were recognised according to the designation the derivative instruments (speculative or hedging) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).

For contracts designated as speculative, any changes in fair value are directly recognised in the income statement.

In hedging contracts Fair Value Hedge is accounted for by recognising any changes in the fair value of the hedging instrument and the instrument hedged.

If it is identified as Cash Flow Hedge, it is accounted for by floating the fair value portion of change of the hedging instrument, which is recognised as effective cover in the net equity, and charging the ineffective portion to the Income statement. The changes recognised directly under net equity are released in the income statement in the same reporting period or periods in which the asset or liability hedged influences the income statement.

ASSET TRANSFERS

The assets transferred by way of factoring transactions, which comply with the requirements established by IAS 39, are derecognised from the balance sheet.

REVENUE AND EXPENSES

Revenues arising from the assignment of assets are recognised when risk is transferred, which usually occurs on despatch, at the fair value of payment received or due while taking into account any discounts.

Revenues arising from the provision of services are defined according to the percentage of completion, determined as the proportion of services performed at the date of reference and the total value of the services remaining to be performed.

Expenses are recognised with the same criteria used to recognise revenue recognition and, in any case, on an accruals basis.

FINANCIAL INCOME AND CHARGES

Payable/receivable interest is recognised as financial income/charges after being checked on an accruals basis.

DIVIDENDS

Dividends are recognised when the shareholders hold the right to receive them, in accordance with local legislation.

TAXES

Taxes during the reporting period are defined on the basis of amounts expected to be due according to the tax laws in force.

In addition, deferred taxes and those paid in advance are recognised on the temporary differences between the values carried in the financial statements and the corresponding values recognised for tax purposes, and showing accumulated tax losses or unused tax credits, provided it is probable that the recovery (discharge) reduces (increases) future tax payments with respect to those that would have occurred if that recovery (discharge) had not had any tax effect. The tax effects of transactions or other events are recognised in the income statement or directly under net equity using the same methods used to recognise transactions or events that result in taxation.

EARNINGS PER SHARE

Earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders of the Holding Company by the average number of ordinary shares in circulation during the period.

For the purpose of calculating basic earnings per share, the economic result for the period minus the amount attributable to minority interests was used in the numerator. Further, there are no privileged dividends, conversion of privileged shares and other similar effects which could adjust the economic result attributable to holders of ordinary capital instruments.

The diluted earnings per share is equal to the earnings per share adjusted to take into account the theoretical conversion of all potential shares.

FOREIGN CURRENCY

The Group's financial statements are presented in Euros, the Group's functional currency.

Transactions in foreign currency are converted into the reporting currency at the rate of exchange on the date of the transaction. Gains and losses on exchanges arising from liquidation related to these transactions and the conversion of monetary assets and liabilities into foreign currency are recognised in the income statement.

Financial risk management

The Exprivia Group is exposed to the following financial risks:

Interest Rate Risk

Over the years Exprivia group has obtained various loans including several medium-long term at a fixed rate and others at a facilitated rate, the latter relating to funded research and development projects. Concerning variable rate loans, where considered necessary the Group stipulates interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

Changes in interest rates during the financial year did not have a significant impact on the financial statements.

Credit Risk

Exprivia group does not have significant concentrations of credit risk except for work carried out in the Public Administration sector, where delays are recorded mainly due to the payment policies adopted by public bodies. They often do not respect the conditions set forth in contracts but, nevertheless, they do not lead to the risk of bad debts.

The group also manages this risk by selecting counterparts considered to be solvent by the market and with high credit standing.

All amounts receivable are periodically assessed for each individual customer, and they are written down when they are considered impaired. Risk for the Group is mainly related to trade receivables.

Liquidity Risk

Prudent management of liquidity risk is pursued by planning cash flows, financing needs and the liquidity of the Exprivia group to ensure effective management of financial resources by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones.

As a result of this management, while taking into accoiunt liquidity from loans and credit lines already in place and cash flows the Group is able to generate, risks related to liquidity (at least in the short term) are considered insignificant.

Exchange Rate Risk

Since the majority of operations conducted by the Exprivia group is in the Euro area there is limited exposure to foreign exchange risk arising from transactions that are not in the usual currency (Euro). Opening up to markets characterised by major fluctuations (e.g., Brazil) might constitute a risk to be monitored, depending, however, on the volumes in place, which for the moment are not significant.

Fluctuating exchange rates during the financial year did not have a significant effect on the Group.

The table below provides a reconciliation between financial assets and liabilities included in the schedule for the Group balance sheet and classes of financial assets and liabilities provided by IFRS 7 (amounts in millions of euro):

ACTIVITY 'FINANCIAL AT 31 December 2016	Loans and receivables "amortized cost"	Investments valued at cost	Derivative financial instruments "financial assets valued at the income statement"	Derivatives "financial liabilities designated at FV through profit or loss"	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
Non current assets						
Financial assets	2,807					2,807
Derivative financial instruments			35			35
Investments in other companies		168				168
Other non-current assets	1,773					1,773
Total no current assets	**4,580**	**168**	**35**	-	-	**4,783**
Current assets						
Trade receivables	71,746					71,746
Other financial assets	2,043				463	2,506
Cash	12,495					12,495
Total Current assets	**86,284**	-		-	**463**	**86,747**
TOTAL	**90,864**	**168**	**35**	-	**463**	**91,530**

LIABILITIES 'FINANCIAL AT 31 DECEMBER 2016	Loans and borrowings "amortized cost"	Investments held to maturity "amortized cost"	Derivative financial instruments "financial liabilities valued at the	Derivatives "financial liabilities designated at FV through profit or	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
Non Current liabilities						
Bond	1,839					1,839
Due to banks	24,625					24,625
Other financial liabilities	708			13		721
Hedging derivative financial instruments						0
Other non-current liabilities	3,318					3,318
Total Non Current liabilities	**30,490**	-	-	**13**	-	**30,503**
Current liabilities						
Trade payables and advances	22,212					22,212
Other financial liabilities	1,285					1,285.17
Due to banks	25,846					25,846
Bond	1,508					1,508.25
Other current liabilities	36,475					36,475
Total Current liabilities	**87,326**	-	-	-	-	**87,326**
TOTAL	**117,816**	-		**13**	-	**117,829**

It should be noted that the financial instruments reported above, with reference to loans, receivables, payables and investments were measured at book value, given considered to be an approximation of their fair value.

Derivative financial instruments are measured at level 2 on the fair value hierarchy.

FAIR VALUE HIERARCHY MEASUREMENT

Concerning financial instruments carried in the balance sheet at fair value, IFRS 7 requires that these values be classified according to a hierarchy reflecting the significance of input used in determining fair value. There are three levels as follows:

- Level 1 - quoted prices on an active market for similar assets or liabilities;
- Level 2 - inputs other than the quoted prices in level 1, which are directly observable (prices) or indirectly observable on the market;
- Level 3 - inputs that are not based on observable market data.

Scope of Consolidation

The consolidated financial statements as at 31 December 2016 include the equity, economic and financial situations of the Holding Company Exprivia S.p.A. and the subsidiaries, and changed with respect to 31 December 2015 as the companies ProSap Holding Inc and ProSap Consulting LLC, held directly by Profesionales de Sistemas Aplicaciones y Productos Sl, have closed.

In addition, it should be noted that the company Exprivia SLU (formerly Profesionales de Sistemas Aplicaciones y Productos SL) incorporated the company Exprivia SL, with no impact on the consolidated financial statements.

It should be pointed out that, in relation to the ACS Srl investment, in 2016 Exprivia acquired a stake of 83.8% (it already owned a stake of 16.2%), becoming the company's sole shareholder. Control of ACS Srl was acquired on 5 July 2016, following the sole shareholder's appointment of the administration and control bodies and, for this reason, was consolidated from July 2016.

It should also be noted that the newly formed company Exprivia Process Outsoursing Srl was included in the scope of consolidation from November 2016.

The table below shows the companies subject to consolidation; note that the investments shown below are all controlled directly by the Holding Company Exprivia apart from the companies ProSap SA de CV, ProSap Centroamerica SA, ProSap Perù Sac, Sucursal Ecuador de Exprivia SLU, Advances Computer Systems D - Gmbh, Exprivia It Solutions (Shanghai) Co Ltd, which are controlled indirectly:

Company	Area
Advanced Computer Systems Srl	Defence & Aerospace
Advanced Computer Systems D - Gmbh	Defence & Aerospace
Consorzio Exprivia S.c.ar.l.	Other
Exprivia Asia Ltd	International Business
Exprivia IT Solutions (Shanghai) Co Ltd	International Business
Exprivia Projects Srl	Utilities
Exprivia do Brasil Serviços de Informatica Ltda	International Business
Exprivia SLU	International Business
Exprivia Process Outsoursing Srl	Utilities
Exprivia Healthcare IT Srl	Healthcare/Public Sector
Exprivia Telco & Media Srl	Telco & Media
ProSap SA de CV (Messico)	International Business
ProSAP Perù SAC	International Business
ProSAP Centroamerica S.A (Guatemala)	International Business
Sucursal Ecuador de Exprivia SLU	International Business
Exprivia Enterprise Consulting Srl	Oil & Gas/Industry/Utilities
Exprivia Digital Financial Solutions Srl	Banking & Finance
Spegea Scarl	Other

The main data on the aforementioned subsidiaries consolidated using the line-by-line method are provided below (as at 31 December 2016).

Company	H.O.	Company capital	Results for period	Net worth	Total revenues	Total Assets	% of holding
Advanced Computer Systems Srl	Roma	2,801,307	(219,771)	2,800,628	8,813,685	23,134,363	100.00%
Advanced Computer Systems D- Gmbh	Offenbach (Germania)	25,000	28,300	54,189	408,569	132,860	100.00%
Consorzio Exprivia S.c.a.r.l	Milano	20,000	4,483	20,646	7,000	22,978	100.00%
Exprivia ASIA Ltd	Hong Kong	59,366	(165,410)	57,923	1,019	396,245	100.00%
Exprivia It Solutions (Shanghai) Ltd	Shanghai (Cina)	136,608	(139,271)	(168,253)	1,401,061	406,398	100.00%
Exprivia Enterprise Consulting Srl	Milano	1,500,000	(1,249,683)	180,806	6,871,020	6,475,693	100.00%
Exprivia Healthcare IT Srl	Trento	1,982,190	707,379	11,053,981	23,360,704	27,035,972	100.00%
Exprivia Process Outsoursing Srl	Palermo	100,000	(2,528)	97,472	157,405	275,438	100.00%
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	1,717,144	50,768	1,893,237	1,252,892	2,327,485	52.22%
Exprivia Projects Srl	Roma	242,000	278,248	568,050	5,429,778	2,244,704	100.00%
Exprivia Telco & Media Srl	Milano	1,200,000	179,404	1,334,151	21,195,418	16,412,079	100.00%
Succursal Ecuador de Exprivia SLU	Quito (Ecuador)	9,487	(7,773)	(1,074)	-	2,398	100.00%
Exprivia SLU	Madrid (Spagna)	197,904	(1,053,143)	906,523	2,287,098	8,892,210	100.00%
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	630	89,460	263,098	1,140,229	1,287,560	100.00%
ProSap Sa de CV	Città del Messico (Messico)	2,297	(253,922)	(791,940)	3,210,021	3,918,647	100.00%
ProSap Perà SAC	Lima (Perù)	199,449	(675)	17,682	-	35,284	100.00%
Exprivia Digital Financial Solution Srl	Milano	1,586,919	3,380,967	13,660,839	26,800,117	23,668,103	100.00%
Spegea Sc a rl	Bari	125,000	(18,889)	224,430	901,222	1,132,744	60.00%

The primary exchange rates used for conversion into euro of the financial statements of foreign companies for 31.12.16 were as follows:

Exchange rate	EUR/GTQ	EURO/MXN	EURO/PEN	EURO/USD	EURO/BRL	EURO/HKD	EURO/CNY
31/12/2016	7.9338	21.7719	3.5402	1.0541	3.4305	8.1751	7.3202
Average year 2016	8.4151	20.6550	3.7355	1.1066	3.8616	8.5900	7.3496

Transactions in foreign currency are initially converted into the reporting currency at the exchange rate applicable on the date of the transaction. At the end of the period in question, the monetary assets and liabilities in foreign currency are converted into the reporting currency at the exchange rate applicable on the closing date. Exchange differences are recognised in the Income Statement. Non-monetary assets and liabilities in foreign currency, valued at cost, are converted at the exchange rate applicable at the date of the transaction, whereas those measured at fair value are converted at the exchange rate applicable on the date the measurement is made.

SEGMENT REPORTING

It should be noted that, for some other business lines, the name was translated into English, to make it easier for an international audience to understand which activities are carried out by each BU.

In accordance with the qualitative and quantitative factors provided by IFRS 8, the Group identified the following operating segments:

- Banking & Finance
- Energy & Utilities
- Industry
- Oil & Gas

- Telco & Media
- Healthcare
- Aerospace & Defence, Public Sector
- International Business

Transfer prices applied to transactions between segments for trading goods and providing services are regulated according to standard market conditions.

The results of the operating segments of the Exprivia Group for 2016 and 2015 are shown below, in line with the evidence of the Group's management control system:

	EBITDA				EBITDA/REVENUES		
	31.12.2016	31.12.2015	Variations	Variations %	31.12.2016	31.12.2015	Variations
Banking & Finance	5,595	5,445	150	3%	21.4%	21.3%	0.14
Utilities	1,688	2,432	-744	-31%	7.8%	11.1%	(3.24)
Industry	718	277	441	159%	5.6%	2.4%	3.22
Oil e Gas	1,062	2,317	-1,255	-54%	8.4%	14.7%	(6.38)
Telco & Media	519	909	-390	-43%	2.6%	4.7%	(2.12)
Healtchare	1,885	2,931	-1,046	-36%	8.8%	13.3%	(4.54)
Aerospace & Defence	2,208	1,477	731	49%	33.6%	45.2%	(11.58)
International Business	-833	-463	-371	80%	-10.6%	-4.4%	(6.19)
Other	-44	-15	-29	203%	-5.8%	-1.0%	(4.76)
Total	**12,797**	**15,312**	**- 2,514**	**-16.42%**	**9.3%**	**11.0%**	**(1.66)**

With reference to revenues per operating segment, please refer to the comments in note 30, while for information relating to contract work in progress refer to note 10.

Explanatory notes on the Consolidated Balance Sheet

All the figures reported in the tables below are in euro, unless expressly indicated.

NON-CURRENT ASSETS

1 - PROPERTY, PLANT AND MACHINERY

The item **"property, plant and equipment"** amounted to Euro 16,041,232 as at 31 December 2016 compared to Euro 13,796,812 at 31 December 2015.

Categories	Historical cost 01/01/16	Inc. per new area of consolid.	Inc.	Dec.	Historical cost at 31/12/16	Reserve prov. at 01/01/16	Reserve prov. new consolid. Area	Provision for period	Dec.	Cum. prov. 31/12/16	Net value at 31/12/16
Land	540,754	795,640			1,336,394	-	-	-	-	-	1,336,394
Buildings	13,454,314	3,682,559		(14,193)	17,122,680	(3,013,525)	(1,097,245)	(478,312)		(4,589,082)	12,533,598
Others	18,688,577	2,330,862	536,780	(2,507,211)	19,049,008	(15,873,309)	(2,228,960)	(1,247,139)	2,471,640	(16,877,768)	2,171,240
TOTAL	**32,683,645**	**6,809,061**	**536,780**	**(2,521,404)**	**37,508,082**	**(18,886,834)**	**(3,326,205)**	**(1,725,451)**	**2,471,640**	**(21,466,850)**	**16,041,232**

The increase in the item "**other**", equal to Euro 536,780, is mainly due to the purchases of electronic office equipment (Euro 279,479), furniture and furnishings (Euro 111,921), mobile telephony devices (Euro 75,410) and leased assets (Euro 46,160).

The decreases relate primarily to the transfer of assets to important customers in the Energy & Utilities and Healthcare sectors, in relation to the conclusion of contracts as a result of which contractual provision was made for the acquisition of the aforementioned assets by said customers.

The item "**change in the scope of consolidation**" relates to the contribution of the fixed assets of the company ACS Srl, which joined the scope of consolidation on 1 July 2016.

Note that ACS Srl owns the building which houses the registered office, as already report in the section of the Report "Investments".

Please note that there is a first mortgage on the real estate complex located in Molfetta (BA) at Via Olivetti 11 for a maximum amount of Euro 50 million to guarantee the precise fulfilment of obligations arising from the Euro 25 million loan taken out on 1 April 2016 from a pool of banks (for additional details, please see note 16).

In relation to leased items, the net book value amounts to Euro 1,667,706 and is attributable to electronic office machines for Euro 62,837, furniture and fittings for Euro 386,684 and land and buildings for Euro 1,218,184 (relating to the property owned by the company ACS Srl). It should also be noted that minimum future payments within one year amount to Euro 184,114, while those due in one to five years amount to Euro 698,021.

2 - GOODWILL AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

The item **"goodwill and other assets with an indefinite useful life"** amounted to Euro 67,428,110 as at 31 December 2016 compared to Euro 67,118,492 at 31 December 2015.

Descriptions	Value at 01/01/2016	Other variations	Value at 31/12/2016
GOODWILL	67,118,492	309,618	67,428,110
TOTAL	**67,118,492**	**309,618**	**67,428,110**

The variation is mainly attributable to the goodwill generated by the consolidation of ACS Srl. It should be noted that, as required by IFRS 3, the aforementioned business combination was not accounted for definitively as the analysis of the assets and liabilities of the company whose control was acquired in July 2016 is at the completion phase. Therefore, goodwill was recorded provisionally.

Goodwill was generated in the business combinations made in previous financial years as a result of the Group's growth from acquiring companies operating in the same market.

INFORMATION RELATED TO IMPAIRMENT TESTS PERFORMED ON GOODWILL AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE: IMPAIRMENT TEST

Scope

Accounting standard IAS 36 requires that impairment tests should be performed on tangible and intangible assets in the presence of indicators which suggest that this problem could exist.

In the case of goodwill, as well as all other intangible assets with an indefinite useful life, such impairment tests should be performed on a yearly basis or more frequently in the case of special negative events that might result in impairment.

Identification of Cash Generating Units (CGUs) and allocation of goodwill

It does not represent goodwill, on the basis of international accounting standards, as a separate activity because it is incapable of generating cash flows independently of other assets or groups of assets. It can not be subject to impairment tests separately from the assets

To which it is bound.For these purposes goodwill must be allocated to a CGU or CGU group, subject to the maximum aggregation constraint coinciding with the notion of asset segment referred to in Ifrs 8.

As regards the Exprivia Group, goodwill has been allocated to the reference CGUs as follows:

- goodwill arising as a result of business combinations through which assets acquired from an operational point of view in specific CGUs were acquired have been allocated to their respective CGUs;
- goodwill arising from business combinations through which assets that are not specifically related to individual CGUs have been acquired have been attributed to the various CGUs in proportion to sales volumes produced during the year in which the first CGU was executed, allocation of goodwill;
- Goodwill allocated as described above has been reallocated following internal reorganization consistent with the same allocation criteria as stated in previous paragraphs.

The following table summarizes the allocation of goodwill to the identified CGUs:

	Value at 31/12/2016	OIL & GAS	ENERGY & UTILITIES	AEROSPACE & DEFENCE, PUBLIC SECTOR	INDUSTRY	BANKING, FINANCE & INSURANCE	HEALTHCARE	ENERGY	SPAGNA	MESSICO E GUATEMALA	EXPRIVIA DO BRASIL
		Allocation CGU									
DIFFERENCE MERGER ETA BETA	3,040,710					3,040,710					
DIFFERENCE MERGER AIS MEDICAL	3,910,559						3,910,559				
GOODWILL BRANCH OF AURORA	1,406,955						1,406,955				
GOODWILL EX WELNETWORK	3,571,424	3,571,424									
GOODWILL BRANCH OF EX ODX AND EX EXPRIVIA SOLUTIONS	27,840			27,840							
GOODWILL BRANCH COMPANY AIS PS	1,767,656	246,332	517,491	118,585	339,858	545,389					
GODWILL ABACO INFORMATION SERVICES SRL AND AISOFTWARE SPA	15,058,971	2,098,548	4,408,597	1,010,250	2,895,312	4,646,264					
GOODWILL BRANCH OF KSTONES	517,714	72,146	151,564	34,731	99,539	159,734					
GOODWILL EXPRIVIA HEALTHCARE IT SRL (EX GST SRL)	304,577						304,577				
GOODWILL EXPRIVIA HEALTHCARE IT SRL (EX SVIMSERVICE SPA)	22,309,268						22,309,268				
GOODWILL EXPRIVIA ENTERPRISE CONSULTING SRL (EX WELNETWORK SPA)	7,970,984	7,970,984									
GOODWILL EXPRIVIA ENTERPRISE CONSULTING SRL (EX DATILOG SRL)	89,600				89,600						
GOODWILL PROSAP	694,309								410,337	283,972	
GOODWILL EXPRIVIA ENTERPRISE CONSULTING SRL (EX REALTECH SRL)	740,380	133,268	177,691		370,190	37,019	22,211				
GOODWILL EXPRIVIA DIGITAL FINANCIAL SOLUTION SRL (EX SISPA SRL)	3,251,885					3,251,885					
	452,995			452,995							
GOODWILL EXPRIVIA DO BRASIL	338,688										338,688
GOODWILL EX EXPRIVIA SOLUTIONS SRL	639,095			639,095							
GOODWILL EXPRIVIA PROJECTS SRL	1,334,500							1,334,500			
TOTAL	**67,428,110**	**14,092,702**	**5,255,343**	**2,283,497**	**3,794,499**	**11,681,001**	**27,953,570**	**1,334,500**	**410,337**	**283,972**	**338,688**

The CGU Energy refers to the operating segment Energy & Utilities, whereas the CGUs in Spain, Mexico, Guatemala and Exprivia Do Brasil refer to the International Division.

Impairment Test Process and Assessment System

The recoverability of the amount of goodwill carried in the financial statements is checked by comparing the book value allocated to each CGU and the recoverable amount in the definition of value of use. At the date of analysis, the latter is identified as the current value of future cash flow expected to be generated by the CGUs. The "DCF - Discounted Cash Flow" model was used in determining the value of use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.

The Waccs (Weighted Average Cost of Capital) used to discount cash flows were determined in the basis of the following specific parameters by country:

Country	Italy	Spain	Brazil	Hong Kong
Risk free rate (1)	1.5%	1.4%	6.0%	2.4%
Market risk premium	5.7%	5.7%	5.7%	5.7%
D/E	18.6%	18.6%	18.6%	18.6%
Beta unlevered	61.6%	61.6%	61.6%	61.6%
Beta levered	73.1%	73.1%	73.1%	73.1%
Risk Premium	4.2%	4.2%	4.2%	4.2%
Additional risk premium	2.0%	2.0%	2.0%	2.0%
Ke	**7.6%**	**7.5%**	**12.2%**	**8.6%**
AVG Kd Pre tax	**3.7%**	**3.7%**	**9.2%**	**5.6%**
WACC	**6.86%**	**6.79%**	**11.47%**	**7.95%**

(1) Italy: BTP (multi-year treasury bond) Gross 10Y at 31.12.2016

Spain: Government Bond Gross 10Y at 31.12.2016

Brazil: Government Bond Gross US 10Y at 31.12.2016

Hong Kong: Government Bond Gross US 10Y at 31.12.2016

Source: Bloomberg 1 Y average

Identification of Cash Flows

For the purpose of the projections required by IAS 36, strict reference was made to the current condition of use of each CGU regardless of the cash flow from any investment plans and extraordinary transactions that may constitute a "break" from normal company operations.

The operating cash flow projections for the explicit 5-year period used for value measurement purposes are based on the budget and the plans subject to approval of the Board of Directors.

The main economic-financial assumptions underlying the 2017-2021 financial forecasts are listed below:

- for 2017 the projections reflect budget data from the year
- for 2018-2021 the projections reflect an annual compound average growth rate of 4% and average profit margin of 10.9%

For some CGUs, the assumptions underlying the forecasts deviate from the basic ones reported above, in order to reflect certain unique characteristics of the specific sector, in particular:

- For the Healthcare and Health CGU, the projections for the years 2018-2021 reflect a compound annual growth rate of 10% justified by the reasonable assumption that significant tenders will be awarded.
- For the Spain CGU, the projections for the years 2018-2021 reflect a compound annual growth rate of 8%, justified by the expected effects of the organisational changes of company management and of the reference commercial structure.

The terminal value was calculated as the present value of the perpetuity obtained by capitalising the cash flow generated in the last analytical forecast period at a 1.2% G growth factor.

Sensitivity Analysis

A sensitivity analysis was carried out on the outcome of impairment tests assuming the following changes:

- a 0.5% increase in the weighted average cost of capital;
- a 0.2% decrease in the growth rate "G";

The sensitivity analysis showed that the values in use are, in any case, higher than the book values, except for the Healthcare and Health and Spain CGUs, for which the change in parameters would highlight impairment of around Euro 4 million and Euro 0.4 million respectively.

Conclusions

The tests performed did not show any impairment that should be reported in the financial statements.

In consideration of the increase in synergies between the different CGUs and the greater tendency of the company to plan and monitor business results from a group perspective, it is weighing up the opportunity to move to a simplified CGU model that is more representative of the company's current situation.

3 - OTHER INTANGIBLE ASSETS

The item **Other intangible assets** amounted to Euro 11,615,640 as at 31 December 2016 (net of amortisation) compared to Euro 4,190,565 at 31 December 2015.

The table below provides a summary of the item.

Categories	Historic cost 01/01/16	Increases at 31/12/16	Variation to consol. of cos	Dec. al 31/12/16	Total historic cost at 31/12/16	Deprec. fund at 01/01/16	Variation to consol. of cos	Deprec. quota for period	Decreases	Cumulated deprec. 31/12/16	Net value at 31/12/16
Cost of plant and extension	5,736,808	2,477,852	3,444,150	(1,268,098)	10,390,713	(4,916,256)	(1,652,850)	(962,790)	1,253,774	(6,278,122)	4,112,591
Development of advertising	9,598,120	1,674,499	9,466,758	-	20,739,377	(6,228,107)	(8,651,627)	(1,671,246)	-	(16,550,980)	4,188,397
Assets under constr. & payment on a/c	-	1,207,554	4,682,319	(2,575,221)	3,314,652	-	-	-	-	-	3,314,652
TOTAL	**15,334,928**	**5,359,905**	**17,593,227**	**(3,843,319)**	**34,444,742**	**(11,144,363)**	**(10,304,477)**	**(2,634,036)**	**1,253,774**	**(22,829,102)**	**11,615,640**

The increase in the item **"costs for capitalised internal projects"** is attributable primarily to the creation of software applications in the Banking & Finance, Healthcare and Aerospace & Defence areas (the latter sector pertaining to the company ACS Srl as a result of its inclusion in the scope of consolidation as of 01.07.2016).

The item "**work in progress**", amounting to Euro 3,314,652, is attributable to the company ACS Srl and refers to the internal development contracts in the process of being completed.

It should be noted that the item "work in progress" was reclassified, for an amount of Euro 354,815, to the item 'costs for capitalised internal projects' and, for Euro 2,220,406, to the item 'other intangible assets" as a result of the entry into production of the relevant projects.

The item "change in scope of consolidation" refers to the value of intangible fixed assets contributed by the company ACS Srl as a result of its consolidation for a net book value of Euro 7,288,750 as at 31 December 2016.

The decreases relate primarily to the transfer of assets to important customers in the Energy & Utilities and Healthcare sectors, in relation to the conclusion of contracts as a result of which contractual provision was made for the acquisition of the aforementioned assets by said customers.

4 - EQUITY INVESTMENTS

The item **"equity investments"** as at 31 December 2016 amounted to Euro 167,561 compared to Euro 896,195 at 31 December 2015.

The composition of equity investments is described below.

Equity investments in Other Companies

The item **"equity investments in other companies"** as at 31 December 2016 amounted to Euro 167,561 compared to Euro 896,195 at 31 December 2015.

The table below provides details on the items:

Description	31/12/2016	31/12/2015	Variation
Ultimo Miglio Sanitario	2,500	2,500	-
Certia	516	516	-
Conai	9	9	-
Consorzio Pugliatech	-	2,000	(2,000)
Consorzio Conca Barese	-	2,000	(2,000)
Software Engineering Research	12,000	12,000	-
Advanced Computer Systems	-	740,816	(740,816)
Consorzio Biogene	3,000	3,000	-
Consorzio DARe	1,000	1,000	-
Consorzio DHITECH	17,000	17,000	-
H.BIO Puglia	12,000	12,000	-
Consorizio Italy Care	10,000	10,000	-
Consorzio DITNE	5,583	5,583	-
Consorzio Daisy-Net Partecipation	13,939	13,939	-
Cattolica Popolare Soc. Cooperativa	23,491	23,491	-
Banca di Credito Cooperativo	-	2,461	(2,461)
Innoval Scarl	2,500		2,500
Partecipazione Consorzio SILAB-Daisy	7,347	7,347	-
ENFAPI CONFIND Partecipation	1,033	1,033	-
Partecipazione Consorzio GLOCAL ENABLER	2,000	2,000	-
Consorzio Heath Innovation HUB/Consorzio Semantic Valley	2,900	4,500	(1,600)
Cefriel Scarl	33,000	33,000	-
Consorzio Azimut	2,000		2,000
Banca di Credito Cooperativo di Roma	8,773		8,773
Consorzio Createc	6,971		6,971
TOTAL	**167,561**	**896,195**	**(728,633)**

The main change refers to the equity investment Advanced Computer Systems Srl (ACS Srl) as a result of the purchase of an additional stake of 83.8% which brought Exprivia’s percentage ownership to 100%, and the line-by-line consolidation of the company in these consolidated financial statements.

De facto control of ACS Srl was acquired on 5 July 2016, following the sole shareholder’s appointment of the administration and control bodies.

5 - OTHER FINANCIAL ASSETS

Receivables from Parent Companies

The balance of the item **“receivables from parent companies”,** amounting to Euro 2,596,910 as at 31 December 2016, compared to Euro 1,305,338 at 31 December 2015, refers to the receivable due to the holding company Exprivia from its parent company Abaco Innovazione SpA as a result of the loan agreement stipulated by the parties in 2016. The loan, amounting to Euro 2,985,338, was disbursed in cash (Euro 1,680,000) and through the reclassification of payables outstanding as at 31 December 2015 (Euro 1,305,338). The term of the loan has been established as 7 equal deferred annual instalments. The first instalment of Euro 388,428 is due on 4 April 2017; the amount was reclassified to "receivables from parent companies" under "other current financial assets" (note 11).

Other Receivables

As at 31 December 2016, "**Other receivables**" amounted to Euro 209,659, compared to Euro 201,199 at 31 December 2015. The change is shown in the table below.

Description	31/12/2016	31/12/2015	Variation
Long term deposit	201,736	201,199	537
Financial recivables	7,923	-	7,923
TOTAL	**209,659**	**201,199**	**8,460**

Derivative financial instruments

The balance of the item **"derivative financial instruments"** amounted to Euro 34,568 as at 31 December 2016, and relates to the following derivative instruments:

Contract	Date operation	Initial Date	Expiry date	Currency	Reference amount	MtM value
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	4,900,000	13,635
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	2,750,000	7,617
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2016	30/12/2022	EUR	4,900,000	13,316
TOTAL					**12,550,000**	**34,568**

It should be noted that the Holding company subscribed the financial instruments described above in order to neutralise the interest rate risk determined by an underlying variable interest rate loan (Euribor).

These are cash flow hedges, measured at level 2 in the fair value hierarchy. As a result of the hedge effectiveness tests performed for these hedging instruments, the fair value changes were recognised in full in the income statement (Euro 39,232).

The sensitivity analysis conducted on the change in the fair value of derivatives after a shift of 1% in the spot interest rates curve highlights that:

- upon a change of +1%, the fair value of derivatives would amount to around Euro 231 thousand;
- upon a change of -1%, the fair value would be nil.

6 - NON-CURRENT TAX RECEIVABLES

The balance of the item "**tax receivables**" as at 31 December 2016 amounted to Euro 1,772,942 compared to Euro 1,716,806 at 31 December 2015 and includes amounts requested for the refund application relating to the deductibility of the IRAP tax calculated on staff costs, which generated a recovery of IRES tax. Similarly to previous years, the refunds for the years 2009 to 2011 are recognised in the item, while those relating to 2007 and 2008 were included in the item **"current tax receivables"**.

7 - PREPAID TAXES

The item "**prepaid taxes**" amounted to Euro 2,943,418 as at 31 December 2016 compared to Euro 1,839,961 at 31 December 2015, and refers to taxes on temporary deductible changes or future tax benefits. Prepaid taxes are stated in the financial statements if there is reasonable certainty they will be recovered, and are measured on the basis of the ability to generate taxable income in future years.

Description	31/12/2016		31/12/2015	
	Amount temporary differ	tax effect	Amount temporary differ	tax effect
	97,549	23,412	89,106	21,385
Goodwill	42,015	11,878	86,960	11,660
Allowance for doubtful accounts	2,691,790	646,810	2,709,980	651,175
Fund risks	706,361	215,450	972,540	275,606
Wip	65,529	15,727	313,273	101,250
Tax losses	6,738,143	1,702,558	2,918,360	742,036
Adjustments for IFRS	678,249	165,819	131,627	34,629
several	616,253	161,764	9,241	2,219
TOTAL	**11,635,889**	**2,943,418**	**7,231,087**	**1,839,961**

CURRENT ASSETS

8 - TRADE RECEIVABLES AND OTHERS

Trade Receivables

As at 31 December 2016, the item **"trade receivables"** amounted to Euro 59,422,457 (net of the bad debts provision) compared to Euro 58,097,533 at 31 December 2015.

The following table provides details on the item as well as a comparison with 31 December 2015.

Description	31/12/2016	31/12/2015	Variation
To Italian customers	42,454,697	44,794,875	(2,340,178)
To foreign customers	12,908,505	8,551,394	4,357,111
To public bodies	7,957,434	8,401,284	(443,850)
S-total receivables to customers	**63,320,636**	**61,747,553**	**1,573,083**
Less: provision for bad debts	(3,898,179)	(3,650,020)	(248,159)
Total receivables to customers	**59,422,457**	**58,097,533**	**1,324,924**

Trade receivables, including the write-down provision, can be broken down as follows:

Details	**31/12/2016**	**31/12/2015**	**Variation**
To third parties	51,725,262	53,920,833	(2,195,571)
Invoices for issue to third parties	11,595,374	7,826,720	3,768,654
TOTAL	**63,320,636**	**61,747,553**	**1,573,083**

The value of invoices to be issued reflects the particular type of business in which Group companies operate so, although many contracts can be invoiced on a monthly basis, others must follow an authorisation process which does not necessarily end in the month of reference. The amount shown in the financial statements is the amount that had been accrued up until the close of the period and which will be invoiced in the following months.

The table below shows a breakdown of receivables by date of maturity, net of invoices/credit notes to be issued and including receivables carried under the bad debts provision:

Amount of receivables	in		days past due								Allowance for doubtful accounts	Net recivables
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond		
51,725,262	30,751,082	20,974,181	1,279,050	1,777,064	1,051,917	1,008,247	1,851,423	945,787	1,028,085	12,032,606	3,898,179	47,827,083
100.0%	59%	41%	2%	3%	2%	2%	4%	2%	2%	23%	0.0%	0.0%

Other Receivables

As at 31 December 2016, the item "**other receivables**" amounted to Euro 9,527,989 compared to Euro 7,947,205 at 31 December 2015.

The table below shows movements that occurred.

Description	**31/12/2016**	**31/12/2015**	**Variation**
Receivables for contrib.	5,476,330	3,109,529	2,366,801
Receivables to s/holders for holdings/spin-offs	19,109	19,109	-
Advances to suppliers for services	185,476	457,363	(271,887)
Sundry credits	501,773	204,201	297,572
Receivables to factoring	96,506	870,114	(773,608)
Receivables to welfare institutes/INAIL	232,074	69,271	162,803
Receivables to employees	81,453	79,963	1,490
Guaranteed securities	20,373	28,250	(7,877)
Costs in future years expertise	2,914,895	3,109,405	(194,510)
TOTAL	**9,527,989**	**7,947,205**	**1,580,784**

The amounts receivable in relation to "**government grants**" refer to grants accrued and/or accounted for to date in relation to costs incurred. These entries will be brought to zero when the balance of the grants is collected following the final assessments made by the respective Ministries and Local Bodies. The receivables are carried net of the risk provision for any minor grants that might not be received.

The item **"expenses pertaining to future financial years"** for Euro 2,914,895 mainly refers to maintenance costs for future reporting periods.

Tax Receivables

As at 31 December 2016 the item **"tax receivables"** amounted to Euro 2,796,038, compared to Euro 2,655,240 at 31 December 2015. The table below provides a breakdown.

Description	31/12/2016	31/12/2015	Variation
Receivables to tax a/c - IRES	185,706	457,670	(271,964)
Receivables to tax a/c - IRAP	360,376	753,206	(392,830)
Tax authority w/holding taxes on interest income	1,320	1,482	(161)
Tax authority deductions on foreign payments	217,427	189,317	28,111
Credits to tax authority for VAT	689,243	218,503	470,741
Credits with tax authority	1,321,621	1,035,064	286,557
Advanced Tax Credits	20,344	-	20,344
TOTAL	**2,796,038**	**2,655,240**	**140,798**

The amounts required for application for the refund relating to the deductibility of the IRAP tax calculated on staff costs, which generated a recovery of IRES tax, are included in the item "**tax receivables**". The item shows the refunds for the years 2007 and 2008.

9 - INVENTORIES

"**Inventories**" amounted to Euro 1,019,248 as at 31 December 2016 compared to Euro 269,325 at 31 December 2015 and refer to software and hardware purchased and destined to be resold in future periods. The change compared to the previous year is mainly attributable to the contribution of the company ACS Srl.

10 – CONTRACT WORK IN PROGRESS

"**Contract work in progress**" amounted to Euro 15,652,180 as at 31 December 2016 compared to Euro 11,228,568 at 31 December 2015 and refers to the percentage of completion of contracts in progress pertaining to the reporting period. The variation relating to the "Aerospace & Defence, Public Sector" area is mainly attributable to the contribution of the company ACS Srl.

The table below provides the breakdown by business sector.

Business Areas	31/12/2016	31/12/2015	Variation
Banking & Finance	495,723	83,549	412,174
Industry	1,176,318	1,223,483	(47,165)
Oil e Gas	308,065	663,951	(355,886)
Healthcare	5,356,656	4,729,934	626,722
Utilities	2,470,093	2,409,798	60,295
Aerospace & Defence	4,717,411	1,440,348	3,277,063
International Business	829,577	494,275	335,302
Other	298,337	183,230	115,107
TOTAL	**15,652,180**	**11,228,568**	**4,423,612**

11 – OTHER CURRENT FINANCIAL ASSETS

Other Receivables

The balance of **"other receivables"** totalled Euro 1,572,833 as at 31 December 2016 and refers to receivables due from factoring companies for receivables transferred on a non-recourse basis.

Receivables from Parent Companies

As at 31 December 2016, the balance of "**receivables from parent companies**" amounted to Euro 469,678 and related to the current portion of the Holding Company's financial receivable due from the parent company Abaco Innovazione SpA (Euro 388,428) and receivables primarily for interest accrued on the same financial receivable (Euro 75,150).

12 - CASH AT BANK AND ON HAND

The item "**cash at bank and on hand**" amounted to Euro 12,494,933 as at 31 December 2016 compared to Euro 7,044,010 at 31 December 2015 and refers to Euro 12,455,496 held at banks and Euro 39,437 in cheques and cash in hand.

The bank balance includes secured deposits for guarantees (Euro 397 thousand) given to two banks and Euro 279 thousand for a bond loan issued by Exprivia Healthcare IT Srl.

13 - OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

The item "**other financial assets**" amounted to Euro 462,748 as at 31 December 2016, compared to Euro 501,561 at 31 December 2015. It relates mainly to financial instruments issued by Banca Popolare di Bari, more specifically:

(i) 33,427 shares of said bank for an amount of Euro 7.5 each, totalling Euro 250,702.50

(ii) 33,427 bonds "Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II" for Euro 6.00 each, amounting to Euro 206,338.19.

These financial instruments were booked at fair value (level 2). The fair value change was accounted for in the statement of comprehensive income.

14 - SHAREHOLDERS' EQUITY

14 - SHARE CAPITAL

"**Share capital**", fully paid up, amounted to Euro 25,154,899 compared to Euro 25,754,016 at 31 December 2015 and is represented by 51,883,958 ordinary shares at a nominal value of Euro 0.52 each for a total of Euro 26,979,658, net of 3,509,153 own shares held as at 31 December 2016 for a value of Euro 1,824,760 (Euro 1,225,642 at 31 December 2015).

14 - SHARE PREMIUM RESERVE

As at 31 December 2016 the **"share premium reserve"** amounted to Euro 18,081,738 and is the same as at 31 December 2015.

14 - REVALUATION RESERVE

As at 31 December 2016 the "**revaluation reserve**" amounted to Euro 2,907,138 and is the same as at 31 December 2015.

14 - LEGAL RESERVE

The "**legal reserve**" amounted to Euro 3,931,382 as at 31 December 2016, rising by Euro 221,886 compared to 31 December 2015 due to the allocation of the Exprivia SpA profit from the previous year, as resolved by the shareholders' meeting of 20 April 2016.

14 - OTHER RESERVES

The balance of the item "**other reserves**" amounted to Euro 20,579,266 as at 31.12.16 compared to Euro 17,201,619 at 31 December 2015 and pertains to:

- Euro 17,363,657 for the "**extraordinary reserve**" which rose by Euro 8,015,488 compared to 31 December 2015, due to both the allocation of the 2015 profit (Euro 3,110,712) as resolved by the shareholders' meeting of Exprivia SpA on 20 April 2016, and due to the effect of the definitive release of the "Provision for investments in the Regione Puglia Programme Agreement" (Euro 4,904,776);
- Euro 3,846,124 to the "**Puglia Digitale Project Reserve**" created in connection with the investment programme called "Puglia Digitale Project" as resolved by the Exprivia shareholders' meeting on 18 April 2013, which remained unchanged with respect to 31 December 2015;
- Euro -630,515 "**other reserves**" compared to Euro -897,451. Movements in 2016 refer to:
  - to the effect of the premium paid to purchase own shares amounting to Euro -195,691;
  - to the negative effect on shareholders' equity of the change in fair value of the derivative for Euro 12,286;
  - to the positive effect of the change in the currency translation reserve, for Euro 993,107.
  - to the negative effect of the application of IAS 19 with the associated recognition in the statement of comprehensive income of actuarial losses net of the tax effect of Euro 473,676;
  - to the negative effect deriving from the financial assets classified as AFS for Euro 44,520.

14 - PROFIT/LOSS FROM PREVIOUS PERIODS

The reserve for **profit/loss related to previous periods** as at 31 December 2016 came to Euro 2,246,057 compared to Euro 1,945,640 at 31 December 2015. It changed as follows compared to the previous year:

- Euro 215,075 due to the profit from the previous year, partly for the distribution of dividends;
- Euro 85,342 for the change in the scope of consolidation following the deconsolidation of ProSap US Holding and its subsidiary ProSap Consulting LLC due to the closure of those companies.

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION	Result to 31/12/2015	Net Worth at 31/12/2015	Result for period to 31/12/2016	Net Worth at 31/12/2016
Exprivia S.p.A.	**4,437,726**	**72,458,498**	**(1,908,465)**	**68,501,342**
Contribution of consolidated companies (PN and Result)	3,593,819	29,581,738	2,220,080	31,885,934
Elision participations		(64,996,417)	6,000,000	(62,297,234)
Goodwill		37,163,196		37,508,663
Elimination of dividends	(2,933,567)		(3,337,224)	
Other consolidation adjustments	(120,136)	103,798	(119,620)	139,844
Change in perimeter of consolidation	(380,234)	(113,557)		
Third party net assets	(82,217)	(795,038)	(16,701)	(994,361)
TOTAL GROUP NET WORTH	**4,515,391**	**73,402,218**	**2,838,069**	**74,744,188**

NON-CURRENT LIABILITIES

15 - BOND ISSUES

As at 31 December 2016 the balance amounted to Euro 1,839,297 compared to Euro 3,311,748 at 31 December 2015 and relates to the non-current amount of the bond issue (*minibond*) entitled “EHIT SRL fixed rate 5.20% 2014-2018”, issued by Exprivia Healthcare It Srl for a total of Euro 5 million, subscribed by the fund Anthilia Bond Impresa Territorio (Anthilia BIT) for 90% and by Banca Popolare di Bari for the remaining 10%, listed in the multilateral trading system managed by Borsa Italiana, ExtraMOT-Pro segment, reserved for professional investors. The minibond has a duration of 4 years, with a fixed yield of 5.2% and amortising repayment.

Further information can be found in the admission document on the company website (www.exprivia.it) in the section “Corporate - Investor Relations”.

Description	31/12/2016	31/12/2015	Variation
Bonds	1,839,297	3,311,748	(1,472,451)
TOTAL	**1,839,297**	**3,311,748**	**(1,472,451)**

16 - NON-CURRENT PAYABLES TO BANKS

As at 31 December 2016, the item “non-current payables to banks” amounted to Euro 24,624,683 compared to Euro 6,111,015 at 31 December 2015, and pertains to medium-term borrowing from major credit and financial institutions and to low-interest loans for specific investments programmes.

The table below provides details on the items and breaks down the non-current portion (Euro 24,624,683) and the current portion (Euro 14,490,177) of the payable.

Financial Institute	Typology	Contract amount	Amount paid 31.12.2016	Date contract	Expiration date	Repayment installment	Rate applied	Residual capital 31.12.2016	To be repaid within 12 months	To be repaid over 12 months
Ministero dello Sviluppo Economico	Financing	2,019,162	2,019,162	27/12/09	27/02/19	annual	0.87%	692,946	228,984	463,962
Monte dei Paschi di Siena	Financing	5,000,000	5,000,000	04/05/10	10/05/17	montly	Euribor + 2.50%	358,144	358,144	
Monte dei Paschi di Siena	Financing	1,500,000	1,500,000	21/03/16	31/03/17	montly	Euribor + 2.90%	499,895	499,895	
Intesa San Paolo	Financing	2,000,000	2,000,000	06/12/16	06/12/17	montly	Euribor + 2,3%	1,993,813	1,993,813	
Banca Nazionale del Lavoro	Financing	25,000,000	25,000,000	01/04/16	31/12/22	semi-annual	Euribor + 2,4%	22,683,062	3,726,319	18,956,743
IBM Italia Servizi Finanziari	Financing	306,856	306,856	01/05/12	01/02/17	quarterly	9.66%	18,641	18,641	
ICCREA Banca Impresa	Financing	1,020,000	1,020,000	18/07/13	30/09/18	quarterly	Euribor + 3.80%	380,594	214,191	166,403
ICCREA Banca Impresa	Financing	2,500,000	2,500,000	30/12/15	30/03/17	quarterly	Euribor + 3.90%	509,841	509,841	
Simest	Financing	1,955,000	1,198,063	19/04/13	19/04/20	semi-annual	0.5%	839,722	240,690	599,032
Banca del Mezzogiorno	Financing	3,000,000	3,000,000	04/06/14	31/03/24	quarterly	Euribor + 4.80%	2,358,241	277,702	2,080,539
Banca Carime	Financing	2,000,000	2,000,000	16/03/16	16/09/17	montly	Euribor + 3.0%	1,010,054	1,010,054	-
Deutsche Bank	Financing	500,000	500,000	10/11/16	10/05/17	quarterly	Euribor + 1.0%	493,308	493,308	
Deutsche Bank	Financing	1,500,000	1,500,000	15/02/16	16/08/17	montly	Euribor + 0.8%	661,029	661,029	
Credito Emiliano		1,200,000	1,200,000	13/062016	31/08/17		Euribor+ 1,38%	1,209,074	1,209,074	
Credito Emiliano	Financing	500,000	500,000	01/12/16	31/10/17	quarterly	Euribor + 1.38% *	500,567	500,567	-
Banca Popolare di Bari	Financing	500,000	500,000	04/12/14	31/12/19	quarterly	Euribor + 2.30% *	307,370	99,914	207,456
Credito Emiliano	Financing	600,000	600,000	13/06/16	31/08/17	quarterly	Euribor + 1.38% *	604,314	604,314	
Credito Emiliano	Financing	100,000	100,000	01/12/16	31/07/17	quarterly	Euribor + 1.38% *	100,052	100,052	
Deutsche Bank	Financing	500,000	500,000	10/11/16	10/05/17	quarterly	Euribor + 1.0%	492,070	492,070	
Ministero dello Sviluppo Economico	Financing	863,478	863,478	14/09/16	17/11/25	annual	0.312%	794,670	6,553	788,117
BCC Roma Agevolato	Mortgage	287,848	287,848	20/06/13	30/09/18	quarterly	0.500%	101,523	57,930	43,594
BCC Roma Ordinario	Mortgage	287,848	287,848	20/06/13	30/09/18	quarterly	Euribor+ 5,25%	109,772	61,445	48,327
BCC Roma Agevolato	Mortgage	87,152	87,152	30/08/13	30/09/18	quarterly	0.500%	30,796	17,540	13,256
BCC Roma Ordinario	Mortgage	87,152	87,152	30/08/13	30/09/18	quarterly	Euribor+ 5,75%	33,492	18,711	14,781
BCC Roma	Mortgage	1,130,000	1,130,000	11/08/14	31/10/19	montly	Euribor+ 4,25%	670,217	227,257	442,960
Monte Paschi Siena	Mortgage	1,800,000	1,800,000	07/04/04	31/03/17	semi-annual	Euribor+ 1,80%	107,102	107,102	-
Banco de Santander	Financing	120,000	120,000	08/07/14	20/07/17	montly	3.290%	23,333	23,333	-
Banco de Santander	Financing	571,000	571,000	28/07/16	28/08/18	montly	5.000%	456,800	296,920	159,880
Banco de Santander	Financing	150,000	150,000	17/10/16	17/01/17	montly	4.950%	50,000	50,000	-
Banco Popular	Financing	100,000	100,000	20/10/14	20/11/17	montly	4.218%	31,906	31,906	-
Banco Popular	Financing	100,000	100,000	26/10/15	26/10/18	montly	4.500%	62,417	33,275	29,142
Banco Popular	Financing	300,000	300,000	25/02/15	25/02/20	montly	Euribor + 1,2%	183,046	54,172	128,874
Banco Popular	Financing	100,000	100,000	25/04/12	10/05/19	montly	Euribor + 1,7%	38,750	14,598	24,152
Banco Popular	Financing	60,000	60,000	09/09/14	20/10/17	montly	Euribor + 1,5%	17,557	17,557	-
Banco Popular	Financing	610,000	610,000	29/07/16	29/07/21	montly	6.750%	566,637	109,171	457,465
Deutsche Bank	Financing	290,000	290,000	06/10/15	06/10/17	montly	Euribor + 2%	124,105	124,105	-
Total								*39,114,860*	*14,490,177*	*24,624,683*

Medium-term Loan Agreement

On 1 April 2016 Exprivia SpA stipulated a medium-term loan for a total of Euro 25,000,000 with a pool of banks consisting of BNL and Unicredit, also as lead bank and lead arranger, and Banca Popolare di Bari and Banca Popolare di Milano, consisting of a single amortising credit line to be repaid by 31 December 2022, at an annual rate equal to the Euribor plus a 2.4% spread, to which one-off fees of 1.40% were also added when the agreement was entered into.

The loan is backed by ordinary guarantees typical of transactions of this type, including the guarantee issued by SACE SpA in the amount of Euro 6 million, in addition to guarantees issued by Abaco Innovazione SpA, described in more detail in the Disclosure Document prepared pursuant to art. 5, first paragraph, of the CONSOB Regulation which was published on 8 April 2016 on the company's website in the "Corporate - Corporate Governance - Corporate Information" section.

The loan has the usual market conditions for loans of an equal amount and term, such as: declarations and guarantees, covenants (pari passu, negative pledge, etc.), limitations on significant extraordinary transactions (with the exception of intercompany transactions, which are exclusively allowed within the corporate scope existing as at 1 April 2016), the obligation to maintain adequate insurance coverage, compulsory and optional early repayment clauses, cross defaults, etc.

Lastly, the loan also includes a limitation on the distribution of dividends, which cannot exceed 25% of the net profit, in line with what is set forth in the Business Plan approved by the Company.

The loan also includes several financial covenants - Net borrowing/EBITDA, Net borrowing/Own funds, EBITDA/Net financial charges -, which will be measured on a half-yearly basis, as well as limitations on total investments and the acquisition of own shares, as described in more detail in the table below.

Reference date	Net borrowing/EBITDA	Net borrowing/Own funds	Ebitda / Net financial expense	Investments
31.12.2016	≤ 3.7	≤ 0.8	≥ 4.0	≤ 15.9 million
30.06.2017	≤ 2.0	≤ 0.8	≥ 5.8	≤ 4.0 million
31.12.2017	≤ 2.0	≤ 0.8	≥ 6.2	≤ 4.0 million
30.06.2018	≤ 2.0	≤ 0.8	≥ 6.2	≤ 4.0 million
31.12.2018	≤ 2.0	≤ 0.8	≥ 6.2	≤ 4.0 million
From 30.06.2019 to 30/06/2022	≤ 2.0	≤ 0.8	≥ 6.2	≤ 4.2 million

These parameters calculated on a consolidated basis must be communicated by 30 April and 30 September of each year and will refer to the previous 12 months respectively at 30 June and 31 December of each year, using the normal calculation criteria agreed between the parties.

The financial parameter "Investments" does not take account of the acquisitions of equity investments exempt from authorisation or those subject to a specific written authorisation issued by banks.

The residual payable as at 31 December 2016 amounted to Euro 22,683,062, of which Euro 3,726,319 to be repaid within the next twelve months (and therefore recognised under short-term liabilities) and a residual Euro 18,956,743 to be repaid in the years 2018-2022 (booked under long-term liabilities).

The Company agreed a modification of certain financial parameters with the pool of banks, to be recognised as at 31 December 2016. Based on the accounting data as at 31 December 2016, the amended financial parameters reported in the above table were respected.

Low-interest Loan from Ministry of Economic Development - Istituto Finanziario Ubi Banca (formerly Centrobanca) POR Puglia

A loan resolved and fully paid for Euro 2,019,162 as at 31.12.2016 in favour of the parent company Exprivia SpA; it was targeted at financing a research and development project under Law 46/82 F.I.T. art. 14 Circular no. 1034240 of 11 May 2001, expires on 27 February 2019 and bears a below-market fixed rate of interest of 0.87% annually.

Monte dei Paschi di Siena Loan

A loan of Euro 5,000,000 stipulated by Exprivia SpA on 04.05.2010 and provided on 01.06.2010 to be repaid in monthly instalments starting from 10.02.2011 until 10.05.2017. The rate applied is the Euribor + spread of 2.5%.

Iccrea Banca Impresa Loan

A loan of Euro 1,020,000 entered into by Exprivia SpA on 18 July 2013. It is to be repaid in quarterly instalments starting from 30.09.2013 until 30.09.2018 and its aim is to support international development in Brazil through its subsidiary Exprivia do Brasil. The interest rate applied is the Euribor + a 3.80% spread.

The loan in question is backed by a SACE guarantee of Euro 535,500.

The loan agreement provides financial parameters based on the annual consolidated financial statements to be respected for its entire duration. As at 31 December 2016, the financial parameters recorded on the basis of accounting data were respected.

Iccrea Banca Impresa Loan

A loan for Euro 2,500,000 stipulated by Exprivia SpA on 30.12.2015 to be repaid in quarterly instalments starting from 30.03.2016 until 30.03.2017.

The interest rate applied is the Euribor + a 3.90% spread.

Simest Loan

A loan of Euro 1,955,000 resolved in favour of the holding company Exprivia SpA, entered into on 19 April 2013, of which Euro 1,198,063 disbursed on 31 December 2016, is to be repaid in six-month instalments starting from 19.10.2015 until 19.04.2020. The loan is targeted at supporting international development in China and bears a below-market fixed rate of interest (0.50% yearly).

Banca del Mezzogiorno Loan

A loan of Euro 3,000,000 resolved in favour of the holding company Exprivia SpA, entered into on 04 June 2014 and disbursed on 18.06.2014. It is to be repaid in quarterly instalments starting from 30.09.2014 until 31.03.2024. The loan is targeted at supporting the purchase of land and for construction of the Molfetta building at Via Giovanni Agnelli no. 5, which is an investment falling under the programme agreement stipulated with Regione Puglia on 5 December 2011.

The interest rate applied is the Euribor + a 4.80% spread.

The loan in question is backed by a first mortgage on the property for a total of Euro 6 million.

It should be pointed out that, by contract the entire amount of the next two instalments were secured in a current account at 31 December 2016.

Low-interest loan CUP 2.0

Loan totalling Euro 863,478 resolved in favour of Exprivia Healthcare IT Srl (formerly Svimservice Srl), of which the full amount approved was disbursed as at 31 December 2016. This loan is targeted at financing a research and development project pursuant to financial law 46/82 F.I.T - PON R & C 2007/2013 – MD 24-09-2009, Project A01/002043/01/X 17 regarding: Innovative services for booking CUP 2.0 healthcare services. The loan will expire on 17.11.2025 and bears a below-market fixed rate of interest of 0.3120%.

Low-interest loan from Banca di Credito Cooperativo di Roma

Loan 121/446091 of Euro 1,130,000.00 stipulated by the subsidiary A.C.S. Srl on 11.08.2014 and provided on 11.08.2014 to be repaid in monthly instalments starting from 31.08.2014 until 31.10.2019.

The interest rate applied is the Euribor + a 4.25% spread.

Low-interest loan from Banca di Credito Cooperativo di Roma

Loan 121/416528 of Euro 287,847.74 stipulated by the subsidiary A.C.S. Srl on 20.06.2013, to be repaid in 22 quarterly instalments starting from 30.06.2013 until 30.09.2018.

The interest rate applied is 0.50%.

Ordinary loan from Banca di Credito Cooperativo di Roma

Loan 121/416527 of Euro 287,847.74 stipulated by the subsidiary A.C.S. Srl on 20.06.2013, to be repaid in 22 quarterly instalments starting from 30.06.2013 until 30.09.2018.

The interest rate applied is the Euribor +5.25%.

Low-interest loan from Banca di Credito Cooperativo di Roma

Loan 121/420830 of Euro 87,152.25 stipulated by the subsidiary A.C.S. Srl on 30.08.2013, to be repaid in 21 quarterly instalments starting from 30.09.2013 until 30.09.2018.

The interest rate applied is 0.50%.

Ordinary loan from Banca di Credito Cooperativo di Roma

Loan 121/420832 of Euro 87,152.25 stipulated by the subsidiary A.C.S. Srl on 30.08.2013, to be repaid in quarterly instalments starting from 30.09.13 until 30.09.2018.

The interest rate applied is the Euribor +5.75%.

Mortgage loan from Monte Paschi Siena.

Mortgage of Euro 1,800,000.00 stipulated by the subsidiary A.C.S. Srl on 07.04.2004 for the purchase of the company offices on Via della Bufalotta 378 – Rome.

The interest rate applied is the Euribor +1.8%.

The loan in question is backed by a first mortgage on the mortgaged property.

NET FINANCIAL POSITION

In accordance with the CONSOB notice of 28 July 2006 and CESR recommendation of 10 February 2005 “Recommendations for standard implementation of European Commission regulations on disclosure schedules”, the table below shows the net financial position of the Exprivia Group as at 31 December 2016 and at 31 December 2015.

		31.12.2016	31.12.2015
A.	Cash	39,437	38,588
B.	Other liquid cash	12,455,496	7,005,423
C 1.	Securities held for trading and derivative financial instruments	462,748	501,561
C 2.	Own share	2,547,084	1,752,277
D	**Liquid (A)+(B)+(C)**	**15,504,765**	**9,297,849**
E.	**Current financial receivables**	**2,061,907**	
F.	Current bank debts	(20,160,209)	(32,751,198)
G.	Current portion of non-current bank debts	(7,193,618)	(4,135,647)
H.	Other current financial payables net of current financial receivables	(1,650,028)	(222,735)
I.	**Current financial debts (F) + (G) + (H)**	**(29,003,855)**	**(37,109,580)**
J.	**Net current financial debt (I) + (E) + (D)**	**(11,437,183)**	**(27,811,731)**
K.	Non-current bank debts	(24,624,683)	(6,111,015)
L.	Bond	(1,839,297)	(3,311,748)
M.	Other non-current financial payables net of non-current financial receivables and derivative financial instruments	2,112,689	920,219
N.	**Non-current financial debts (K) + (L) + (M) + (N)**	**(24,351,291)**	**(8,502,544)**
O.	**Net financial debits (J) + (O)**	**(35,788,474)**	**(36,314,275)**

Own shares held by the holding company (Euro 2,547,084) are included in the calculation of the net financial position. They were not listed under the opening and closing balance of financial assets in the cash flow statement since the change is shown in a dedicated item.

17 - OTHER NON-CURRENT FINANCIAL LIABILITIES

As at 31 December 2016 the item "**other non-current financial liabilities**" amounted to Euro 720,524 compared to Euro 109,273 at 31 December 2015.

Description	31/12/2016	31/12/2015	Variation
Payables to suppliers over exercise	698,021	109,273	588,748
Debts to other lenders	10,000	-	10,000
Derivative financial instruments	12,503	-	12,503
TOTAL	**720,524**	**109,273**	**611,251**

Non-current trade payables

The balance of **"non-current trade payables"** as at 31 December 2016 came to Euro 698,021 compared to Euro 109,273 at 31 December 2015 and refers to the medium/long-term payment relating to contracts for leased assets; the variation is attributable to the contribution of the company ACS Srl in the scope of consolidation.

Amounts payable to other lenders

The balance of "**amounts payable to other lenders**" as at 31 December 2016 amounted to Euro 10,000 and refers to the company ACS Srl.

Derivative financial instruments

The balance of the item "**derivative financial instruments**" as at 31 December 2016 amounted to Euro 12,503.

The derivative product was subscribed by the Holding Company Exprivia SpA with Unicredit and the financial instrument is linked to a distinct loan at variable interest rate (Euribor).

Contract	Date operation	Initial Date	Expiry date	Currency	Reference amount	MtM currency	MtM value
IRS Payer	06/06/2016	30/06/2016	28/03/2024	EUR	2,493,948	EUR	(12,503)
TOTAL					**2,493,948**		**(12,503)**

This is a cash flow hedge valued at fair value level 2 under shareholders' equity.

18 - NON-CURRENT TAX LIABILITIES

The item "**non-current tax liabilities"** as at 31 December 2016 amounted to Euro 2,881,594 compared to Euro 408,762 at 31 December 2015. They mainly refer to the division into medium/long-term instalments of the tax payable for the years 2009-2012 (Euro 71,871), which arose following the tax settlement agreement between the subsidiary Exprivia Healthcare IT Srl and the Inland Revenue Agency, and the division into medium/long-term instalments of the expired tax liabilities pertaining to ACS Srl (Euro 2,809,723).

The tax liability pertaining to ACS Srl refers mainly to the division into instalments which became due for payment in 2016 and the amounts relating to scrapping of tax demands.

The tax liabilities due after the financial year are those deriving exclusively from the amortisation plan of tax payment slips and tax demands divided into instalments.

With reference to all other tax liabilities, for which a tax payment slip or tax demand is pending, the liability was considered a short-term payable and classified under "current tax liabilities".

19 – OTHER NON-CURRENT LIABILITIES

Amounts payable to Pension and Social Security Institutions

The balance of **"amounts payable to pension and social security institutions"** amounted to Euro 436,004 as at 31 December 2016 and refers to the medium/long-term division into instalments of the expired pension payables attributable to ACS Srl as a result of the repayment plans obtained.

20 - PROVISION FOR RISKS AND CHARGES

As at 31 December 2016, the "**provision for risks and charges**" amounted to Euro 1,068,718 compared to Euro 622,311 at 31 December 2015. The breakdown is shown in the table below:

Description	31/12/2016	31/12/2015	Variation
Fund risks disputes		100,000	(100,000)
Risk fund tax dispute	700,000		700,000
Risk provisions staff	252,743	351,854	(99,111)
Provision for other risks	115,975	170,457	(54,482)
TOTAL	**1,068,718**	**622,311**	**446,407**

The "**provision for dispute risks"** allocated in the previous year of Euro 100,000 was used due to the negative outcome of the judgment of the Council of State no. 5503/16 of 28/12/2016, which ruled definitively on the dispute for exclusion of the RTI (temporary association of companies) with confiscation of the security deposit previously paid by Exprivia SpA for itself and for the principal Exprivia Healthcare IT Srl.

The "**provision for tax dispute risks"** amounting to Euro 700,000, refers to the company Exprivia Enterprise Consulting Srl. The phases of the dispute are outlined below, which stem from a tax audit performed in 2007 by the Inland Revenue Agency, Provincial Department of Piacenza on Exprivia Enterprise Consulting (hereinafter "EEC"), formerly WellNetwork SpA In the report on findings drafted following said audit and concerning the events that occurred prior to the acquisition by Exprivia, EEC was notified of alleged violations of VAT legislation, undeclared capital gains and irrelevant entertainment costs. In the wake of the results of the report on findings, the Inland Revenue Agency issued EEC with assessment notices relating to the 2004 and 2005 tax periods; in these notices, the Inland Revenue Agency confirmed the qualification of the purchase transactions forming the object of the report on findings as objectively non-existent, consequently notifying EEC of the deductibility of the relevant costs for direct tax purposes and deductibility of the related VAT.

EEC challenged the 2004 and 2005 assessment notices before the Tax Commission of Piacenza which, at the hearing on 8/11/2011, combined the two appeals and, by means of judgment 55/01/12, filed on 31/08/2012, cancelled said notices, ruling out the possibility, regarding the matter in question, of said transactions being classified as objectively non-existent, unlike what was claimed by the Inland Revenue Agency, and also excluding said transactions from being considered non-existent from a subjective viewpoint.

The Inland Revenue Agency served notice, on 18 February 2003, of an appeal against the aforementioned judgment before the Regional Tax Commission of Bologna, whose proceedings will be discussed on 12 May 2017.

Based on the opinion of the legal representatives assisting the company, there is a possible risk of being the losing party; in consideration of the favourable outcome obtained at the first instance proceedings and the existence of well-founded defensive arguments, it was not deemed necessary to allocate any provision for risks.

On 27/10/2014, EEC received notification from the Inland Revenue Agency of Piacenza of a new assessment notice in relation to the aforementioned report on findings for the year 2006. By means of said assessment, the Inland Revenue Agency, despite recalling the contents of the report on findings, no longer contested the non-existence of the transaction from an objective viewpoint but rather a subjective standpoint, therefore disallowing EEC's deductibility of VAT connected with said transactions for an amount of Euro 2,052,896, in addition to sanctions totalling Euro 5,132,240. In relation to the assessment notice pertaining to 2006, on 16/04/2015, EEC filed an appeal (RG 119/2015); the Provincial Tax Commission of Piacenza, at the hearing on 21/09/2015 ordered the suspension of the executive effects of the assessment notice and set 14/12/2015 as the date for the hearing for discussing the merits of the case. On 15/02/2016, the Provincial Tax Commission of Piacenza filed judgment no. 28/02/2016, confirming the company as the losing party. On 6/06/2016, EEC filed an appeal to the Bologna Regional Tax Commission against judgment no. 28/02/2016. The Regional Tax Commission, under decree no. 759/2016 of 12/07/2016, upheld the application for suspension 'inaudita altera parte' (without prior hearing of the other party) and called the council chambers for 27 September 2016 to discuss said request, in which the Bologna Regional Tax Commission definitively upheld the request for suspension of judgment no. 28/02/2016 on the assessment notice. The hearing for discussion was set for 19 January 2017.

Following the hearing, the Regional Tax Commission filed judgment no. 887/4/2017 on 7 March 2017, in which it rejected the appeal filed by EEC, with the subsequent confirmation of the VAT assessed while, as regards sanctionary profiles, the appeal judges partially upheld the conditional exemptions, recalculating and reducing the sanctions applied to the company.

The judgment therefore establishes a non-deductible amount of VAT of Euro 2,052,896 plus sanctions of Euro 4,105,738 and interest.

The company asked leading legal firms, who handled its defence, for an in-depth review of the judgment and of the sale contract in place with the previous company shareholder. The main results of the review of various legal and tax matters performed by Studio Legale e Tributario Maisto e Associati di Milano and Studio Legale Associato Clifford & Chance are reported below:

(i) there are valid grounds for challenging the appeal judgment at the Court of Cassation, and elements pertaining to its invalidity;

(ii) there are legal grounds for the concession, by the Bologna Regional Tax Commission, of the provision to suspend the enforcement of the appeal judgment;

(iii) there are no profiles of joint and several liability on the part of Exprivia SpA;

(iv) the company has a legitimate entitlement deriving from the contract for the purchase of WelNetwork (now Expriva Enterprise Consulting) to initiate the request for full compensation from the seller.

In relation to point (i) careful analysis of the judgment by the company's legal representatives led them to believe that there are valid reasons for supporting the company's position at the Court of Cassation, as well as objective elements which could determine the invalidity of the aforementioned appeal judgment. In light of the above, the following elements justifying the appeal at the Court of Cassation are represented:

a) Invalidity of the judgment due to signature irregularities pursuant to art. 360, paragraph 1, no. 4 of the Code of Civil Procedure

b) Violation and false application of the principle of mandatory establishment of preventive cross-examination, pursuant to art. 360, paragraph 1, no. 3 of the Code of Civil Procedure

c) Violation and false application of art. 2697 of the Italian Civil Code regarding the burden of proof, pursuant to art. 360, paragraph 1, no. 3 of the Code of Civil Procedure

d) Violation and false application of art. 115 of the Code of Civil Procedure pursuant to art. 360, paragraph 1, no. 3 of the Code of Civil Procedure

e) Violation and false application of art. 2729 of the Italian Civil Code regarding the use of presumptions for decision-maker purposes pursuant to art. 360, paragraph 1, no. 3 of the Code of Civil Procedure

f) Violation and false application of art. 2729 of the Italian Civil Code regarding the use of presumptions for decision-maker purposes pursuant to art. 360, paragraph 1, no. 3 of the Code of Civil Procedure

As regards point (ii), it is believed that, pursuant to art. 62-bis of Italian Legislative Decree 546/1992, there are grounds for formulating and hopefully obtaining the request for the suspension of enforcement of the appeal judgment before the Bologna Regional Tax Commission.

As regards point (iii), it should be noted that, during the year to which the dispute refers, the company was not included in the corporate scope of the Exprivia Group. Also the other provisions of joint and several liability sanctioned by the legislation do not apply in the case in point.

In relation to point (iv), after having carefully analysed both the contract and the case law on the matter, the company is fully entitled to be able to recoup its losses from the seller due to the aforementioned event, as it is included in the guarantees given by the seller, and given that the company has taken all the steps in the contract as regards promptly communicating the progress of the event to the seller and having carried out all the necessary activities to correctly handle it.

It should also be noted that the parent company Exprivia Spa asked legal firm Associato Clifford Chance for an opinion on the guarantees set forth in the purchase contract stipulated in due course for the purchase of EEC.

This opinion confirms that Exprivia Spa is fully entitled to recoup its losses from the seller as regards the aforementioned event, given it is fully incorporated in the guarantees given by the seller.

Supported by the above-mentioned reasons contained in the opinions from the various legal firms, considering that there is a possible risk of being the losing party, the Directors decided to allocate a provision of Euro 700,000 to cover expenses connected with having to implement the actions necessary to settle the aforementioned disputes and to protect the company's interests.

The **"provision for staff risks"**, amounting to Euro 252,743, fell by Euro 99,111 compared to 31 December 2015 due to the closing of some ongoing disputes with former employees of Group companies, which determined use of the provision for Euro 23,446 and release of the surplus for Euro 75,665.

The **"provision for other risks"**, amounting to Euro 115,975 as at 31 December 2016, fell to Euro 54,483 compared to 31 December 2015. The changes in the period are reported below:

- Euro 50,974 for use of the provision for the payment of a contractual penalty with respect to a customer of Exprivia Healthcare IT Srl;
- Euro 94,136 for use of Exprivia Healthcare's provision following the settlement of labour law disputes, which impacted the income statement negatively for an amount of roughly Euro 90 thousand;
- Euro 65,529 for the allocation for the risk of contractual penalty with respect to a customer of Exprivia Projects Srl;
- Euro 25,097 for adjustment of the provision in relation to other current risks.

21 - EMPLOYEE PROVISIONS

Employee Severance Indemnity Fund

The amounts for the employee severance indemnity accrued after 31 December 2006 were paid to the INPS pension fund and union pension funds. The remaining employee severance indemnity fund amounted to Euro 9,228,805 as at 31 December 2015 compared with Euro 10,230,522 as at 31 December 2014. The fund is net of amounts deposited. An actuarial assessment was performed on the liability in accordance with IAS 19 using the retrospective method, which requires recognition of actuarial gains/losses in the comprehensive income statement. The cost regarding service and the interest payable concerning the "time value" component in the actuarial calculations are still recognised in the income statement.

Description	31/12/2016	31/12/2015
Discount rate	1.30%	2.00%
Inflation rate	1.50%	1.50%
Annual rate of wage growth	2.50%	2.50%
Annual rate of TFR growth	2.62%	2.62%
Mortality	Tav ISTAT 2011	Tav ISTAT 2011
Inability	Tav. INAIL	Tav. INAIL
Turn-over	5.50%	7.25%
Probability advance	2.50%	2.50%
Amount% of the severance pay in advance	70.00%	70.00%

Some of the general criteria used for the projections are described below. In order to meet the need to make assessments based on all the information available a technical procedure was used known in the actuarial literature as MAGIS (actuarial method of years in operation on an individual basis and by means of random drawings).

This method is a Monte Carlo-based stochastic simulation that makes it possible to develop projections of amounts payable for each employee while taking into account the demographic and salary data of each position without making aggregations and without introducing average values.

To make the procedure possible, drawings are made for each employee year by year to determine elimination by death, invalidity and incapacity due to resignation or termination.

Reliability is ensured by replicating the procedure a certain number of times until the results are stable.

The calculations were made by the number of years necessary for all the workers currently employed are no longer in service.

The projections were made on a closed group, meaning no new recruits were included.

In accordance with IAS 19, actuarial valuations were carried out using the Projected Unit Credit Method. This method makes it possible to calculate employee severance indemnities accrued at a certain date based on actuarial assumptions, distributing the charge for all remaining years workers are employed. It is no longer an expense to be paid if the company winds up its business at the balance sheet date, but gradually provisioning the charge according to the remaining service period of employees.

The method makes it possible to calculate certain demographic and financial variables at the date of assessment, especially charges relating to service already rendered by employees represented by the DBO – Defined Benefit Obligation (also called Past Service Liability). It is obtained by calculating the present value of amounts due to the worker (severance indemnities) arising from seniority gained at the date of assessment.

For the purpose of revaluation, the employee's termination indemnity is increased, excluding the portion accrued at the end of the period, by applying a fixed rate of 1.50% and 75% of the inflation rate recorded by the ASTAT In December of the previous year; On this revaluation are due 11%.
The legislation also provides for the possibility of requiring a partial anticipation of the TFR accrued when the employment relationship is still in progress.
In the calculations, the 17% annual tax on the revaluation of the TFR was taken into account

22 - DEFERRED TAX LIABILITIES

The item "**provision for deferred taxes**" amounted to Euro 1,189,221 as at 31 December 2016, compared to Euro 1,038,852 at 31 December 2015, and refers to allocations for temporary changes considered recoverable in subsequent financial years.

Description	31/12/2016		31/12/2015	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	68,820	19,310	91,239	25,092
Goodwill	1,630,664	457,587	1,377,674	385,105
Buildings	2,528,421	704,036	2,190,770	627,656
Taxes	25,658	6,158	-	-
Provision for bad credit	4,164	999	4,164	999
Adjustments for IFRS	3,949	1,131	-	-
TOTAL	**4,261,676**	**1,189,221**	**3,663,847**	**1,038,852**

CURRENT LIABILITIES

23 - CURRENT BOND ISSUES

As at 31 December 2016 the "**current bond issues**" amounted to Euro 1,508,246 compared to Euro 1,007,399 at 31 December 2015 and refers to the current amount of the bond loan issued by the company Exprivia Healthcare It Srl. For further information, see the item "bond issues" under non-current liabilities (note 15).

24 - CURRENT BANK DEBT

As at 31 December 2016, the item "**current bank debt**" amounted to Euro 25,845,581 compared to Euro 35,879,446 at 31 December 2015. Euro 14,490,177 refers to the current amount of payables for loans and mortgages (previously described under item "non-current bank debt", note 16) and Euro 11,355,404 refers to current account overdrafts at major credit institutions.

25 - TRADE PAYABLES

As at 31 December 2016, the item "**trade payables**" amounted to Euro 18,816,906 compared to Euro 17,087,806 at 31 December 2015; the table below provides details regarding this item:

Description	31/12/2016	31/12/2015	Variation
Invoices received Italy	11,699,626	12,127,594	(427,969)
Suppliers of leased assets	184,114	223,691	(39,577)
Invoices received foreing	996,561	666,187	330,374
Invoices to consultants	1,293,339	115,748	1,177,591
Invoices to be received	4,643,266	3,954,586	688,680
TOTAL	**18,816,906**	**17,087,806**	**1,729,100**

The table below provides details of payables past due and falling due, net of invoices to be received and suppliers of leased assets.

Trade payables	in		days past due								
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond
13,989,525	7,706,310	6,283,215	762,352	910,547	809,250	1,400,195	550,542	381,737	445,290	1,023,302
100%	55%	45%	5%	7%	6%	10%	4%	3%	3%	7%

26 - ADVANCE PAYMENTS ON CONTRACT WORK IN PROGRESS

Advance payments

As at 31 December 2016 the item "**advance payments**" amounted to Euro 3,394,884 compared with Euro 2,774,376 at 31 December 2015 and refers to contract work in progress for which the payments on account and advance payments ended up being higher than the work in progress in financial terms at period-end.

27 - OTHER FINANCIAL LIABILITIES

The item "**other financial liabilities**" amounted to Euro 1,285,171 as at 31 December 2016, compared to Euro 384,214 at 31 December 2015; the table below provides details regarding this item:

Description	31/12/2016	31/12/2015	Variation
Payables to others	359,999		359,999
Paying to others	925,172	384,214	540,958
TOTAL	**1,285,171**	**384,214**	**900,957**

Payables for equity investments

The balance of the item "**payables for equity investments**" as at 31 December 2016 amounted to Euro 359,999 and refers to the payable for the acquisition of the ACS Srl investment.

Amounts payable to others

The balance of the item **"amounts payable to others"** amounted to Euro 925,172 as at 31 December 2016, compared to Euro 384,214 at 31 December 2015 and refers, for Euro 173,831, to advance payments on research projects and, for Euro 751,341, to payables due to factoring companies for advances received for the receivables transferred.

28 - TAX LIABILITIES

The item **"tax liabilities"** amounted to Euro 12,360,112 as at 31 December 2016 compared to Euro 7,583,444 at 31 December 2015. The table below provides details on the item compared to figures from the previous financial year.

Description	31/12/2016	31/12/2015	Variation
Payables to tax authority for VAT	2,926,546	2,743,296	183,250
Payables to tax authority for IRAP	588,220	-	588,220
Payables to tax authority for IRES	757,886	1,088,862	(330,976)
Payables to tax authority for IRPEF employees	6,176,298	2,798,872	3,377,425
Payables to tax authority for IRPEF freelance workers	220,018	51,580	168,438
Payables to tax authority for IRPEF collaborators	130,866	35,994	94,873
Payables to tax authority	864,274	508,634	355,640
Payables to tax authority for IRPEF severance fund	165,884	46,540	119,344
Payables to tax authority for Regional and Municipal add	284,063	8,924	275,139
Payables to tax authority for interest and penalties	246,058	300,742	(54,683)
TOTAL	**12,360,112**	**7,583,444**	**4,776,668**

The change related to the item **"payables to tax authorities for employee IRPEF (personal income tax)"** is primarily attributable to the tax liabilities of ACS Srl (Euro 2,861,228).

The tax liability pertaining to ACS Srl refers mainly to the current portion of the division into instalments which became due for payment in 2016 and the amounts relating to the scrapping of tax demands.

29 - OTHER CURRENT LIABILITIES

Amounts payable to pension and social security institutions

The item **"amounts payable to pension and social security institutions"** amounted to Euro 6,866,252 as at 31 December 2016 compared to Euro 5,480,960 at 31 December 2015. The table below provides details on the item compared to figures from the previous financial year.

Description	31/12/2016	31/12/2015	Variation
INPS with contributions	4,382,189	3,407,821	974,368
Payables to pension funds	274,646	262,600	12,046
PREVINDAI-FASI-ALDAI-INPDAI-FASDAPI-PREVINDAPI	335,860	88,132	247,728
Contributions on accrued holiday pay and year-end bonus	1,880,815	1,744,014	136,801
INAIL with contributions	(7,258)	(21,605)	14,347
TOTAL	**6,866,252**	**5,480,960**	**1,385,292**

The change related to the item **"contributions to INPS (National Social Security Institute)"** is primarily attributable to the payables of ACS Srl (Euro 837,320)**.**

Other payables

The item "**other payables**" amounted to Euro 17,248,628 as at 31 December 2016, compared to Euro 13,583,144 at 31 December 2015.

The table below shows the changes that occurred during the period with a comparison with the figures at 31 December 2015:

Description	31/12/2016	31/12/2015	Variation
Directors' pay for settlement	83,674	62,451	21,223
Employees/Collaborators for fees accrued	6,403,549	3,751,320	2,652,229
Accrued holidays, festivities, summer & yr-end bonuses	6,177,694	5,540,023	637,671
Factoring advances	48,221		48,221
Sundry payables	943,500	677,629	265,871
Interest and other costs of excercise	133,918	387,975	(254,057)
Maintenance/services/contributions competence in future years	3,458,072	3,163,746	294,326
TOTAL	**17,248,628**	**13,583,144**	**3,665,484**

The change relating to the item **"employees/temporary workers for fees accrued"** is mainly attributable to the company ACS Srl (Euro 1,600,608), included in the scope of consolidation from 1 July 2016.

Explanatory notes to the consolidated income statement

30 - REVENUE

Revenue from sales and services in 2016 amounted to Euro 137,297,652 compared to Euro 139,233,663 in the same period of 2015.

The table below shows details on revenues, including changes in inventories of raw materials and finished products (Euro -47,508), broken down by business segment relating to 2016 and compared with the figures for the same period of the previous year (figures in thousands of Euro).

Business Areas	31/12/2016	31/12/2015	Variation	Variation%
Banking & Finance	26,141	25,606	535	2.1%
Energia e Utilities	21,502	21,933	(431)	-2.0%
Industry	12,845	11,689	1,156	9.9%
Oil e Gas	12,701	15,725	(3,024)	-19.2%
Telco & Media	20,070	19,307	763	4.0%
Healthcare	21,497	22,018	(521)	-2.4%
Aerospace & Defence	13,888	11,221	2,667	23.8%
International Business	7,846	10,439	(2,593)	-24.8%
Other	760	1,423	(663)	-46.6%
Total	**137,250**	**139,361**	**(2,112)**	**-1.5%**

Details of the revenues as at 31 December 2016 are shown below, compared with the figures for the same period of the previous year, broken down by business segment (€/1000).

Exprivia Group (value in k Euro)	31/12/2016	31/12/2015	Variation	Variation%
Projects and Services	116,025	119,182	(3,157)	-2.6%
Maintenance	15,119	14,244	875	6.1%
HW/ SW third parties	4,006	2,835	1,170	41.3%
Own licences	1,418	1,681	(263)	-15.6%
Other	682	1,418	(736)	-51.9%
Total	**137,250**	**139,361**	**(2,111)**	**-1.5%**

For further details on business segments see the section "Trends in Exprivia Group Results" and comments on the "performance of the individual business lines" in the Directors' Report.

31 - OTHER INCOME

Other revenue and income

In 2016 "**other revenue and income"** amounted to Euro 719,734 compared to Euro 1,108,882 in the same period of the previous year. The table below provides details on the items.

Description	31/12/2016	31/12/2015	Variation
Discounts and rebates from suppliers	79,808	377,175	(297,367)
Rental income	32,383	-	32,383
Other revenue	310,102	491,908	(181,806)
Pay in lieu of notice	112,540	75,030	37,510
Income from assignment of vehicles to staff	155,041	164,368	(9,326)
Capital gains	29,858	401	29,458
TOTAL	**719,734**	**1,108,882**	**(389,148)**

The item "**other revenue and income**" includes Euro 144 thousand relating to the compensation defined by means of final judgment no. 221/2015 in favour of Exprivia Healthcare against Puglia Region, and notified to the company in enforceable form on 19 July 2016.

Grants for operating expenses

In 2016 **"grants for operating expenses"** amounted to Euro 1,885,501 in 2016 compared to Euro 2,983,870 in the 2015 and refer to grants and tax credits pertaining to the period or authorised in the period for funded research and development projects. The grants are carried net of the amount allocated to the risk provision for any minor grants that might not be received. The significant decrease compared to the same period of the previous year was caused by the conclusion of several projects at the end of 2015.

Costs for capitalised internal projects

In 2016, the item **"costs for capitalised internal projects"** amounted to Euro 1,927,238 compared to euro 1,358,828 in 2015 and mainly refers to expenses incurred in the year to develop products for the Banking & Finance, Healthcare and Aerospace & Defence segments. The increase is mainly attributable to the contribution of the company ACS Srl.

32 – CHANGE IN INVENTORIES OF RAW MATERIALS AND FINISHED PRODUCTS

In 2016, the balance of the item **"change in inventories of raw materials and finished products"** was a negative Euro 47,508 compared to a positive Euro 127,199 in the same period of the previous year. It refers to changes in finished products in the healthcare segment.

33 – COSTS FOR RAW MATERIALS, CONSUMABLES AND GOODS

In 2016, the item "**costs for materials, consumables and goods**" amounted to Euro 11,078,729 compared to Euro 11,199,568 in the same period of the previous year. The table below provides details on the items.

Description	31/12/2016	31/12/2015	Variation
Purchase of HW-SW products	10,685,989	10,743,044	(57,055)
Stationery and consumables	103,520	131,675	(28,155)
Fuel and oil	182,994	204,197	(21,203)
Other costs	104,031	116,780	(12,749)
Warranty services on our customers activities	2,195	3,872	(1,677)
TOTAL	**11,078,729**	**11,199,568**	**(120,839)**

34 - STAFF COSTS

In 2016, the item "**staff costs**" amounted to Euro 91,740,115 compared to Euro 90,581,123 in the same period of 2015. The table below provides details on the item:

Description	31/12/2016	31/12/2015	Variation
Salaries and wages	67,439,446	67,174,479	264,967
Social charges	17,611,492	17,568,373	43,119
Severance Pay	4,245,322	3,983,347	261,975
Other staff costs	2,443,855	1,854,924	588,931
TOTAL	**91,740,115**	**90,581,123**	**1,158,992**

The number of employees at 31 December 2016 came to 2,359 (of which 2,346 employees and 13 temporary workers) while the Group employed 2,083 staff at 31 December 2015, of which 2,069 employees and 14 temporary workers.

The average of employees and temporary workers as at 31 December 2016 stood at 2,407 (of which 2,392 employees and 15 temporary workers), while the average was 2,144 at 31 December 2015 (of which 2,121 employees and 23 temporary workers).

35 - COSTS FOR SERVICES

In 2016, the consolidated balance of the item "**costs for services"** amounted to Euro 20,960,775 compared to Euro 22,259,052 in the same period of the previous year. The table below provides details on the items:

Description	31/12/2016	31/12/2015	Variation
Technical and commercial consultancy	10,024,581	12,341,271	(2,316,690)
Administrative/company/legal consultancy	2,420,259	1,607,535	812,724
Data processing service	479,230	338,004	141,226
Auditors' fees	160,578	148,032	12,545
Travel and transfer expenses	2,265,193	2,417,778	(152,585)
Other staff costs	147,820	232,743	(84,923)
Utilities	1,113,903	1,032,305	81,597
Advertising and agency expenses	620,925	398,856	222,068
Bank charges	437,733	532,574	(94,841)
HW and SW maintenance	346,848	425,764	(78,916)
Insurance	728,278	562,591	165,687
Costs of temporary staff	601,509	328,201	273,308
Other costs	1,314,890	1,487,247	(172,357)
Mail services	299,026	405,654	(106,628)
TOTAL	**20,960,775**	**22,259,052**	**(1,298,277)**

The most significant change was caused by the decrease in costs for technical and commercial consulting, which is closely correlated with the decline in revenues.

In order to make the presentation of data more intelligible, the presentation was changed for certain items in the comparative data of the income statement presented in accordance with IAS 1, with respect to data published in the financial statements as at 31 December 2015. This had no effect on the result and net equity at that date. In particular, the balance as at 31 December 2015 of the item "Costs for services", presented for comparative purposes, increased compared to the data published in the consolidated financial statements as at 31 December 2015 by Euro 532,574 thousand (from Euro 21,726,478 to Euro 22,259,052) with reference to bank fees previously recognised under "Sundry operating expenses", the balance of which fell from Euro 1,511,903 to Euro 979,329.

The statement below is provided in accordance with art. 149-duodecies of CONSOB Issuer Regulations to show amounts paid to the independent auditors in 2016 for audit services and for other services provided by PricewaterhouseCoopers SpA and other entities belonging to its network.

The fees are shown net of the CONSOB contribution and reimbursement for expenses.

Type of service	Party providing the service	Recipient	Fee attributable 2016
Auditing services	PricewaterhouseCoopers	Parent Company	82,000
	PricewaterhouseCoopers	Subsidiaries	129,400
Services other than auditing *	PricewaterhouseCoopers Advisory	Parent Company	80,000
Services other than auditing *	PricewaterhouseCoopers	Parent Company	40,000
Services other than auditing **	Other	Subsidiaries	18,000
TOTAL			**349,400**

* Non-audit services related to the due diligence assignment.

** The other non-audit services relate to tax assistance provided to Italian subsidiaries.

36 - COSTS FOR LEASED ASSETS

In 2016 the consolidated balance of the item "**costs for leased assets"** amounted to Euro 4,219,041 compared with Euro 4,216,394 in the same period of the previous year. The table below provides details on the items:

Description	31/12/2016	31/12/2015	Variation
Rental expenses	1,827,070	1,668,656	158,414
Car rental/leasing	1,008,291	1,047,925	(39,634)
Rental of other assets	1,256,697	1,395,740	(139,043)
Royalties	109,441	95,281	14,160
Other costs	17,541	8,793	8,748
TOTAL	**4,219,041**	**4,216,394**	**2,647**

In relation to "**rent payable**", the change relates primarily to the costs incurred by the holding company for the Rome office, which had benefitted from a reduction in the first half of 2015.

37 - SUNDRY OPERATING EXPENSES

In 2016, the consolidated balance of the item "**sundry operating expenses**" amounted to Euro 311,910 compared to Euro 979,329 in 2015. The table below provides details on the item:

Description	31/12/2016	31/12/2015	Variation
Annual subscriptions	200,833	128,121	72,712
Books and magazines	9,404	7,736	1,668
Taxes	(213,013)	250,453	(463,466)
Stamp duty	58,446	67,864	(9,418)
Penalties and fines	93,084	178,254	(85,170)
Charitable donations	24,225	50,582	(26,357)
Contingency liabilities	(28,644)	41,380	(70,024)
Write-offs	87,696	-	87,696
Sundry expenses	49,189	103,971	(54,782)
Penalties and damages	-	150,000	(150,000)
Capital losses on disposals	30,690	969	29,721
TOTAL	**311,910**	**979,329**	**(667,419)**

The significant reduction in the item "**taxes and duties**" is attributable mainly to the effect of the cancellation of the payable for sanctions as a result of the acceptance, by the subsidiary ACS Srl, of the facilitated settlement pursuant to Decree Law no. 193/2016 converted with amendments from Law no. 225/2016 (so-called scrapping of tax demands).

38 - PROVISIONS

In 2016, the consolidated balance of the item "**provisions**" amounted to Euro 674,559 compared with Euro 265,737 in 2015.

The table below shows movements in 2016 compared with those in 2015.

Description	31/12/2016	31/12/2015	Variation
Provision for losses	32,051	-	32,051
Provision for tax litigation risks	700,000		700,000
Provision for legal disputes with employees	(66,767)	184,927	(251,694)
Other provisions	9,275	80,810	(71,535)
TOTAL	**674,559**	**265,737**	**408,822**

The positive balance of the item "provision for risks of legal disputes with employees" is due to the release of surplus provisions allocated in said item in previous years as a result of the conclusion of some disputes pending as at 31 December 2015.

The allocation of Euro 700,000 refers to judgment 887/4/2017 filed on 7 March 2017 under which the Bologna Regional Tax Commission rejected the appeal submitted by the subsidiary Exprivia Enterprise Consulting Srl. For more details, please refer to note 20.

39 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS

In 2016, "**amortisation and depreciation**" amounted to Euro 4,390,534 compared with Euro 4,314,105 in 2015 and refer for Euro 2,665,083 to amortisation of intangible fixed assets and for Euro 1,725,451 to depreciation of tangible fixed assets. Details of the aforementioned items are provided in notes 1 and 3.

Write-downs

"Write-downs" in 2016 amounted to Euro 613,904 compared to Euro 1,003,117 in 2015 and refer mainly to the write-down of receivables included under current assets for around Euro 400 thousand, and the write-down of inventories of finished products of Euro 90 thousand.

40 - FINANCIAL (INCOME) CHARGES AND OTHER INVESTMENTS

The balance of the item **"financial (income) charges and other investments"** amounted to Euro 3,024,899 compared with Euro 2,332,328 in 2015. The table below provides details on the item.

Description	31/12/2016	31/12/2015	Variation
Proceeds from shareholdings from parents	75,150	29,188	45,962
Income from other investments	12,976	13,105	(129)
Other income other than the above	362,309	220,245	142,064
Interest and other financial charges	(3,001,019)	(2,666,975)	(334,044)
From parent charges	(276,230)		(276,230)
Profit and loss on currency exchange	(198,085)	72,109	(270,194)
TOTAL	**(3,024,899)**	**(2,332,328)**	**(692,571)**

Income from Parent Companies

The balance of the item "**income from parent companies**" amounted to Euro 75,150 in 2016 compared to Euro 29,188 in the same period of 2015 and refers to interest accrued from Abaco Innovazione SpA on a loan disbursed by Exprivia SpA.

Income from other investments

The balance of the item **"income from other investments"** totalled Euro 12,976 in 2016 compared to Euro 13,105 in 2015 and refers to dividends received by minority interests.

Other financial income

In 2016, the balance of the item **"other financial income"** amounted to Euro 362,309 compared with Euro 220,245 in the same period of 2015. The table below provides details on the item:

Description	31/12/2016	31/12/2015	Variation
Bank interest receivable	4,073	18,081	(14,008)
Interest income from securities	122,763	113,316	9,447
Other interest income	235,290	87,391	147,899
Rounding up of assets	183	1,457	(1,275)
TOTAL	**362,309**	**220,245**	**142,064**

"**Other interest income**" refer mainly, for Euro 141 thousand, to default interest accrued in relation to the compensation defined by means of final judgment no. 221/2015 notified in enforceable form on 19 July 2016 in favour of Exprivia Healthcare against Puglia Region and, for Euro 71 thousand, to the financial benefit relating to the low-interest loan obtained for the N-CUP research project.

Interest and other financial charges

In 2016 the item "**interest and other financial charges"** amounted to Euro 3,001,019 compared to Euro 2,666,975 in the same period of the previous year. The table below provides details on the items.

Description	31/12/2016	31/12/2015	Variation
Bank interest payable	658,803	796,545	(137,742)
Interest on loans and mortgages	1,083,575	866,671	216,904
Sundry interest	990,521	774,189	216,333
Charges on financial products and sundry items	44,990	76,765	(31,776)
Rounding up/down	1,124	212	911
Interest cost IAS 19	222,006	152,592	69,414
TOTAL	**3,001,019**	**2,666,975**	**334,044**

Charges from parent companies

The balance of the item "**charges from parent companies**" amounted to Euro 276,230 in 2016 and refers to the portion applicable to the period of charges recognised by the holding company Exprivia SpA to the parent company Abaco Innovazione SpA for guarantees issued by the latter.

Gains and losses on currency exchange

In 2016, the item **"losses on currency exchange"** amounted to Euro 198,085 compared with Euro 72,109 in 2015 and mainly refers to the fluctuations in exchange rates due to the commercial transactions conducted in currencies other than the national currency used by the foreign companies in the Exprivia Group.

41 - TAXES

In 2016, "**taxes"** amounted to Euro 1,930,082 compared to Euro 3,064,081 in 2015; the table below provides details on the changes compared to the previous period:

Description	31/12/2016	31/12/2015	Variation
IRES	1,824,400	1,650,843	173,557
IRAP	657,785	724,719	(66,934)
Foreing tax	107,474	192,281	(84,807)
Taxes from prior years	(268,041)	220,844	(488,885)
Defered tax	44,931	27,365	17,566
Deferred tax assets	(436,467)	248,029	(684,496)
TOTAL	**1,930,082**	**3,064,081**	**(1,133,999)**

The Holding Company Exprivia SpA acts as the consolidating company and determines a single taxable result for the companies under National Tax Consolidation in accordance with art. 117 of T.U.I.R.

Each company under Tax Consolidation contributes taxable income or tax loss to Exprivia SpA as a payable/receivable for the consolidating company, depending on their IRES.

Please note that the Group has benefitted from the income tax break deriving from the use of intellectual property, introduced by art. 1, paragraphs 37-45, of Law no. 190/2014 "2015 stability law" (the "patent box").

The benefit in terms of lower taxes totals Euro 549, of which Euro 245 relating to the 2015 tax period and Euro 304 relating to the 2016 tax period.

42 - PROFIT (LOSS) FOR THE YEAR

The income statement closed 2016 with a consolidated profit (after tax) of Euro 2,838,069, compared with Euro 4,597,608 in the same period in 2015.

43 – BASIC/DILUTED EARNINGS (LOSS) PER SHARE

Information on figures used to calculate earnings per share and diluted earnings is provided below in accordance with IAS 33.

Earnings (loss) per share is calculated by dividing net profit for the period as reported in the consolidated financial statements drawn up in accordance with IAS/IFRS, attributable to ordinary shareholders of the Holding Company, excluding the treasury shares, by the average number of ordinary shares in circulation during the period.

For the purpose of calculating basic earnings per share, the economic result for the period minus the amount attributable to minority interests was used in the numerator. In addition, there are no privileged dividends, conversion of privileged shares and other similar effects which could adjust the economic result attributable to holders of ordinary capital instruments.

At 31 December 2016 the basic and diluted earnings per share amounted to euro 0.0578.

	31/12/2016
Profits for determining basic earnings per share (Net profit due to shareholders of parent company)	2,821,368
Profit for determining the earnings per basic share	2,821,368
Number of shares	**31/12/2016**
Number of ordinary shares at 1 January 2016	51,883,958
Purchase of own shares at 31 december 2016	(3,509,153)
Average weighted number ordinary shares for calculation of basic profit	48,844,321
Earnings per share (Euro)	**31/12/2016**
Profit (loss) per basic share	0.0578
Diluted earnings (loss) per share	0.0578

44 - INFORMATION ON THE CASH FLOW STATEMENT

The **consolidated net financial position** as at 31 December 2016 was a negative Euro 35.8 million, essentially in line with 31 December 2015, when it was a negative Euro 36.3 million. Despite retaining a remarkable level of investment, equal to Euro 14.4 million, and distributing dividends of Euro 1 million in 2016, the Group essentially maintained its borrowings unchanged, thanks to positive cash flows from operating activities amounting to Euro 9.3 million, the management of net working capital amounting to Euro 3 million and financing activities of Euro 1.9 million.

RELATED PARTIES

In the Exprivia Group, there are relations between entities, parent companies, subsidiaries and associates and with other related parties.

INTER-COMPANY RELATIONS

The Group companies constantly collaborate with each other to optimise human resources and for technological and application development.

Transactions between Exprivia SpA and the companies included in the consolidation area essentially consist in services and the exchange of software products. They are part of ordinary operations conducted at market conditions, meaning at the conditions that would be applied between independent parties. All transactions are carried out in the interest of the companies involved.

The tables below show amounts for commercial relations (first table) and financial relations (second table) with companies included in consolidation.

Trade receivables

Description	31/12/2016	31/12/2015	Variation
Consorzio Exprivia S.c.a.r.l	217	6	211
Exprivia Projects Srl	245,922	171,693	74,229
Exprivia SL		353,274	(353,274)
ACS Srl	150,908		150,908
Gruppo ProSap	990,976	465,896	525,080
Exprivia Digital Financial Solution Srl	568,941	1,832,614	(1,263,674)
Spegea S.c. a.r.l.	20,951	(109)	21,060
Exprivia Healthcare IT srl	835,035	466,626	368,409
Exprivia Enterprise Consulting Srl	2,317,375	1,708,194	609,181
Exprivia Telco & Media Srl	767,065	344,839	422,226
Exprivia Asia Ltd	39,232	15,903	23,329
Exprivia Process Outsoursing Srl	18,547		18,547
TOTAL	*5,955,169*	*5,358,937*	*596,232*

Work in progress

Description	31/12/2016	31/12/2015	Variazione
Spegea Scarl		4,144	(4,144)
Exprivia Telco & Media Srl	104,534	37,273	67,261
TOTAL	*104,534*	*41,417*	*63,117*

Current and non-current financial recivables

Description	31/12/2016	31/12/2015	Variation
Exprivia Projects Srl		142,411	(142,411)
Exprivia SL		200,000	(200,000)
Exprivia Asia ltd	205,000	410,000	(205,000)
ACS Srl	800,000		800,000
Gruppo ProSap	4,328,280	3,125,106	1,203,174
Exprivia Telco & Media Srl	10,287	22,602	(12,315)
Exprivia Digital Financial Solution Srl	1,026,872	294,308	732,564
Exprivia Healthcare IT srl	33,846	98,453	(64,606)
TOTAL	***6,404,286***	***4,292,880***	***2,111,406***

Trade payables

Description	31/12/2016	31/12/2015	Variation
Exprivia Projects Srl	1,748,214	569,715	1,178,499
Exprivia Do Brasil	3,000		3,000
Gruppo ProSap	15,806		15,806
Exprivia Digital Financial Solution Srl	519,818	412,945	106,873
ACS Srl	16,413		16,413
Spegea S.c. a.r.l.	138,914	104,906	34,008
Exprivia Healthcare IT srl	252,596	1,292,174	(1,039,578)
Exprivia ASIA Ltd	87,909		87,909
Exprivia Enterprise Consulting Srl	728,733	2,081,725	(1,352,992)
Exprivia Telco & Media Srl	320,394	595,063	(274,669)
Exprivia SL		20,000	(20,000)
TOTAL	***3,831,797***	***5,076,529***	***(1,244,731)***

Current and non-current financial payables

Description	31/12/2016	31/12/2015	Variation
Exprivia Projects Srl	105,646	1,171,070	(1,065,424)
Exprivia Digital Financial Solution Srl	5,565,937	7,254,609	(1,688,672)
Spegea S.c. a.r.l.	181,600	178,776	2,824
Exprivia Healthcare IT srl	617,121	3,077,123	(2,460,002)
Exprivia Enterprise Consulting Srl	164,449	8,559	155,890
TOTAL	***6,634,754***	***11,690,137***	***(5,055,384)***

Trade costs

Description	31/12/2016	31/12/2015	Variation
Exprivia Projects Srl	5,395,761	116,258	5,279,503
Gruppo ProSap	106,667		106,667
Exprivia Digital Financial Solution Srl	1,093,829	2,328,082	(1,234,253)
Spegea S.c. a.r.l.	157,205	168,153	(10,948)
ACS Srl	(7,664)		(7,664)
Exprivia ASIA Ltd	126,525		126,525
Consorzio Exprivia Scarl	4,200		4,200
Exprivia Healthcare IT srl	1,047,023	1,890,565	(843,542)
Exprivia Enterprise Consulting Srl	5,387,975	6,822,994	(1,435,019)
Exprivia Telco & Media Srl	1,052,404	1,041,086	11,317
Exprivia Do Brasil	3,000		3,000
TOTAL	***14,366,925***	***12,367,139***	***1,999,786***

Financial charges

Description	31/12/2016	31/12/2015	Variation
Exprivia Projects Srl	11,826	14,696	(2,870)
Spegea S.c.a.r.l	5,994	6,168	(174)
Exprivia Digital Financial Solution Srl	189,960	242,343	(52,383)
Exprivia Healthcare IT srl	27,528	115,956	(88,429)
TOTAL	***235,308***	***379,163***	***(143,855)***

Trade revenues and income

Description	31/12/2016	31/12/2015	Variation
Exprivia Projects Srl	824,360	1,039,008	(214,648)
ACS Srl	96,500		96,500
Exprivia Digital Financial Solution Srl	5,421,216	5,610,395	(189,179)
Spegea S.c. a.r.l.	14,216	14,379	(163)
Exprivia Healthcare IT srl	1,816,317	1,550,850	265,467
Exprivia Enterprise Consulting Srl	442,866	726,383	(283,517)
Exprivia Telco & Media	1,511,965	697,217	814,748
TOTAL	***10,127,440***	***9,638,232***	***489,208***

Financial income

Description	31/12/2016	31/12/2015	Variation
Exprivia Projects Srl	312,225	5,975	306,250
Exprivia SL		847	(847)
ACS Srl	916		916
Exprivia Telco & Media Srl	16,161		16,161
Exprivia Asia ltd	23,329	15,903	7,426
Gruppo ProSap	171,806	134,653	37,153
Exprivia Digital Financial Solution Srl	2,872,480	2,001,610	870,870
Exprivia Healthcare IT srl	146,552	931,957	(785,405)
TOTAL	***3,543,469***	***3,090,945***	***452,524***

Relations with Parent Companies

For information concerning relations with parent companies see the Directors' Report in the sections "Group Relations with Parent Companies" and "Report on Management and Coordination Activities".

Relations with Other Related Parties

Transactions made by the Group with other related parties essentially consist in services and the exchange of products. They are part of ordinary operations conducted at market conditions, meaning at the conditions that would be applied between independent parties. All transactions are carried out in the interest of the companies involved.

The table below provides information on relations with other related parties:

Investments in other companies

Description	31/12/2016	31/12/2015	Variation
Daisy-Net- Driving Advances of ICT in South Italya	13,939	13,939	0
DHITECH Srl		17,000	(17,000)
TOTAL	**13,939**	**30,939**	**(17,000)**

Trade payables

Description	31/12/2016	31/12/2015	Variation
Kappa Emme Sas	25,000	22,814	2,186
	31,248		31,248
TOTAL	**56,248**	**22,814**	**33,434**

Costs

Description	31/12/2016	31/12/2015	Variation
Kappa Emme Sas	150,000	150,000	-
Innovision International Ltd	50,004	42,103	7,901
TOTAL	**200,004**	**192,103**	**7,901**

The table below provides information on remuneration for directors, statutory auditors and key executives.

	31/12/2016				31/12/2015			
Offices	Fixed remuneration as a member of the Board of Director	Equity compensation committees	Wages and salaries	Other incentives	Fixed remuneration as a member of the Board of Director	Equity compensation committees	Wages and salaries	Other incentives
Administrators	709,200	80,000	1,305,447	230,403	694,200	80,000	1,401,728	85,834
Statutory Auditors	154,885				148,032			
Strategic managers			90,000	30,000	-		90,000	30,000
TOTAL	**864,085**	**80,000**	**1,395,447**	**260,403**	**842,232**	**80,000**	**1,491,728**	**115,834**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF ITALIAN LEGISLATIVE DECREE 58/98

The undersigned Domenico Favuzzi, Chairman and CEO, and Giovanni Sebastiano, Executive manager responsible for preparing the corporate accounts of Exprivia SpA, certify the following, taking into account the provisions of Art. 154-bis (3, 4) of Legislative Decree no. 58 of 24 February 1998:

- Adequacy, in relation to the characteristics of the group and
- actual application of administrative and accounting procedures to draft the consolidated financial statements for the reporting period at 31 December 2016.

Furthermore, it is certified that the financial statements:

a) Correspond to accounting records;

b) were prepared in accordance with International Financial Reporting Standards, which were adopted by the European Commission with regulation 1725/2003 as amended, and are suitable for giving an accurate and correct representation of the equity, economic and financial situation of the company.

c) The Directors' Report for the group includes a reliable analysis that is consistent with the financial statements, operating trends and results, and also the situation of the company and group of subsidiaries included in consolidation, together with the description of the main risks and uncertainties.

Molfetta, 16 March 2017

The Chairman and CEO	The Reporting Officer
Domenico Favuzzi	**Gianni Sebastiano**

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Exprivia SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Exprivia Group, which comprise the statement of financial position as of 31 December 2016, income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Exprivia Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Exprivia SpA, with the consolidated financial statements of the Exprivia Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Exprivia Group as of 31 December 2016.

Bari, 31 March 2017

PricewaterhouseCoopers S.p.A.

Signed by

Corrado Aprico
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers
We have not examined the translation of the consolidated financial statements referred to in this report.

Exprivia S.p.A.

Head Office Molfetta (BA), Via Adriano Olivetti 11

Tax Code 00721090298

VAT no. 09320730154

STATUTORY AUDITORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF ITALIAN LEGISLATIVE DECREE 58/98 ("T.U.F.") AND ART. 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

During the financial year ending at 31 December 2016 the Board of Statutory Auditors of Exprivia S.p.A. ("Company") conducted oversight activities required by law, also taking into consideration CONSOB instructions on company audits and activities exercised by the Board of Statutory Auditors and "Standards for the Board of Statutory Auditors of companies listed on regulated capital markets" provided by the Italian National Board of Chartered Accountants.

During the financial year ending at 31 December 2016, the Board of Statutory Auditors oversaw (i) compliance with the law and articles of association, (ii) compliance with the standards of correct administration, (iii) the adequacy of the company's organisation structure under its competence, the internal control system and the administrative/accounting system as well as the accuracy of the latter in correctly representing events in operations, (iv) procedures for actual implementation of the governance rules under the Corporate Governance Code provided by the Committee for Corporate Governance of listed companies and adopted by the Company and (v) the adequacy of rules issued to subsidiaries pursuant to art. 114(2), T.U.F.

In addition, in its role as Committee for internal control and audit pursuant to art. 19 of Italian Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors also oversaw (i) the financial disclosure process, (ii) the efficiency of systems for internal control, internal audit and risk management, (iii) independent audits of annual accounts and consolidated accounts, (iv) the independence of the external auditor.

In particular, the following is pointed out:

1. The Board oversaw significant financial transactions conducted by the Company by participating in meetings held by the board of directors and shareholders’ meetings and by communicating with senior management. The transactions were found to be compliant with the law and the articles of association.

2. In 2016, the Board did not find any irregular and/or unusual transactions with companies in the Group, third parties or related parties.

The ordinary transactions conducted with companies in the Group and related parties described in the Directors’ Report, which contains a detailed description of the risks and uncertainties the Company and Group are exposed to, and the Explanatory Notes, are consistent with the interests of the Company. Information on the events characterising operations and business outlook is provided in an extensive and clear manner.

3. Concerning the transactions mentioned above (point 2), the Board considers the information provided in the Directors' Report and Explanatory Notes to be adequate.

4. The reports of the Independent Auditor PricewaterhouseCoopers S.p.A (hereinafter also the “Independent Auditor”) on the separate and consolidated financial statements, issued on 31 March 2017 in accordance with articles 14 and 16 of Italian Legislative Decree no. 39 of 27 January 2010, do not contain any irregularities and/or information requests and certify that the separate and consolidated financial statements were drafted clearly and in compliance with the regulations that govern their drafting and provide a true and fair view of the financial standing, result and cash flows of the company and of the Group for the year ended as at 31 December 2016. The reports mentioned above also certify that the directors' report and disclosures required under art. 123-bis, paragraph 1, letters c), d), f), l), and m) and paragraph 2, letter b) of T.U.F. provided in the corporate governance and ownership report are consistent with the year-end separate financial statements and consolidated financial statements.

The Board of Statutory Auditors reviewed the statement issued by the Independent Auditor, in accordance with art. 17 of Italian Legislative Decree no. 39 of 27 January 2010, on 24 March 2017, in which the auditor (i) certified that no circumstances were found that would jeopardise their independence or lead to incompatibility as provided under articles 10 and 17 of Italian Legislative Decree 39/2010 and related regulatory provisions, (ii) stated that non-audit services were provided to the Company, also by its network.

5. No reports provided under art. 2408 of the Italian Civil Code were submitted during the year.

6. The Board is not aware of any notices of complaint or objection to be mentioned in this report.

7-8. In 2016, the Company disbursed Euro 82,000.00 to PricewaterhouseCoopers S.p.A. for audit services and Euro 120,000.00 for non-audit services, whereas the subsidiaries of Exprivia S.p.A. disbursed Euro 129,400.00 to PricewaterhouseCoopers S.p.A. for audit services and Euro 18,000.00 for non-audit services.

Taking account of the type of professional services provided (Finance Due Diligence), and the statement of independence and absence of incompatibility issued by PricewaterhouseCoopers S.p.A., the Board of Statutory Auditors believes that no critical aspects emerged regarding the independence of the Independent Auditor.

9. In 2016, the Board of Statutory Auditors issued its opinions and statements required by law.

In accordance with the Corporate Governance Code, the Board of Statutory Auditors also ensured:

a) The correct application of policies and procedures adopted by the Board of Directors to assess the independence of its members in accordance with the law and the Corporate Governance Code;

b) The continuity of requirements for Statutory Auditors to be considered independent - already ensured prior to their appointment - in accordance with the law and the Corporate Governance Code.

Each member of the Board also states their compliance with the limit on the number of offices they can hold in accordance with art. 148-bis(1) TUF. The members of the Board of Statutory Auditors agree on the need to notify the Board of Directors and other members of the Board of Statutory Auditors in the event of any transactions that might be for personal interest or the interests of others.

10. In 2016, the Company's Board of Directors held twelve meetings, the Control and Risk Committee held four meetings and the Appointments and Remuneration Committee held two meetings. In the same year, the Board of Statutory Auditors held thirteen meetings. The Board also participated in all the board meetings and shareholders' meetings held during the year.

The Board of Statutory Auditors, represented by the Chairman, also participated in meetings held by the Control and Risk Committee and Appointments and Remuneration Committee.

11. The Board of Statutory Auditors acquired information on the matters within its competence and oversaw compliance with the standards of correct administration and adequacy of the Company's administrative structure for the purpose of complying with such standards.

In particular, concerning the Board of Directors' decision-making processes, the Board of Statutory Auditors ensured the decisions made by the Directors comply with the law and the articles of association and ensured that related resolutions did not conflict with the interests of the Company.

Thus, the Board considers that the standards of correct administration were respected.

12. The Board of Statutory Auditors oversaw the Company's organisation structure. In light of the oversight activities performed and to the extent of its competence, the Board considers the structure to be adequate on the whole.

13. The Board of Statutory Auditors oversaw the Company's internal control system by interacting and coordinating with the Control and Risk Committee, the head of Internal Audit, the Chief Executive Officer in his position as Officer in charge of the internal control and risk management system and with the Supervisory Body.
In addition, in its role as Committee for internal control and audit pursuant to art. 19 of Italian Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors also acknowledge that the information exchanged with the Independent Auditor did not mention any significant deficiencies in the internal control system with respect to financial disclosures. The Board ensured a constant flow of information and liaised with the Independent Auditor and with the Control and Risk Committee.

Furthermore, the Board of Statutory Auditors oversaw transactions carried out by the Company with related parties, ensuring the implementation and correct application of the procedure approved by the Board of Directors following the issue of CONSOB Regulation no. 17221 of 12 March 2010.

In light of the oversight activities performed and also taking into consideration the assessment of adequacy, effectiveness and actual functioning of the internal control system made by the Control and Risk Committee and by the Board of Directors, the Board of Statutory Auditors find, to the extent of its competence, that the system is adequate on the whole.

14. The Board of Statutory Auditors oversaw the Company's accounting/administration system and its accuracy in correctly representing operating events by gathering information from the financial reporting officer and the heads of related departments, by reviewing company documentation and by analysing the results of the work performed by the Independent Auditor.

In particular, the Board reports that the Financial Reporting Officer, with the support of the internal audit department, completed for the Company and its key subsidiaries the assessment on the adequacy and actual application of the administration and accounting procedures prescribed under art. 154-bis T.U.F. This activity made it possible to certify that the financial statements and documents provide a truthful and accurate representation of the Company's financial standing as well as that of the entities included in the scope of consolidation.

It should also be mentioned that the Company continued its revision of control matrixes and procedures set up in compliance with Italian Legislative Decree 262/05.

15. We have no comments to make on the adequacy of information flows from the subsidiaries to ensure the disclosures and notices required by law.

16. During the year, the Board of Statutory Auditors met with the Independent Auditor in order to exchange data and information required under art. 150(3) T.U.F.
At these meetings, the Independent Auditor did not report any significant event or irregularity that would need mentioning in this report.

17. The Company adhered to the Corporate Governance Code for listed companies approved by the Corporate Governance Committee and fostered by Borsa Italiana S.p.A.

The corporate governance system adopted by the Company is described in detail in the Corporate Governance and Ownership Report for 2016 approved by the Board of Directors on 16 March 2017.

18. Within the scope of oversight and control activities performed during the year, there were no signs of reprehensible events, omissions or significant irregularities that would require mentioning in this report.

19. The Board of Directors acknowledge that on 16 March 2017 the Chief Executive Officer and the Financial Reporting Officer issued the statement prescribed by art. 154-bis(5) of Italian Legislative Decree no. 58/1998, following the model indicated under art. 81-ter of CONSOB Regulation no. 11971/1999.

To its knowledge, the Board found that there were no departures from legal rules when preparing the year-end consolidated and separate financial statements.

The Board, also considering the results of activities conducted by the audit committee, within the scope of its competence on its general compliance with the law with respect to its presentation and structure and completeness, does not have any reasons to prevent approval of the financial statements as at 31 December 2016 as well as the draft prepared and approved by the Board of Directors on 16 March 2017, and the Board agrees with the latter on how to distribute year-end profit.

Bari, 31 March 2017

Board of Statutory Auditors

Ignazio Pellecchia - Chairman

Anna Lucia Muserra - Standing Auditor

Gaetano Samarelli - Standing Auditor

2016 SEPARATE FINANCIAL STATEMENTS FOR EXPRIVIA SPA

FINANCIAL STATEMENTS OF EXPRIVIA SPA AS AT 31 DECEMBER 2016

EXPRIVIA – BALANCE SHEET AT 31.12.2016

Amount in Euro	NOTE	31.12.2016	31.12.2015
Land and buildings		10,454,155	10,870,938
Other assets		1,412,931	1,934,185
Property, plant & machinery	**1**	**11,867,086**	**12,805,123**
Goodwill		12,622,395	12,651,838
Goodwill and other undefined assets	**2**	**12,622,395**	**12,651,838**
Intangible assets		32,725	260,947
Other intangible assets	**3**	**32,725**	**260,947**
Shareholdings in subsidiaries		62,286,708	64,985,891
Shareholdings in other companies		119,893	864,710
Shareholdings	**4**	**62,406,601**	**65,850,601**
Receivables to subsidiaries		1,005,000	
Receivables to parent companies		2,596,910	1,305,338
Derivative financial instruments		34,568	
Other financial assets non current	**5**	**3,636,478**	**1,305,338**
Other receivables		1,348,732	1,348,732
Other financial assets	**6**	**1,348,732**	**1,348,732**
Tax advances/deferred taxes		615,922	569,880
Deferred tax assets	**7**	**615,922**	**569,880**
NON-CURRENT ASSETS		**92,529,939**	**94,792,459**

Amount in Euro		31.12.2016	31.12.2015
Trade receivables		16,099,818	18,356,242
Receivables from subsidiaries		11,354,455	9,462,074
Other receivables		5,553,703	5,601,490
Tax receivables		212,908	482,088
Trade receivables and others	**8**	**33,220,884**	**33,901,894**
Stock		132,888	31,119
Stock	**9**	**132,888**	**31,119**
Work in progress to order		9,375,850	9,285,642
Work in progress to order	**10**	**9,375,850**	**9,285,642**
Ohters receivables		1,572,833	
Receivables from parent		469,678	
Other Financial Assets	**11**	**2,042,511**	
Current banks		4,214,736	3,141,852
Cheques and unpresented effects		3,544	5,553
Cash resources	**12**	**4,218,280**	**3,147,405**
Shareholdings in subsidiaries		457,041	501,561
Assets classified as owned for sales and those included in aggregates for disposal	**13**	**457,041**	**501,561**
CURRENT ASSETS		**49,447,454**	**46,867,621**
TOTAL ASSETS		**141,977,393**	**141,660,080**

Amount in Euro		31.12.2016	31.12.2015
Share Capital		25,154,899	25,754,016
Share capital	**14**	**25,154,899**	**25,754,016**
Share premium		18,081,738	18,081,738
Share premium	**14**	**18,081,738**	**18,081,738**
Revaluation reserve		2,907,138	2,907,138
Revaluation reserve	**14**	**2,907,138**	**2,907,138**
Legal reserve		3,931,382	3,709,496
Revaluation reserve	**14**	**3,931,382**	**3,709,496**
Other reserves		20,334,649	17,568,385
Other reserves	**14**	**20,334,649**	**17,568,385**
Profit/Loss for the year		**(1,908,465)**	**4,437,726**
SHAREHOLDERS' EQUITY		**68,501,341**	**72,458,499**

Amount in Euro		31.12.2016	31.12.2015
Non-current bond		22,266,679	5,158,092
Non-current bond	**15**	**22,266,679**	**5,158,092**
Payables to subsidiares financiers		430,093	430,093
Derivative financial instruments		12,503	
Trade payables after the financial year		75,165	99,572
Other financial liabilities	**16**	**517,761**	**529,665**
Payables to parent companies			41,306
Other financial liabilities	**17**		**41,306**
Other provisions		37,000	173,028
Provision for risks and charges	**18**	**37,000**	**173,028**
Employee severance indemnities		3,139,640	3,081,697
Employee provisions	**19**	**3,139,640**	**3,081,697**
Provisions for deferred taxes		808,033	763,102
Deferred tax liabilities	**20**	**808,033**	**763,102**
NON-CURRENT LIABILITIES		**26,769,113**	**9,746,890**

Amount in Euro		**31.12.2016**	**31.12.2015**
Current bank debt		15,351,391	19,808,903
Current bank debt	**21**	**15,351,391**	**19,808,903**
Trade payables		8,741,739	9,562,171
Trade payables	**22**	**8,741,739**	**9,562,171**
Advances		1,579,883	2,122,032
Advances payment on work in progress to order	**23**	**1,579,883**	**2,122,032**
Payables to subsidiaries		10,036,457	16,336,573
Payables for purchase of investments		359,999	
Other payables		289,015	384,215
Other financial liabilities	**24**	**10,685,471**	**16,720,788**
Tax liabilities		2,602,828	3,413,744
Tax liabilities	**25**	**2,602,828**	**3,413,744**
Payables to welfare and social security institutions		2,047,872	1,933,923
Other payables		5,697,755	5,893,130
Other current liabilities	**26**	**7,745,627**	**7,827,053**
CURRENT LIABILITIES		**46,706,939**	**59,454,691**
TOTAL LIABILITIES		**141,977,393**	**141,660,080**

EXPRIVIA - INCOME STATEMENT AS AT 31.12.2016

Amount in Euro		31.12.2016	31.12.2015
Revenue from sales and services		60,334,751	63,104,163
Revenues	**27**	**60,334,751**	**63,104,163**
Other revenues and income		666,830	1,074,391
Grants related to income		1,632,079	2,897,027
Other income	**28**	**2,298,909**	**3,971,418**
Var. stock of products being processed, semi-finished items		110,494	28,919
Variation in stock of finished products and products being processed	**29**	**110,494**	**28,919**
TOTAL PRODUCTION REVENUES		**62,744,154**	**67,104,500**
Costs of raw, subsid. & consumable mat. and goods	30	6,602,610	6,325,764
Salaries	31	32,464,621	33,036,552
Costs for services	32	16,226,493	18,610,693
Costs for leased assets	33	2,294,472	2,308,484
Sundry operating expenses	34	283,176	329,596
Provisions	35	(36,028)	75,000
TOTAL PRODUCTION COSTS		**57,835,344**	**60,686,089**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		**4,908,810**	**6,418,411**

Amount in Euro		31.12.2016	31.12.2015
Ordinary amortisement of intangible assets		282,195	423,316
Ordinary amortisement of tangible assets		1,081,483	1,077,271
Devaluation of credits included in working capital		6,035,108	790,826
Amortisation, depreciation and write-downs	**36**	**7,398,786**	**2,291,413**
OPERATIVE RESULT		**(2,489,976)**	**4,126,998**
Financial (income) and charges	**37**	**1,524,326**	**1,253,922**
PRE-TAX RESULT		**(965,650)**	**5,380,920**
Income tax	**38**	**942,815**	**943,194**
PROFIT OR LOSS FOR THE YEAR	**39**	**(1,908,465)**	**4,437,726**

COMPREHENSIVE INCOME STATEMENT AS AT 31.12.2016

EURO			
Description	**Note**	**31/12/2016**	**31/12/2015**
PROFIT (LOSS) FOR THE YEAR		**(1,908,465)**	**4,437,726**
Other gains (losses) total will not subsequently be reclassified in profit (loss)			
Profit (loss) for the actuarial effect of applying IAS 19		(193,610)	125,682
Tax effect of changes		46,466	(34,563)
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss)		**(147,144)**	**91,120**
Other gains (losses) total that will be subsequently reclassified to profit (loss) for the period we			
Profit (loss) on AFS classified financial assets		(44,520)	
Profit (loss) on cash flow hedge derivatives		(12,286)	
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss)	**14**	**(56,806)**	**0**
Total comprehensive income		**(2,112,415)**	**4,528,846**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2016

Amount in Euro	Company Capital	Own shares	Share Premium Fund	Reval. Reserve	Legal Reserve	Ohter reserve	Profit (Loss) for the year	Total Net Worth
Balance at 31/12/2014	**26,979,658**	**(569,389)**	**18,081,738**	**2,907,138**	**3,561,670**	**16,471,204**	**2,956,516**	**70,388,536**
Reclassification previous year's profit					147,826	1,355,940	(1,503,766)	-
Dividend							(1,452,751)	(1,452,751)
Other movements (treasury shares)		(656,253)				(349,879)		(1,006,132)
Components of comprehensive income:								
Profit / (loss)							4,437,726	4,437,726
Effects of applying IAS 19						91,120		91,120
Total comprehensive income (loss) for the year								**4,528,846**
Balance at 31/12/2015	**26,979,658**	**(1,225,642)**	**18,081,738**	**2,907,138**	**3,709,496**	**17,568,385**	**4,437,726**	**72,458,499**
Reclassification previous year's profit					221,886	3,165,905	(3,387,791)	-
Dividend						-	(1,049,935)	(1,049,935)
Other movements (treasury shares)		(599,117)				(195,691)		(794,808)
Components of comprehensive income:								
Profit / (loss)							(1,908,465)	(1,908,465)
Effects of applying IAS 19						(147,144)		(147,144)
Profit (loss) on cash flow hedge derivatives						(12,286)		(12,286)
Profit (loss) on AFS classified financial assets						(44,520)		(44,520)
Total comprehensive income (loss) for the year								**(2,112,415)**
Balance at 31/12/2016	**26,979,658**	**(1,824,759)**	**18,081,738**	**2,907,138**	**3,931,382**	**20,334,649**	**(1,908,465)**	**68,501,341**

EXPRIVIA - CASH FLOW STATEMENT AS AT 31.12.2016

Amount in Euro	Note	31.12.2016	31.12.2015	
Operating activities:				
- Profit (loss)	12	(1,908,465)	4,437,726	(1)
- Amortisation and depreciation		7,362,757	1,500,587	
- Provision for Severance Pay Fund		1,533,416	1,470,705	
- Advances/Payments Serverance Pay		(1,622,617)	(1,820,932)	
- Change in fair value of derivatives		217		
Cash flow arising from operating activities		**5,365,308**	**5,588,086**	
Increase/Decrease in net working capital:				
- Variation in stock and payments on account		(734,126)	(845,107)	
- Variation in receivables to customers		2,225,316	9,528,555	
- Variation in receivables to parent/subsidiary/associated company		(1,299,207)	3,398,781	
- Variation in other accounts receivable		328,033	3,547,778	
- Variation in payables to suppliers		(624,493)	(4,835,040)	
- Variation in payables to parent/subsidiary/associated company		(1,067,739)	(16,072,350)	
- Variation in tax and social security liabilities		(696,968)	(2,823,333)	
- Variation in other accounts payable		(625,064)	(2,988,584)	
Cash flow arising (used) from current assets and liabilities		**(2,494,248)**	**(11,089,300)**	
Cash flow arising (used) from current activities		**2,871,060**	**(5,501,214)**	
Investment activities:				
- Variation in tangible assets		(143,446)	(779,481)	
- Variation in intangible assets		(24,530)	(20,480)	
- Variation in financial assets		(1,960,495)	122,211	
- Purchase of minority interests			(150,000)	
- Purchase majority interests		(360,000)		
Cash flow arising (used) from investment activities		**(2,488,471)**	**(827,750)**	
Financial activities:				
- Changes in financial assets other than fixed assets		(96,375)	(542,483)	
- Changes in fair value of derivatives		(34,568)		
- Capital increase		(794,806)	(1,006,137)	
- Dividend paid		(1,049,935)	(1,402,336)	
- Variation shareholdres'equity		(44,522)	40,709	
Cash flow arising (used) from financial activities		**(2,020,206)**	**(2,910,247)**	
Increase (decrease) in cash		**(1,637,617)**	**(9,239,211)**	
Banks / funds / securities and other financial assets at the beginning of the year		8,403,864	9,317,495	
Banks / cash and other financial liabilities at the beginning of the year		(36,411,509)	(28,085,929)	
Banks / funds / securities and other financial assets at end of period		14,693,500	8,403,864	
Banks / cash and other financial liabilities at end of period		(44,338,762)	(36,411,509)	
Increase (decrease) in liquidity		**(1,637,617)**	**(9,239,211)**	
(1) including taxes and interest paid in the period		3,746,350	3,526,676	

EXPLANATORY NOTES TO EXPRIVIA SPA'S SEPARATE FINANCIAL STATEMENTS FOR 2016

EXPRIVIA SPA ASSETS

In addition to coordinating the other companies in the group, the Holding Company Exprivia S.p.A plays an industrial role which includes research & development, developing solutions and projects, customer service and, naturally, sales support.

INFORMATION REGARDING MANAGEMENT AND COORDINATION

In accordance with Art. 2497 et seq. of the Italian Civil Code aiming to regulate transparency in the exercise of company management, the tables below provide summary data referring to the most recently approved financial statements of Abaco Innovazione SpA.

The essential data of the parent company Abaco Innovazione SpA, shown in the schedule in accordance with article 2497-bis of the Italian Civil Code, were taken from the year-end financial statements as at 31 December 2015. For further information on the financial standing of Abaco Innovazione SpA at 31 December 2015, and the economic result of the company please see the financial statements, which are available in the form and manner provided for by law as well as the report by the independent auditor.

Amount in Euro		31/12/2015	31/12/2014
NON CURRENT ASSETS			
Shareholdings		29,843,247	29,951,484
	Holdings in subsidiary companies	29,843,247	29,951,484
TOTAL NON CURRENT ASSETS		*29,843,247*	*29,951,484*
CURRENT ASSETS			
Commercial credits and others		21,513	84,274
	Receivables to subsidiaries		74,209
	Receivables to subsidiaries	1,324	
	Tax assets	20,189	10,066
Liquid assets		151,692	2,642
TOTAL CURRENT ASSETS		*173,205*	*86,916*
TOTAL ASSETS		30,016,452	30,038,400
NET WORTH			
Company capital		979,301	978,361
	Company capital	979,301	978,361
Other reserves		24,444,731	25,024,910
	Legal reserve	200,000	200,000
	Other reserve	24,244,731	24,824,910
Profits/Losses on previous periods		4,586	4,586
	Profits/ Losses brought forward	4,586	4,586
Profit/Loss for period		515,973	(547,214)
TOTAL NET WORTH		25,944,591	25,460,643

Amount in Euro		31/12/2015	31/12/2014
NON CURRENT LIABILITIES			
Non current liabilities to banks		0	1,680,000
	Non current liabilities to banks		1,680,000
Non current liabilities to banks		1,305,338	0
	Non current liabilities to banks	1,305,338	
TOTAL NON CURRENT LIABILITIES		*1,305,338*	*1,680,000*
CURRENT LIABILITIES			
Current liabilities to banks		1,726,955	525,639
	Payables to banks current share	1,726,955	525,639
Payables to suppliers		220,567	160,424
	Payables to suppliers	220,567	160,424
Other financial liabilities		0	1,302,438
	Payables to subsidiaries		1,302,438
Tax liabilities		342	766
	Tax liabilities	342	766
Other current liabilities		818,659	908,491
	Payables to welfare and social security	93,054	87,498
	Other liabilities	725,605	820,992
TOTAL CURRENT LIABILITIES		*2,766,523*	*2,897,757*
TOTAL LIABILITIES		30,016,452	30,038,400
INCOME		84,575	13,425
	Income from sales and services	84,575	13,425
TOTAL PRODUCTION REVENUES		*84,575*	*13,425*
COSTS CONNECTED WITH BENEFITS FOR EMPLOYEES		53,169	53,169
OTHER COSTS		81,465	77,438
	Other costs for services	51,831	33,451
	Sundry management charges	29,634	43,987
TOTAL PRODUCTION COSTS		*134,634*	*130,607*
DIFFERENCE BETWEEN PRODUCTION REVENUE AND COSTS		(50,059)	(117,182)
FINANCIAL INCOME AND CHARGES		545,323	(430,032)
PRE-TAX RESULT		*495,264*	*(547,214)*
INCOME TAX		20,709	0
PROFIT OR LOSS FOR THE PERIOD		515,973	(547,214)

FORM AND CONTENT OF SEPARATE FINANCIAL STATEMENTS

Introduction

The separate financial statements for Exprivia SpA as at 31 December 2016 were prepared in accordance with art. 4 of Italian Legislative Decree no. 38 of 28 February 2005 and the international accounting standards (IFRS) in force as at 31 December 2015, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") formerly called the Standing Interpretations Committee ("SIC"), and in accordance with the regulatory provisions issued to implement art. 9 of Italian Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 providing the "Rules for financial statement schedules", CONSOB Resolution no. 15520 of 27 July 2006 providing the "Changes and amendments to the Issuer Regulations adopted under Resolution no. 11971/99", CONSOB notice no. 6064293 of 28 July 2006 providing rules for "Company disclosure pursuant to art. 114(5), Italian Legislative Decree 58/98").

The schedules in the financial statements are the following:

- For the balance sheet the current assets, non-current assets, current liabilities and non-current liabilities are posted separately. Current assets are those that are to be made, sold or consumed during the normal operating cycle of the Company. Current liabilities are those that are to be extinguished during the normal operating cycle of the Company or within twelve months following the end of the financial year;
- For the income statement, the cost and revenue items are posted according to their nature;
- For the comprehensive income statement, a separate schedule was prepared;
- For the cash flow statement, the indirect method was used.

The schemes are prepared in accordance with IAS 1 and 7.

The separate financial statements were prepared under the general policy of giving an accurate and truthful presentation of the Company's financial standing, economic result and cash flows, while adopting the going-concern assumption, and the general policies of accrual basis accounting, presentation coherence, relevance and aggregation, rule against offsetting and comparability of information.

Adjustments to comparative data

In order to make the disclosure of data more intelligible, the presentation was changed for certain items in the comparative data of the income statement presented in accordance with IAS 1, with respect to data published in the financial statements as at 31 December 2015. This had no effect on the result and net equity at that date. In particular, the balance as at 31 December 2015 of the item "Costs for services", presented for comparative purposes, increased compared to the data published in the financial statements as at 31 December 2015 by Euro 260 thousand (from Euro 18,350,514 to Euro 18,610,693) with reference to bank fees previously recognised under "Sundry operating expenses", the balance of which fell from Euro 589,775 to Euro 329,596.

Drafting and presentation criteria

The accounting policies and valuation criteria are those adopted to prepare the financial statements as at 31 December 2015.

The valuation and measurement policies are based on the IFRS standards in effect as at 31 December 2016 and approved by the European Union.

The following table contains the list of international accounting standards and interpretations approved by the IASB and endorsed for adoption in Europe and applied for the first time to the current year.

Description	Endorsement date	Publication on G.U.C.E.	Effective date provided by principle	Effective date for Exprivia
Amendments to IFRS 10, IFRS 12 and IAS 28 Investments Entities	22 September 2016	23 September 2016	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 27 - Shareholders' equity method in separate financial statements	19 December 2015	22 December 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 1 - disclosure initiative	18 December 2015	19 December 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Annual Improvements to IFRS 2012-2014	15 December 2015	16 December 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 16 and IAS 38 clarification on acceptable amortization methods	02 December 2015	03 December 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IFRS 11 Accounting for acquisitions of interests in jointly controlled assets	24 November 2015	25 November 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture bearing the title Agriculture: fruit	23 November 2015	24 November 2015	Exercises beginning on or after 1 January 2016	01 January 2016
Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions	17 December 2014	09 January 2015	Exercises that begin on or after February 1, 2015	01 January 2016
Annual Improvements to IFRS 2010-2012	17 December 2014	09 January 2015	Exercises that begin on or after February 1, 2015	01 January 2016

The adoption of these standards did not have any material impact on the valuation of the Exprivia assets, liabilities, costs and revenues.

The amendment to IFRS 10, IFRS 12 and IAS 28 “Investment Entities”, clarifies some aspects relating to investment entities. The amendments made to IFRS 10 confirm the exemption from the drafting of consolidated financial statements for an intermediate parent (that is not an investment entity) which is controlled by an investment entity.
As regards IAS 28, the standard was amended in relation to investments held in associates or joint ventures that are “investment entities”: these investments can be valued using the equity method or at fair value.
The amendment to IAS 27 “Separate Financial Statements” introduced the option to account for investments in subsidiaries, associates and joint ventures using the equity method, while previously IAS 27 required that they should be accounted for at cost or in accordance with IFRS 9 (IAS 39 for entities that did not adopt IFRS 9).
The amendments to IAS 1 “Disclosure Initiative (amendments to IAS 1)”, clarify certain aspects concerning the presentation of financial statements highlighting the emphasis on the importance of information (disclosures) in the financial statements, specifying that there is no longer a specific order for presenting explanatory notes and giving the possibility to group/ungroup items so that items considered as minimum content under IAS 1 can be grouped together when not considered significant.
The 2012-2014 improvements cycle brought amendments to certain accounting standards, especially concerning certain aspects not considered clear. In particular, the amendments concerned:
• lo IAS 19 “Employee benefits”, where the IASB clarified that the discount rate for an obligation under a defined benefit plan should be determined on the basis of “high-quality corporate bonds or government bonds” identified in the same currency used to pay the benefits;
• IFRS 7 “Financial instruments - disclosures”: the IASB clarified that an entity transferring financial assets and derecognising them from its balance sheet is required to disclose any continuing involvement, where existing. In addition to the disclosures required by IFRS 7 concerning offsetting financial assets and liabilities this is required only for the annual report and provided in the interim financial statements only where deemed necessary;
• IAS 34, where the IASB clarified that the disclosures required under this standard can be included in the notes to the interim financial statements, or they can be included in other documents (such as the risk reports), by providing references to them in the interim financial statements, as long as the users of the interim financial statements have access to the same conditions and timeframes as the interim financial statements.

The annual improvements to IFRSs 2012-2014 cycle also includes amendments to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, which are currently not applicable to the Exprivia group.
With the amendment to IAS 16 and IAS 38 “Property, Plant and Equipment”, the IASB clarified that a depreciation process according to revenues cannot be applied for property, plant and equipment since this method is based on factors, for instance volumes and sale prices that do not represent the actual consumption of the economic benefits of the asset.
IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations” clarifies how to account for the acquisition of interests in joint operations that constitute a business.
Amendments to IAS 16 “Property, Plant and Equipment” and to IAS 41 “Agriculture” concern accounting rules for fruit trees.
The amendment to IAS 19 “Employee Benefits” concerns accounting for defined employee benefits plans that envisage contributions from third-parties or employees.
The IFRS 2010-2012 annual improvements include minor amendments to several standards for sections that needed clarification. In brief:
• with amendments to IFRS 2 “share-based payments”, the IASB clarified the criteria and characteristics that a performance condition should meet;
• with the amendment to IFRS 3 “Business Combinations”, the IASB clarified aspects for the classification and valuation of contingent considerations;
• with the amendment to IFRS 8 “Operating Segments”, the IASB introduced a new disclosure requirement to include a brief description of the operating segments that were aggregated and the financial indicators that were used for the aggregation and clarified the reconciliation of assets belonging to the operating segments subject to the disclosure with all of the entity's assets only in cases where the disclosure is normally provided at the highest level of the entity’s management (“CODM”);
• with the amendment to IFRS 13, the IASB clarified that the goal of amendments to IAS 39 following publication of IFRS 13 was not to exclude the possibility to assess short-term receivables and payables without taking into account the effect of discounting, if the effect is not considered significant. Since the amendments to IFRS 13 refer only to the basis for conclusion, they were not approved by the European Union;
• with the amendments to IAS 16 and to IAS 38, the IASB clarified how to apply the method to determine the values under the above standards;
• with the amendment to IAS 24, the IASB extended the definition of “related party” to management companies.
The adoption of these interpretations and standards did not and will not have any material impact on the valuation of the Group’s assets, liabilities, costs and revenues.
The table below shows the IFRS and interpretations approved by IASB and approved for adoption by Europe, effective after 31 December 2016:

Description	Endorsement date	Publication on G.U.C.E.	Effective date provided by principle	Effective date for Exprivia
IFRS 9 "Financial Instruments"	22 November 2016	22 November 2016	Exercises beginning on or after 1 January 2018	01 January 2018
IFRS 15 Revenues from Customer Contracts Including Amendments to IFRS 15 Effective Date	22 September 2016	29 October 2016	Exercises beginning on or after 1 January 2018	01 January 2018

The IASB finished the draft of the accounting standard on financial instruments and issued the complete version of IFRS 9 “Financial Instruments”. The new rules under the standard: (i) amend the classification and measurement model for financial assets; (ii) introduce the concept of expected credit losses amongst the variables to be considered in the valuation and write-down of financial assets; (iii) amend regulations on hedge accounting. The amendments take effect for reporting periods starting on or after 1 January 2018.

IFRS 15 "Revenue from Contracts with Customers" requires companies to recognise revenue at the moment control of the goods or services is transferred to customers at the amount of payment that would be expected in exchange for such goods or services. The new standard introduces a method following five steps to analyse transactions and to define recognition of revenues according to their timing and amount.
The Exprivia Group started to evaluate the areas potentially impacted by the aforementioned new standards, in order to define how to correctly account for each of them. In consideration of the fact that this process is ongoing, it is still not possible to reliably estimate the impacts of the application of the above-mentioned standards, particularly in relation to IFRS 15.

The table below shows the international accounting standards, interpretations and amendments to existing accounting standards and interpretations, which are specific provisions contained in the standards and interpretations approved by the IASB, which were not yet approved for approval in Europe at the date of this annual report:

Description	Effective date provided by principle
IFRS 14 regulatory deferral accounts (issued on 30 January 2014)	Exercises beginning on or after 1 January 2016
IFRS 16 Leases (issued on 13 January 2016)	Exercises starting on or after 1 January 2019
Amendments to IFRS 10 and IAS 28 : sale or contribution of assets between an Investor and ist associate or joint venture (issued on 11 September 2014)	It was waiting for definition
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)	Exercises beginning on or after 1 January 2017
Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)	Exercises beginning on or after 1 January 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	Exercises beginning on or after 1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment. Transactions (issued on 20 June 2016)	Exercises beginning on or after 1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	Exercises beginning on or after 1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	Exercises beginning on or after 1 January 2017/2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	Exercises beginning on or after 1 January 2018
Amendments to IAS 40: Transfers of Investmenty Property (issued on 8 December 2016)	Exercises beginning on or after 1 January 2018

With the new standard IFRS 16 "Leases", the IASB replaced the accounting rules under IAS 17, which were no longer suitable to represent leasing in the current economic context. The new accounting standard requires that all leasing contracts should be recognised in the balance sheet as assets and liabilities whether they are "finance" or "operating".
IFRS 14 "Regulatory Deferral Accounts" concern rate regulated activities, i.e., segments subject to prices through regulations.
With amendments to IFRS 10 "Consolidated Financial Statements" and to IAS 28 "Investments in Associates and Joint Ventures", the IASB resolved a conflict between these two standards concerning the accounting treatment applied in cases when an entity sells or transfers a controlled entity to another entity over which it exercises joint control (joint ventures) or significant influence ("associated entities").
Amendments to IAS 12 "Recognition of deferred tax assets for unrealised losses" clarifies how to account for deferred tax assets related to debt instruments measured at fair value.
The amendments to IFRS 15 "Revenue from Contracts with Customers "Clarifications to IFRS 15" published by the IASB, aim to clarify some provisions and provide further simplifications, in order to reduce costs and complexity, for those applying the new standard for the first time.
Amendments to IAS 7: disclosure initiative is targeted at making some amendments to the standard, also needed as a consequence of the amendments to IAS 1, to ensure consistency between international accounting standards.
Amendments to IFRS 2: classification and measurement of share-based payment transactions specifies the method for accounting for deferred tax assets relating to debt instruments measured at fair value.
Amendment to IFRS 4: applying IFRS 9 Financial Instruments with IFRS 4 insurance contracts aims to address some issues deriving from the application IFRS 9 "financial instruments", before its future implementation.
The IASB also published various amendments to the standards and an IFRIC interpretation, to further clarify some provisions of IFRS, such as:

• "Annual improvements to IFRS Standards 2014-2016 cycle" which modifies IFRS 1, IFRS 12 and IAS 28;
• IFRIC interpretation 22 Foreign currency transactions and advance consideration and

• the amendment to IAS 40 "investment property: transfers of investment property", in force on 1 January 2018.

The Exprivia Group will adopt these new standards, amendments and interpretations according to the date of application required for each, and it will assess the potential impact when they are approved by the European Union.

ACCOUNTING ESTIMATES USED IN PREPARING THE FINANCIAL STATEMENTS

Preparation of the financial statements in accordance with applicable accounting standards required the use of estimates and assumptions based on historical experience and on other factors that are deemed reasonable with respect to the circumstances and knowledge available as at the date of the financial statements. Actual results may depart from these estimates. The estimates and assumptions are revised constantly. The effects of revised estimates are recognised in the income statement for the period in which the estimates are revised. The estimates mainly concern: amounts allocated to provisions for bad or doubtful debts, made according to the expected sale value of related assets; amounts allocated to provisions for risks, made according to the reasonable estimate of the amount of the potential liability, also with respect to any demands from the counterparty; amounts allocated for employee benefits, recognised according to actuarial valuations; amortisation/depreciation of tangible and intangible assets, recognised according to their remaining useful life and their recoverable value; income taxes, determined according to the best estimate of the rate expected for the entire financial year; development costs, initial capitalisation for which is based on the technical and financial feasibility of the project (future cash flow projections are made for each project). The Company conducts impairment tests on goodwill at least once per year. For such tests an estimate is made on the value of the cash generating unit to which the goodwill pertains. This estimate requires a projection of future cash flows and the estimate of the discount rate after tax, which reflects the market conditions at the date of the assessment.

ACCOUNTING STANDARDS AND POLICIES

The accounting policies adopted in the preparation of these separate financial statements are consistent with those applied in preparing the separate financial statements of the Company for the year ended December 31, 2015.

"IFRS" means International Accounting Standards (IAS) still in force, as well as al linterpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") formerly the Standing Interpretations Committee ("SIC"), and in accordance with measures implementing art. 9 of Legislative Decree. N. 38/2005 (Consob Resolution no. 15519 of 27 July 2006 on "Measures for the presentation of financial statements", Consob Resolution no. 15520 of July 27, 2006 on "Amendments and additions to the Issuer Regulation adopted with Resolution no. 11971/99" Consob communication no. 6064293 of 28 July 2006 laying down "Disclosures required underart. 114, paragraph 5, Legislative Decree no. 58/98 ").

PROPERTY, PLANT AND MACHINERY

Property, plant and machinery are recognised at the cost of acquisition or production. The cost of acquisition or production is the price paid to acquire or build the business and any other cost incurred to prepare the asset for use. The price paid to acquire or produce the asset is the cash price equivalent at the time of accounting; therefore, if payment is deferred beyond normal credit extension terms, the difference with respect to the equivalent cash price is recorded as interest for the extension period. The financial charges incurred for the acquisition or production of the asset are never capitalised. The capitalisation of costs relating to the expansion, modernisation or improvement of leased assets is done only in so far as they satisfy the requirements for being classified as an asset or part of an asset.

After initial recognition, plant, machinery and other assets are entered at cost, net of accumulated depreciation and any impairment. The depreciated value of each significant component of a tangible asset, with a different useful life, is amortised by the straight-line method over the expected period of use. Considering the homogeneity of the assets included in the individual categories of the financial statements, it is assumed that the useful life per category of assets is the following (with the exception of certain significant cases):

Land	indefinite useful life
Buildings	33 years
Plant and Machinery	4 – 7 years
Office Furnishings and Electronic Equipment	5 – 8 years
Equipment and Vehicles	4 - 7 years

Land, including pertaining to buildings, is accounted for separately and not depreciated as it is a component with indefinite useful life.

The amortisation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.

Industrial buildings are carried at a value periodically reassessed at market value less depreciation and impairment (revaluation model). As set forth by IAS 16, the company measures fair value and then remeasures it only when there is a significant difference with respect to the book value.

Costs that can be capitalised for improvements to leased assets are attributed to the classes of fixed assets to which they refer and depreciated for the shorter time between the remaining period on the lease agreement and the remaining useful life of the asset to which the improvement was made.

The book value of property, plant and machinery is maintained in the financial statements to the extent that such value can be recovered through use. If significant factors are noticed, which include the likelihood of recovering the net carrying amount, an impairment test is performed to determine any loss of value. A reversal is applied if the conditions at the basis of the impairment no longer apply.

GOODWILL

Goodwill is recognized in the financial statements in relation to business combinations and is initially writing to the cost incurred, equal to the excess of the cost of acquisition over the fair value of net assets, liabilities and contingent liabilities acquired. Goodwill is classified as intangible assets. Since the acquisition date, goodwill acquired in a business combination is allocated to each cash-generating units or groups of units generating financial flows. After initial recognition, goodwill is not amortized but valued at cost less any accumulated impairment losses. If goodwill has been allocated to cash-generating unit and the entity disposes of an activity that is part of that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal; this share is determined based on the relative values of the operation disposed of and the retained portion.

OTHER INTANGIBLE ASSETS

Other intangible assets, which include development costs, patent rights and use of intellectual property, concessions, licenses, trademarks and similar rights and software, are recognised as assets only if all the conditions laid down in IAS 38 are met (cost can be measured reliably, technical feasibility of product, the asset can be identified or separated, the Company controls the asset, or it has the power receive its future economic benefit, expected volume and price indicate that the costs incurred during development will generate future economic benefit) and valued at cost minus accumulated amortisation, determined on a straight-line basis over the period of expected use, on average, except for specific cases of 3-5 years, and any impairment. The amortisation criteria used, the useful life and residual value are reviewed at the end of each accounting period and, if necessary, redefined to take into account any significant changes.

Costs for development projects are capitalised under the item “costs for capitalised internal projects” only when the development phase has ended and the product developed begins to generate economic benefit. They are subject to amortisation. During the period in which costs are incurred for capitalised internal development projects they are floated in the Income Statement as increases in fixed assets for internal work and classed under “costs for capitalised internal projects”.

EQUITY INVESTMENTS

Equity investments are valued at purchase cost not including any impairment. If the reasons for applying write-downs no longer exist then the investments are revalued in the amount of the write-down itself.

The option to purchase a part of minority interests or the option to sell minority interests is taken into consideration when determining whether control has been acquired. dditionally, if control is acquired the amounts related to minority call options are considered financial liabilities as provided for under IAS 32.

Upon loss of significant influence on a related company or joint venture control of a joint venture, the company evaluates and recognizes the residual equity at fair value, the difference between the carrying value of the investment at the date of loss of influence Significant or joint control and the fair value of the residual participations and the amounts received are recognized in the income statement.

LEASING

Machinery owned through financial leasing contracts, for which the Company has substantially assumed the risks and benefits which would arise from ownership, are recognised as assets on the basis of the criteria indicated by IAS 17. They are depreciated according to estimated useful life.

Leasing agreements where the lessor substantially keeps all risks and benefits of ownership are considered as operating leasing. The costs for leasing are carried in consistent amounts in the Income Statement for the duration of the agreement.

The amount payable to the lessor is included in the other financial liabilities.

GOVERNMENT GRANTS

Government grants are reported in the presence of a formal resolution and are accounted for as income in the financial year when related costs are incurred.

Grants received against specific assets whose value is carried under fixed assets are entered in the income statement in relation to the period of amortisation/depreciation for the assets to which they refer.

Advances received for terminated projects, for which a closing report has yet to be issued, have been classified as deductions from receivables. For ongoing projects, advances remain accounted for under liabilities.

IMPAIRMENT OF ASSETS

Impairment occurs every time the book value of an asset is greater than its recoverable value. The existence of any indicators suggesting impairment is checked at every balance sheet date. If those indicators are found the recoverable value of the asset is estimated (impairment test) and a write-down is recognised where necessary. Regardless of the existence of the indicators, an impairment test is carried out at least once a year for the assets not yet available for use and for goodwill.

The recoverable value of an asset is the greater between its fair value, net of sale costs, and its use value. The recoverable value is calculated with reference to a single asset, unless it is unable to generate incoming cash flow from continued use notably independent of the incoming cash flows generated by other assets or groups of assets, in which case the test is carried out for the smallest unit generating independent flows which include the asset in question (Cash Generating Unit).

When the write-down has no reason to be maintained, the book value of the asset (or cash generating unit), except for goodwill, is increased to the new value obtained from its estimated recovery value, in any case not over the net carrying amount that the assets would have had if the write-down due to impairment had not been made. The restored value is charged to the income statement, unless the asset is measured at the re-valued figure; in this case the recovered value is posted under the revaluation reserve.

FINANCIAL ASSETS AND LIABILITIES

Investments in other companies constituting financial assets available for sale are measured at fair value, if determinable, and gains and losses arising from changes in fair value are attributed directly to other comprehensive profit/(loss) until they are sold or are impaired; at that time, the Other comprehensive profit/(loss) previously recognised under net equity are recognised in the income statement of the period. Investments in other companies for which the fair value is unavailable are carried at cost, less any impairment.

Dividends received from these companies are included under the item financial income and charges and other investments.

All the other financial assets are classified into the following categories:

- Financial assets at fair value offset in the Income Statement: financial assets mainly acquired with the intention of making a profit from short-term price fluctuations (a period not longer than three months) or designated as such from the start;
- Financial assets held to maturity: investments in financial assets with preset maturity and fixed payments or determinable payments that the company has the intention and capability to maintain through to maturity;
- Loans and other financial receivables: financial assets with payments that are fixed or can be decided, not listed on an active market and different from those originally classified as financial assets at fair value and offset in the income statement or as financial assets available for sale;
- Financial assets available for sale: financial assets other than those in the above categories or those designated as such from the start.

The Company classifies financial assets at the date of acquisition and accounts for them at fair value at the date of acquisition.

After initial recognition, the financial assets at fair value offset in the income statement and assets available for sale (where there is no “active” market) are measured at fair value, financial assets held to maturity and as well as loans and other financial receivables are valued at amortised cost.

Profit and loss arising from changes in the fair value of financial assets at fair value offset in the income statement is recognised in the income statement of financial year in which they occur. Unrealised profit and loss arising from changes in the fair value of assets classified as available for sale are carried under net equity.

The fair value of financial assets is determined on the basis of their market prices or by using financial models. The fair value of unlisted financial assets is measured using special assessment techniques adapted to the specific context of the Company. Financial assets for which the current value cannot be determined in a reliable manner are accounted for at a lower cost due to impairment.

The existence of any impairment indicators is checked at each balance sheet date. Write-downs in the income statement and under net equity reflect the valuation policies for financial assets. The impairment previously accounted for is eliminated whenever the circumstances leading to the write-down no longer apply, with the exception of assets valued at cost.

Loans, payables and other financial and/or trade liabilities with preset or definable maturity are initially carried at their fair value, not including costs incurred for assuming the amounts payable. The valuation policy applied following initial recognition is the amortisation cost using the effective interest rate method. Long-term loans without an interest rate are accounted for by discounting future cash flows at the market rate if the increase in amounts is due to the passing of time. Amounts for interest are then carried in the income statement under the item “net financial income and charges". Financial payables are cancelled when the obligation underlying the payable is extinguished, voided or settled.

INVENTORIES

Inventories are recognised at the lesser value between the purchase price, determined in accordance with the specific cost, and the net sales price. The cost is the fair value of the price paid and any other cost directly attributable with the exception of financial charges. The net sales value is the estimated sales price net of costs for completion and sales. Any write-downs are eliminated in subsequent financial years if the reasons for the write-down no longer apply.

CONTRACT WORK IN PROGRESS

Work in progress is recognised according to the state of progress or percentage of completion so that costs, revenue and margin are carried according to the state of progress determined by referring to the ratio between costs incurred at the date of valuation and total expected cost. The valuation reflects the best estimate of programmes carried out at the balance sheet date. The estimates are updated periodically. Any economic effects are accounted for in the financial year in which the updates are made. If completed contract work is expected to result in a loss this is recognised entirely in the financial year in which it is reasonably forecast. Contract work in progress is carried without including any write-down provisions, losses on contract completion, or payments on account and advances for the contract being executed. This analysis is performed on a contract by contract basis. Whenever the difference is positive for work in progress higher than the amount of payments on account then it is classified under assets in the item in question. Whenever this difference is negative the amount is classified under liabilities in the item “advance payment for contract work in progress".

CASH AT BANK AND ON HAND

Cash at bank and on hand consists of short-term investments (generally not exceeding three months), easily convertible into known amounts of cash and subject to an insignificant risk of changes in value. They are carried at fair value.

For the purpose of the cash flow statement, liquid assets are made up of cash, demand deposits at banks, short-term, highly liquid financial assets (original maturity not exceeding three months), and overdraft facilities. Current account overdrafts are carried under current financial liabilities.

OWN SHARES

Own Shares

Own shares are reported in reduction of share capital. No profit (loss) is recognised in the Income statement for the acquisition, sale, issue or cancellation of own shares.

EMPLOYEE BENEFITS

Short-term benefits

Short-term benefits for employees are accounted for in the income statement in the period in which the work was performed.

Defined benefit plans

The Company grants its employees benefits under the Employee Severance Indemnity Fund (TFR). The employee severance indemnity accrued as at 31 December 2006 is considered a defined benefit to be accounted for in accordance with IAS 19. These benefits fall under the definition: defined benefit plan determined in existence and amount but uncertain in when payable.

The total amount of the obligation is calculated on a yearly basis by an external actuary using the Projected Unit Credit Method. Actuarial gains and losses are fully accounted for in the related financial year.

Recognition of the changes in actuarial gain/loss is carried amongst the comprehensive income statement components after the revised version of IAS 19 (Employee benefits) was adopted.

Defined contribution plans

The Company takes part in public or private pension plans with defined contributions on a mandatory, contractual or voluntary basis. Payment of the contributions fulfils the Company's obligation towards its employees. Thus, such contributions form an expense for the period in which they are due.

The employee severance indemnity accrued after 31 December 2006 is considered a defined contribution obligation.

STOCK OPTIONS

Share-based payments are measured at fair value on the date they are assigned. This value is charged to the income statement and offset under shareholders' equity over the entire period in which the entitlement accrues. The fair value of the options, calculated on the date of assignment, is measured by using financial mathematical models and taking into consideration the basic terms and conditions under which the entitlement is assigned. The Company plan concluded in 2011 and the related reserve was classified under other provisions.

POTENTIAL ASSETS AND LIABILITIES

Potential assets and liabilities of an unlikely (but possible) or remote nature are not recognised in the financial statements; nevertheless, adequate information is given concerning possible potential assets and liabilities.

Whenever there is any financial disbursement relating to the obligation, and it occurs after the normal payment terms and the effect of discounting back is significant, the amount set aside corresponds to the current value of future payments expected to cancel the obligation.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are probable liabilities of an uncertain amount and/or due date deriving from past events whose fulfilment will entail the use of economic resources. The amounts are only set aside if there is a current, legal or contractual obligation which makes the use of economic resources necessary, provided a reliable estimate of the obligation can be made. The amount recognised is the best estimate of the expense to fulfil the obligation as at the balance sheet date. Provisions set aside are reviewed at every balance sheet date and adjusted to ensure they are the best current estimate.

DERIVATIVE INSTRUMENTS

Derivative contracts were recognised according to the designation the derivative instruments (speculative or hedging) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).

For contracts designated as speculative, any changes in fair value are directly recognised in the income statement.

In hedging contracts Fair Value Hedge is accounted for by recognising any changes in the fair value of the hedging instrument and the instrument hedged.

If it is identified as Cash Flow Hedge, it is accounted for by floating the fair value portion of change of the hedging instrument, which is recognised as effective cover in the net equity, and charging the ineffective portion to the Income statement. The changes recognised directly under net equity are released in the income statement in the same reporting period or periods in which the asset or liability hedged influences the income statement.

ASSET TRANSFERS

The assets transferred by way of factoring transactions, which comply with the requirements established by IAS 39, are derecognised from the balance sheet.

REVENUE AND EXPENSES

Revenues arising from the assignment of assets are recognised when risk is transferred, which usually occurs on despatch, at the fair value of payment received or due while taking into account any discounts.

Revenues arising from the provision of services are defined according to the percentage of completion, determined as the proportion of services performed at the date of reference and the total value of the services remaining to be performed.

Expenses are recognised with the same criteria used to recognise revenue recognition and, in any case, on an accruals basis.

FINANCIAL INCOME AND CHARGES

Payable/receivable interest is recognised as financial income/charges after being checked on an accruals basis.

DIVIDENDS

Dividends are recognised when the shareholders hold the right to receive them, in accordance with local legislation.

TAXES

Taxes during the reporting period are defined on the basis of amounts expected to be due according to the tax laws in force.

In addition, deferred taxes and those paid in advance are recognised on the temporary differences between the values carried in the financial statements and the corresponding values recognised for tax purposes, and showing accumulated tax losses or unused tax credits, provided it is probable that the recovery (discharge) reduces (increases) future tax payments with respect to those that would have occurred if that recovery (discharge) had not had any tax effect. The tax effects of transactions or other events are recognised in the income statement or directly under net equity using the same methods used to recognise transactions or events that result in taxation.

FOREIGN CURRENCY

Transactions in foreign currency are converted into euro at the rate of exchange on the date of the transaction. Gains and losses on exchanges arising from liquidation related to these transactions and the conversion of monetary assets and liabilities into foreign currency are recognised in the income statement.

SEGMENT REPORTING

In accordance with the qualitative and quantitative factors provided by IFRS 8, the Company identified the following operating segments:

- Industry
- Energy & Utilities
- Oil & Gas
- Defence, Aerospace and Public Administration

FINANCIAL RISK MANAGEMENT

Exprivia SpA is exposed to the following financial risks:

INTEREST RATE RISK

Over the years the Company has obtained various loans including several medium-long term at a fixed rate and others at a facilitated rate, the latter relating to funded research and development projects. Concerning variable rate loans, where considered necessary the Company stipulates interest rate swap agreements or cap agreements to hedge the risk of fluctuating interest rates.

Changes in interest rates during the financial year did not have a significant impact on the financial statements.

Credit Risk

The Company does not have significant concentrations of credit risk except for work carried out in the Public Administration sector, where delays are recorded mainly due to the payment policies adopted by public bodies. They often do not respect the conditions set forth in contracts but, nevertheless, they do not lead to the risk of bad debts.

The Company also manages this risk by selecting counterparts considered to be solvent by the market and with high credit standing.

All amounts receivable are periodically assessed for each individual customer, and they are written down when they are considered impaired. Risk for the Company is mainly related to trade receivables.

Liquidity Risk

Prudent management of liquidity risk is pursued by planning cash flows, financing needs and the liquidity of the Company to ensure effective management of financial resources by managing any surplus liquidity, and by opening credit lines where necessary, including short-term ones.

As a result of this management, while taking into account liquidity from loans and credit lines already in place and cash flows the Company is able to generate, risks related to liquidity (at least in the short term) are considered insignificant.

Exchange Rate Risk

Since the majority of operations conducted by the Company is in the euro area there is limited exposure to foreign exchange risk arising from transactions that are not in the usual currency (euro). Fluctuating exchange rates during the financial year did not have a significant effect on the Company.

The table below provides a reconciliation between financial assets and liabilities included in the schedule for the Company balance sheet and classes of financial assets and liabilities provided by IFRS 7 (amounts in millions of euro):

ACTIVITY 'FINANCIAL AT 31 December 2016	Loans and receivables "amortized cost"	Investments valued at cost	Derivative financial instruments "financial assets valued at the income statement"	Derivatives "financial asset designated at FV through profit or loss"	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
Non current assets						
financial assets	3,602					3,602
Investments in other companies		120				120
Derivative financial instruments			35			35
Non-current assets	1,349					1,349
Total no current assets	**4,951**	**120**	**35**	**0**	**0**	**5,106**
Current assets						
Trade receivables	33,221					33,221
Other financial assets	2,043				457	2,500
Cash	4,218					4,218
Total Current assets	**39,482**	**0**	**0**		**457**	**39,939**
TOTAL	**44,433**	**120**	**35**		**457**	**45,045**

LIABILITIES 'FINANCIAL IN December 31, 2016	Loans and borrowings "amortized cost"	Investments held to maturity "amortized cost"	Derivatives "financial liabilities designated at FV through profit or	Derivative financial instruments "financial liabilities valued at	Securities available for sale "fair value level 2"	Total
In thousands of Euro						
Non Current liabilities						
Due to banks	22,267					22,267
Other financial liabilities	505					505
Hedging derivative financial instruments				13		13
Total Non Current liabilities	**22,772**	**0**	**0**	**13**	**0**	**22,785**
Current liabilities						
Trade payables and advances	10,322					10,322
Other financial liabilities	10,685					10,685
Payables to banks	15,351					15,351
Other payables	10,348					10,348
Total Current liabilities	**46,706**	**0**	**0**		**0**	**46,706**
TOTAL	**69,478**	**0**	**0**	**13**	**0**	**69,491**

It should be noted that the financial instruments reported above, with reference to loans, receivables, payables and investments were measured at book value, given considered to be an approximation of their fair value.

Derivative financial instruments are measured at level 2 on the fair value hierarchy.

Fair Value Hierarchy Measurement

Concerning financial instruments carried in the balance sheet at fair value, IFRS 7 requires that these values be classified according to a hierarchy reflecting the significance of input used in determining fair value. There are three levels as follows:

- Level 1 - quoted prices on an active market for similar assets or liabilities;
- Level 2 - inputs other than the quoted prices in level 1, which are directly observable (prices) or indirectly observable on the market;
- Level 3 - inputs that are not based on observable market data.

Explanatory notes on the Exprivia SpA Balance Sheet

Details are provided below on the entries making up the assets and liabilities that comprise the consolidated financial position, which is drawn up in accordance with international accounting standards (IAS/IFRS).

All the figures reported in the tables below are in euro, unless expressly indicated.

NON-CURRENT ASSETS

1 - PROPERTY, PLANT AND MACHINERY

As at 31 December 2016, the item "**property, plant and equipment**" amounted to Euro 11,867,086 compared to Euro 12,805,123 at 31 December 2015.

The table below shows movement in the reporting period:

Categories	Historical cost 01/01/16	Inc.	Dec.	Historical cost at 31/12/16	Reserve prov. at 01/01/16	Provision for period	Dec.	Cum. prov.	Net value at 31/12/16
Land	540,754	-	-	540,754	-	-	-	-	540,754
Buildings	13,316,901	-	-	13,316,901	(2,986,717)	(416,783)	-	(3,403,500)	9,913,401
Others	7,391,172	148,335	(244,724)	7,294,783	(5,456,987)	(664,700)	239,835	(5,881,852)	1,412,931
TOTAL	***21,248,827***	***148,335***	***(244,724)***	***21,152,438***	***(8,443,704)***	***(1,081,483)***	***239,835***	***(9,285,352)***	***11,867,086***

The increase in the item **"others"**, equal to Euro 148,335, pertains to plant costs (Euro 1,628), electronic office equipment (Euro 117,327), furniture and furnishings (Euro 25,684) and mobile telephony (Euro 3,696).

The decreases relate primarily to the transfer of assets to an important customer in the Energy & Utilities sector, in relation to the conclusion of a contract as a result of which contractual provision was made for the acquisition of the aforementioned assets by said customer.

Please note that there is a first mortgage on the real estate complex located in Molfetta (BA) at Via Olivetti 11 for a maximum amount of Euro 50 million to guarantee the precise fulfilment of obligations arising from the Euro 25 million loan taken out on 1 April 2016 from a pool of banks (for additional details, please see note 15).

It should be mentioned that the net book value of leased assets amounted to Euro 387,778 and pertains to electronic office equipment for Euro 1,094 and furniture and furnishings for Euro 386,684. It should also be noted that minimum future payments within one year amount to Euro 26,796, while those due in one to five years amount to Euro 75,165.

2 - GOODWILL AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

The item **"goodwill"** as at 31 December 2016 amounted to Euro 12,622,395 compared to Euro 12,651,838 at 31 December 2015.

Categories	Historical cost 01/01/16	Decrem.	Net value at 31/12/16
COST OF GOODWILL ABACO MERGER	318,878	-	318,878
GOODWILL DIVESTMENT AIS PS BRANCH	1,222,268	-	1,222,268
GOODWILL DIVESTMENT KTONES BRANCH	357,980	-	357,980
GOODWILL EX ODX	58,885	(29,443)	29,442
GOODWILL DIVESTMENT EX. PROJECTS BRANCH	600,000		600,000
GOODWILL	10,093,827	-	10,093,827
TOTAL	**12,651,838**	**(29,443)**	**12,622,395**

Goodwill was generated in the business combinations made in previous financial years as a result of the Company's growth from acquiring companies operating in the same market.

INFORMATION RELATED TO IMPAIRMENT TESTS PERFORMED ON GOODWILL AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE: IMPAIRMENT TEST

Scope

Accounting standard IAS 36 requires that impairment tests should be performed on tangible and intangible assets in the presence of indicators which suggest that this problem could exist.

In the case of goodwill, as well as all other intangible assets with an indefinite useful life, such impairment tests should be performed on a yearly basis or more frequently in the case of special negative events that might result in impairment.

Identification of CGU (Cash Generating Unit) and Allocation of Goodwill

Not representing goodwill, according to international accounting standards, an asset that is unable to generate cash flow independently from other assets or groups of assets cannot be tested for impairment separately from other related assets.

For this purpose goodwill is allocated to a CGU or a group of CGUs in compliance with the maximum aggregation consistent with the notion of operating segment referred to in IFRS 8.

Concerning the Exprivia Group goodwill was allocated to CGUs as follows:

- Goodwill arising from business combinations through which assets were acquired and assigned to specific CGUs from an operational standpoint was allocated to the respective CGUs.
- Goodwill arising from business combinations, through which assets were acquired and to date do not refer to specific CGUs as they were assigned to different CGUs, was attributed to different CGUs in proportion to the sales volumes they generated in the financial year when the allocation was first made.

- Goodwill allocated as above was reallocated as a result of internal reorganisation in line with the same allocation criteria described above.

The table below summarises allocation of goodwill to CGUs identified:

	Value at 31/12/16	Oil & Gas	Energia & Utilities	Aerospace & Defence, Public Sector	Industry
GOODWILL ODX BRANCH EX EXPRIVIA SOLUTIONS	29,442			29,442	
GOODWILL AIS PS BRANCH	1,222,268	246,332	517,491	118,587	339,858
GOODWILL ABACO INFORMATION SERVICES SRL AND AISOFTWARE SPA	10,412,705	2,098,549	4,408,594	1,010,250	2,895,312
GOODWILL KSTONES BRANCH	357,980	72,146	151,564	34,731	99,539
CONSOLIDATED GOODWILL EXPRIVIA PROJECTS	600,000		600,000		
TOTAL	**12,622,395**	**2,417,027**	**5,677,649**	**1,193,010**	**3,334,709**

Impairment Test Process and Assessment System

The recoverability of the amount of goodwill carried in the financial statements is checked by comparing the book value allocated to each CGU and the recoverable amount in the definition of value of use. At the date of analysis, the latter is identified as the current value of future cash flow expected to be generated by the CGUs. The "DCF - Discounted Cash Flow" model was used in determining the value of use. The DCF discounts estimated future cash flow by applying an appropriate discount rate.

The WACC (Weighted Average Cost of Capital) used to discount cash flows was equal to 6.86% and was determined using the following parameters:

Cost of KE risk capital equal to 7.6% calculated according to:

- risk-free rate of 1.46% equal to the average rate at 31.12.2016 of ten-year BTP with implicit country risk (source Bloomberg)
- sector-based beta coefficient equal to 0.73 cleared from financial risk (beta unlevered equal to 0.62) (source: Bloomberg)
- 4.2% premium for market risk (source: Bloomberg)
- Small Size Premium 2%
- Debt / Equity ratio of 0.19 as the target value of the sector (Source Bloomberg)

Identification of Cash Flow

For the purpose of the projections required by IAS 36, strict reference was made to the current condition of use of each CGU regardless of the cash flow from any investment plans and extraordinary transactions that may constitute a "break" from normal company operations.

Cash flow projections for the 5-year period used for valuation purposes are based on budgets and plans submitted for approval by the Board of Directors.

The main assumptions underlying the economic forecasts 2017-2021 are as follows:

- For 2017 projections reflect the budget data for the year
- for the years 2018-2021 the projections reflect an annual growth rate of 3%.

The terminal value was calculated as the present value of the perpetual annuity obtained by capitalizing on the cash flow generated in the last analytical forecast period to a G growth factor of 1.2%

Sensitivity analysis

A sensitivity analysis of the impaction test results was performed by taking the following variations:

- an increase in the weighted average cost of capital by 0.5 percentage points;
- a decrease in growth rate of "G" of 0.2 percentage points.

From the sensitivity analysis it emerges that the values in use are in any case higher than the accounting values.

Conclusions

No impairment loss has been reported in the impairment test that should be reflected in the balance sheet.

3 - OTHER INTANGIBLE ASSETS

As at 31 December 2016, the balance of the item **"other intangible assets"** amounted to Euro 32,725 compared with Euro 260,947 at 31 December 2015.

The table below shows movement in the reporting period:

Categories	Historical cost 01/01/16	Inc/ at 31/12/16	Decrementi al 31/12/15	Total historical cost 31/12/16	Reserve prov/ at 01/01/16	Dep/ of the perdiod	Decrementi	Dep/ 31/12/16	Net value at 31/12/16
Sundries	2,006,419	38,847	(1,026,916)	1,018,350	(1,745,472)	(252,752)	1,012,599	(985,625)	32,725
TOTAL	*2,006,419*	*38,847*	*(1,026,916)*	*1,018,350*	*(1,745,472)*	*(252,752)*	*1,012,599*	*(985,625)*	*32,725*

The increase in the item **"others"** for Euro 38,847 is due to the purchase of software licenses.

The decreases relate primarily to the transfer of assets to an important customer in the Energy & Utilities sector, in relation to the conclusion of a contract as a result of which contractual provision was made for the acquisition of the aforementioned assets by said customer.

4 - EQUITY INVESTMENTS

The balance of the item **"equity investments"** as at 31 December 2016 amounted to Euro 62,406,601 compared with Euro 65,850,601 at 31 December 2015.

The item is broken down below.

Equity investments in subsidiaries

As at 31 December 2016 the balance of the item "**equity investments in subsidiaries**" amounted to Euro 62,286,708 compared to Euro 64,985,891 at 31 December 2015. The table below provides details on the item:

Description	31/12/2016	31/12/2015	Variation
Exprivia Do Brasil	1,670,000	1,670,000	-
Exprivia Projects Srl	1,391,391	1,391,391	-
Group Exprivia S.L.U	2,479,868	2,479,868	-
Exprivia Enterprise Consulting Srl	5,954,869	11,954,869	(6,000,000)
Exprivia Digital Fin. Solution Srl	14,185,705	14,185,705	-
Advanced Computer Systems Srl	2,900,818	-	2,900,818
Spegea S.c.a r.l.	300,000	300,000	-
Exprivia Healthcare It Srl	32,436,159	32,436,159	-
Consorzio Exprivia S.c. a r.l.	17,898	17,898	-
Exprivia Telco & Media Srl	500,000	500,000	-
Exprivia Asia Ltd	350,000	50,000	300,000
Exprivia Process Outsoursing Srl	100,000	-	100,000
TOTAL	**62,286,708**	**64,985,891**	**(2,699,182)**

The investments were subjected to impairment tests where impairment indicators were detected. The impairment test was performed by applying the methodology indicated in note 2 with reference to goodwill.

In particular, the recoverability of the book value of the equity investment in Exprivia Enterprise Consulting Srl was verified, amounting to Euro 12 million, based on the cash flow projections deriving from the economic-financial forecasts for the years 2017-2021 approved by the company's Board of Directors which envisage the following main assumptions:

- for 2017 the projections reflect budget data from the year
- for the years 2018-2021 the projections reflect an compound annual growth rate of 3.4%

The impairment test performed highlighted impairment of Euro 6 million compared to the book value of the equity investment in Exprivia Enterprise Consulting Srl; therefore, a write-down was recognised based on the results of the impairment test conducted, impacted by a gradual fall in the company's volume of business.

A sensitivity analysis was also carried out on the outcome of impairment tests of the equity investments assuming the following changes:

- a 0.5% increase in the weighted average cost of capital;
- a 0.2% decrease in the growth rate "G";

The sensitivity analysis shows that by performing the impairment test and changing the above parameters, the values in use would be lower than the book values with reference to the equity investment in Exprivia Enterprise Consulting Srl for Euro 6.9 million (instead of the Euro 6 million accounted for as a reduction of the value of the equity investment), as well as with reference to the equity investment in the Exprivia SLU Group for Euro 0.9 million and the equity investment in Exprivia Do Brasil for Euro 0.1 million.

It should be noted that the change in the year, of Euro -2,699,182, is attributable not only to the above-mentioned write-down of the equity investment in Exprivia Enterprise Consulting Srl, but:

- for Euro 2,900,818, to the equity investment in Advanced Computer Systems Srl (ACS Srl). In 2016, Exprivia SpA acquired the remaining share of 83.8% in the company, bringing Exprivia SpA's percentage owned to 100%, with a consideration of Euro 360 thousand to be paid; in fact, in 2015, Exprivia SpA already owned a stake of 16.2% in ACS Srl, included under equity investments in other companies for Euro 741 thousand. Control of ACS Srl was acquired on 5 July 2016. Following the acquisition of control, Exprivia SpA waived receivables totalling Euro 1.5 million for loans granted to the investee in 2016 with the conversion to capital. Furthermore, Exprivia SpA paid Euro 300 for the share capital increase;

- for Euro 100,000, to the incorporation of the company Exprivia Process Outsoursing Srl;
- for Euro 300,000 to the waiving of the receivable, for the conversion to the future share capital increase account, with respect to Exprivia ASIA Ltd.

The main figures of the aforementioned subsidiaries as at 31 December 2016 are reported below:

Company	H.O.	Company	Results for	Net worth	Total revenues	Total Assets	% of holding
Advanced Computer Systems Srl	Roma	2,801,307	413,216	2,829,817	4,811,275	23,158,222	100.00%
Consorzio Exprivia S.c.a.r.l	Milano	20,000	4,483	20,646	7,000	22,978	100.00%
Exprivia ASIA Ltd	Hong Kong	59,366	(165,410)	57,926	1,019	396,245	100.00%
Exprivia Enterprise Consulting Srl	Milano	1,500,000	(1,249,682)	180,807	6,871,020	6,475,693	100.00%
Exprivia Healthcare IT Srl	Trento	1,982,190	707,378	11,053,982	23,360,703	27,035,971	100.00%
Exprivia Process Outsoursing Srl	Palermo	100,000	(2,528)	97,472	157,405	275,438	100.00%
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	1,717,144	50,768	1,893,237	1,252,892	2,327,485	52.22%
Exprivia Projects Srl	Roma	242,000	278,248	568,050	5,429,778	2,244,704	100.00%
Exprivia Telco & Media Srl	Milano	1,200,000	179,404	1,334,151	21,195,418	16,412,079	100.00%
Exprivia SLU	Spagna	197,904	(1,053,143)	906,523	2,287,098	8,892,210	100.00%
ProSap Sa de CV	Messico	2,297	(253,922)	(791,940)	3,210,021	3,918,647	2.00%
ProSap Centroamerica	Guatemala	630	89,460	263,098	1,140,229	1,287,560	2.00%
Exprivia Digital Financial Solution Srl	Milano	1,586,919	3,380,967	13,660,840	26,800,117	23,668,103	100.00%
Spegea Sc a rl	Bari	125,000	(18,889)	224,430	901,222	1,132,744	60.00%

It should be noted that, as at 31 December 2016, there is a first-rank pledge on equity investments in Exprivia Healthcare IT Srl, Exprivia Enterprise Consultiing Srl, Exprivia Digital Financial Solution Srl, Exprivia Projects Srl and Exprivia Telco & Media Srl, representing 100% of their share capital, granted in respect of the loan of Euro 25 million taken out on 1 April 2016 with a pool of banks.

Equity investments in other companies

The item **"equity investments in other companies"** as at 31 December 2016 amounted to Euro 119,893 compared with Euro 864,710 at 31 December 2015. Details are provided in the table below:

Description	31/12/2016	31/12/2015	Variation
Advanced Computer Systems	-	740,816	(740,816)
Consorzio SILAB-Daisy	7,347	7,347	-
Consorzio Global Enabler	2,000	2,000	-
Conai	9	9	-
Consorzio Biogene	3,000	3,000	
Consorzio Conca Barese	-	2,000	(2,000)
Consorzio Pugliatech	-	2,000	(2,000)
Consorzio Daisy-Net	13,939	13,939	-
Consorzio DARe	1,000	1,000	-
Consorzio DHITECH	17,000	17,000	-
Consorzio DITNE	5,582	5,582	-
Certia	516	516	-
Software Engineering Research	12,000	12,000	-
H.BIO Puglia	12,000	12,000	-
Ultimo Miglio Sanitario	2,500	2,500	-
Consorzio Italy Care	10,000	10,000	-
Cefriel Scarl	33,000	33,000	-
TOTAL	**119,893**	**864,710**	**(744,817)**

The main change refers to the equity investment Advanced Computer Systems Srl (ACS Srl) as a result of the purchase of an additional stake of 83.8% which brought Exprivia SpA's percentage ownership to 100%. The equity investment was therefore included under equity investments in subsidiaries.

5 - OTHER NON-CURRENT FINANCIAL ASSETS

Receivables from subsidiaries

The balance of the item **"receivables from subsidiaries"** as at 31 December 2016 amounted to Euro 1,005,000 and refers, for Euro 205,000, to the interest-bearing loan granted to the subsidiary Exprivia Asia LTD and, for Euro 800,000, to the interest-bearing loan granted to the subsidiary ACS Srl.

Receivables from parent companies

The balance of the item **"receivables from parent companies",** amounting to Euro 2,596,910 as at 31 December 2016, compared to Euro 1,305,338 at 31 December 2015, refers to the receivable due to the holding company Exprivia SpA from its parent company Abaco Innovazione SpA as a result of the loan agreement stipulated by the parties in 2016. The loan, amounting to Euro 2,985,338, was disbursed in cash (Euro 1,680,000) and through the reclassification of payables outstanding as at 31 December 2015 (Euro 1,305,338). The term of the loan has been established as 7 equal deferred annual instalments. The first instalment of Euro 388,428 is due on 4 April 2017; the amount was classified to "receivables from parent companies" under "other current financial assets" (note 11).

Derivative financial instruments

The balance of the item **"derivative financial instruments"** amounted to Euro 34,568 as at 31 December 2016, and relates to the following derivative instruments:

Contract	Date operation	Initial Date	Expiry date	Currency	Reference amount	MtM value
Interest Rate Cape - BNL	06/05/2016	30/06/2016	31/12/2022	EUR	4,900,000	13,635
Interest Rate Cape - BPM	11/05/2016	30/06/2016	30/12/2022	EUR	2,750,000	7,617
Interest Rate Cape - UNICREDIT	09/05/2016	30/06/2016	30/12/2022	EUR	4,900,000	13,316
TOTAL					**12,550,000**	**34,568**

It should be noted that the Company subscribed the financial instruments described above in order to neutralise the interest rate risk determined by an underlying variable interest rate loan (Euribor).

These are cash flow hedges, measured at level 2 in the fair value hierarchy. As a result of the hedge effectiveness tests performed for these hedging instruments, the fair value changes were recognised in full in the income statement (Euro 39,232).

The sensitivity analysis conducted on the change in the fair value of derivatives after a shift of 1% in the spot interest rates curve highlights that:

- upon a change of +1%, the fair value of derivatives would amount to around Euro 231 thousand;
- upon a change of -1%, the fair value would be nil.

6 - NON-CURRENT TAX RECEIVABLES

Non-current tax receivables

The item "**tax receivables**" amounted to Euro 1,348,732 as at 31 December 2016, and recorded no changes with respect to 31 December 2015, with Euro 463,272 pertaining to the subsidiaries under tax consolidation relating to the deductibility of the IRAP tax calculated on staff costs, which generated a recovery of IRES tax. Article 4 of Italian Decree Law no. 16/2012 extended the above deduction to tax periods prior to 31 December 2012 for the years 2007 to 2011. The receivables in the periods from 2009 to 2011 were recorded under non-current assets, while the receivables for 2007 and 2008 were included in the item **"tax receivables"** under current assets.

7 - PREPAID TAXES

As at 31 December 2016, the item **"prepaid taxes"** amounted to Euro 615,922 compared to Euro 569,880 at 31 December 2015. The table below provides details of the item, compared with the figures at 31 December 2015.

Description	31/12/2016		31/12/2015	
	Amount temporary differ	tax effect	Amount temporary differ	tax effect
Allowance for doubtful accounts	1,555,000	373,200	1,555,000	373,200
Fund risks	432,699	151,234	697,209	196,680
Adjustments to IAS / IFRS adjustments	193,609	46,466		
Others	197,787	45,022		
TOTAL	**2,379,095**	**615,922**	**2,252,209**	**569,880**

The item "other" refers, for Euro 149 thousand, to fees still not paid as at 31 December 2016 (tax effect of Euro 43 thousand) and, for Euro 48 thousand, to fair value changes in AFS instruments (tax effect of Euro 2 thousand).

CURRENT ASSETS

8 - TRADE RECEIVABLES AND OTHERS

Trade receivables

The item "**trade receivables**" rose from Euro 18,356,242 at 31 December 2015 to Euro 16,099,818 as at 31 December 2016 and are recorded under assets net of the bad debts provision of Euro 1,599,336 as an adjustment for the risk of doubtful debts.

The table below provides details on the year-end balance:

Description	31/12/2016	31/12/2015	Variation
To Italian customers	15,609,080	18,934,877	(3,325,797)
To foreign customers	1,026,770	145,583	881,187
To public bodies	1,063,305	997,838	65,467
S-total receivables to customers	*17,699,155*	*20,078,298*	*(2,379,143)*
Less: provision for bad debts	(1,599,336)	(1,722,056)	122,721
Total receivables to customers	**16,099,818**	**18,356,242**	**(2,256,423)**

Details	31/12/2016	31/12/2015	Variation
To third parties	13,922,175	17,420,953	(3,498,778)
Invoices for issue to third parties	3,776,980	2,657,345	1,119,635
TOTAL	**17,699,155**	**20,078,298**	**(2,379,143)**

The value of invoices to be issued reflects the particular type of business in which the Company operates so, although many contracts can be invoiced on a monthly basis, others must follow an authorisation process which does not necessarily end in the month of reference. The figures shown in the financial statements are the amounts accrued up to December 2016 included and will be invoiced in the following months.

The table below shows a breakdown of receivables by date of maturity, net of invoices/credit notes to be issued and with an indication of the associated bad debts provision:

Amount of receivables	in		days past due								Allowance for doubtful accounts	Net recivables
	expire	due	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	beyond		
13,922,175	10,099,099	3,823,076	303,139	266,855	236,324	85,871	219,058	124,674	20,268	2,566,887	(1,599,336)	12,322,839
100.0%	72.5%	27.5%	2.2%	1.9%	1.7%	0.6%	1.6%	0.9%	0.1%	18.4%	41.8%	

Receivables from subsidiaries

The item "**receivables from subsidiaries**" as at 31 December 2016 amounted to Euro 11,354,455 compared to Euro 9,462,074 in the previous year.

The table below provides details on this item:

Description	31/12/2016	31/12/2015	Variation
Consorzio Exprivia	217	6	211
Advanced Computer Systems Spa	150,908		150,908
Exprivia Projects Srl	245,922	314,104	(68,182)
Exprivia SL		553,274	(553,274)
ProSap	5,319,256	3,591,002	1,728,254
Exprivia Digital Financial Solution Srl	1,595,813	1,937,180	(341,367)
Spegea S. c. a.r.l.	20,951	(109)	21,060
Exprivia Healthcare IT Srl	868,881	565,078	303,803
Exprivia Enterprise Consulting Srl	2,317,375	1,708,194	609,181
Exprivia Asia Ltd	39,232	425,903	(386,671)
Exprivia Telco & Media Srl	777,352	367,441	409,911
Exprivia Process Outsoursing Srl	18,547		18,547
TOTAL	**11,354,455**	**9,462,074**	**1,892,381**

Receivables from subsidiaries are all regulated by framework agreements and mainly refer to charges for corporate and logistics services, in addition to special resources provided from one company to another, to financial receivables for loans and cash pooling and receivables deriving from the application of tax consolidation.

Other Receivables

As at 31 December 2016 the item "**other receivables**" amounted to Euro 5,553,703 compared to Euro 5,601,490 at 31 December 2015.

The table below provides details on the item and respective changes:

Description	31/12/2016	31/12/2015	Variation
Advances on projects	4,052,590	2,616,976	1,435,614
Advances to suppliers for services	-	127,000	(127,000)
Sundry credits	25,851	33,114	(7,263)
Receivables to factoring	4,356	701,144	(696,788)
Receivables to welfare institutes/INAIL	40,506		40,506
Guaranteed securities	10,911	11,066	(155)
Costs relating to future years	1,419,489	2,112,190	(692,700)
TOTAL	***5,553,703***	***5,601,490***	***(47,787)***

The amounts receivable in relation to "**government grants**" refer to grants accrued and/or accounted for to date in relation to costs incurred. These entries will be brought to zero when the balance of the grants is collected following the final assessments made by the respective Ministries and Local Bodies. The receivables are carried net of the risk provision for any minor grants that might not be received.

The item **"expenses pertaining to future financial years"** for Euro 1,419,489 mainly refers to maintenance costs for future reporting periods.

Tax receivables

As at 31 December 2016 the item "**tax receivables**" amounted to Euro 212,908 compared to Euro 482,088 at 31 December 2015. The table below provides a breakdown and a comparison with the previous year:

Description	31/12/2016	31/12/2015	Variation
Credits for instance IRAP on IRES	150,811	150,811	-
Receivables to tax a/c - IRAP	20,632	263,078	(242,446)
Tax authority w/holding taxes on interest income	14,089	1,425	12,664
Credits with tax authority	27,377	66,774	(39,397)
TOTAL	**212,908**	**482,088**	**(269,180)**

It should be pointed out that the amounts receivable for the IRAP tax on IRES pertain to the amounts receivable for the deductibility of the IRAP tax calculated on staff costs, which generated a recovery of IRES tax. Tax receivables pertaining to 2007 and 2008 were reclassified under current tax receivables.

9 - INVENTORIES

As at 31 December 2016, the item **"inventories"** amounted to Euro 132,888 compared with Euro 31,119 at 31 December 2015 and refers to software and hardware products held for resale.

10 – CONTRACT WORK IN PROGRESS

As at 31 December 2016 the item "**work in progress contracts**" amounted to Euro 9,375,850 compared to Euro 9,285,642 at 31 December 2015 and refers to the value of work in progress contracts valued according to contractual payments accrued.

The table below shows the breakdown of work in progress by business segment:

Business Area	31/12/2016	31/12/2015	Variation
Banking & Finance	268,060	2,898	265,162
Industry	1,176,318	1,208,379	(32,061)
Oil e Gas	291,241	641,737	(350,496)
Healthcare	3,932,771	3,620,218	312,553
Utilities	3,271,698	2,409,799	861,899
Aerospace & Defence, Public Sector	331,227	1,361,195	(1,029,968)
Altro	104,535	41,416	63,119
TOTAL	**9,375,850**	**9,285,642**	**90,208**

As regards work in progress, with reference to Banking & Finance and Healthcare, see note 27.

11 - OTHER FINANCIAL ASSETS

Other receivables

The balance of **“other receivables”** totalled Euro 1,572,833 as at 31 December 2016 and refers to receivables due from factoring companies for receivables transferred on a non-recourse basis.

Receivables from Parent Companies

As at 31 December 2016, the balance of “**receivables from parent companies**” amounted to Euro 469,678 and relates to the current portion of the Holding Company’s financial receivable due from the parent company Abaco Innovazione SpA (Euro 388,428), to the associated interest (Euro 75,150) and charge-backs for administrative services (Euro 6,100).

12 - CASH AT BANK AND ON HAND

As at 31 December 2016 the item **“cash at bank and on hand”** amounted to Euro 4,218,280 compared with Euro 3,147,405 at 31 December 2015 and refers to Euro 4,214,736 held at banks and Euro 3,544 in cash on hand. Additionally, the bank balance includes secured deposits for guarantees amounting to Euro 397 thousand undertaken in favour of banks.

INFORMATION ON THE CASH FLOW STATEMENT

The **net financial position** as at 31 December 2016 was a negative Euro 27.1 million, essentially in line with 31 December 2015 when it was a negative Euro 26.3 million. Despite having distributed a dividend of Euro 1 million in 2016, the Company kept its financial debt essentially unchanged, thanks to positive cash flows from operating activities (Euro 2.9 million) and prudent investment management (which generated an absorption of cash of roughly Euro 2.5 million). The equity investment in the subsidiary Exprivia Enterprise Consulting Srl, written down by Euro 6 million, and already detailed in note 4, did not have any monetary effects, and is therefore neutral in the cash flow statement.

13 - OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

The item “**other financial assets**” amounted to Euro 457,041 as at 31 December 2016, compared to Euro 501,561 at 31 December 2015. It relates to financial instruments issued by Banca Popolare di Bari, more specifically:

(i) 33,427 shares of said bank for an amount of Euro 7.5 each, totalling Euro 250,702.50

(ii) 33,427 bonds “Banca Popolare di Bari 6.50% 2014/2021 subordinate Tier II” for Euro 6.00 each, amounting to Euro 206,338.19.

These financial instruments were booked at fair value (level 2).

SHAREHOLDERS’ EQUITY

14 - SHAREHOLDERS’ EQUITY

14 - SHARE CAPITAL

“**Share capital**”, fully paid up, amounted to Euro 25,154,899 compared to Euro 25,754,016 at 31 December 2015 and is represented by 51,883,958 ordinary shares at a nominal value of Euro 0.52 each for a total of

Euro 26,979,658, net of 3,509,153 own shares held as at 31 December 2016 for a value of Euro 1,824,759 (Euro 1,225,642 at 31 December 2015).

EXPRIVIA SHARES HELD DIRECTLY BY MEMBERS OF THE BOARD OF DIRECTORS

As at 31 December 2016 Domenico Favuzzi, Chairman and CEO of Exprivia SpA, directly held 290,434 Exprivia shares. In addition, 1,900 Exprivia shares were held by the Vice-President Dante Altomare, 21,630 shares by the director Mario Ferrario, 7,000 shares by the director Valeria Savelli and 12,000 shares by the standing statutory auditor Gaetano Samarelli.

None of the other members of the Board of Directors, their spouses not legally separated, or their underage children hold, directly or indirectly, any shares in Exprivia SpA.

14 - SHARE PREMIUM RESERVE

As at 31 December 2016 the **"share premium reserve"** amounted to Euro 18,081,738 and is the same as at 31 December 2015.

14 - REVALUATION RESERVE

As at 31 December 2016 the "**revaluation reserve**" amounted to Euro 2,907,138 and is the same as at 31 December 2015.

14 - LEGAL RESERVE

The "**legal reserve**" amounted to Euro 3,931,382 as at 31 December 2016, rising by Euro 221,886 compared to 31 December 2015 due to the allocation of the Exprivia SpA profit from the previous year, as resolved by the shareholders' meeting of 20 April 2016.

14 - OTHER RESERVES

The balance of the item **"other reserves"** amounted to Euro 20.334.649 at 31 December 2016 compared to Euro 17.568.385 at 31 December 2015 and pertains to:

- Euro 17,363,657 for the "**extraordinary reserve**" which rose by Euro 8,015,488 compared to 31 December 2015, due to both the allocation of the 2015 profit (Euro 3,110,712) as resolved by the shareholders' meeting of Exprivia SpA on 20 April 2016, and due to the effect of the definitive release of the "Provision for investments in the Regione Puglia Programme Agreement" (Euro 4,904,776);
- Euro 3,846,124 to the "**Puglia Digitale Project Reserve**" created in connection with the investment programme called "Puglia Digitale Project" as resolved by the Exprivia shareholders' meeting on 18 April 2013, which remained unchanged with respect to 31 December 2015;
- Euro -875.132 "**other reserves** " compared to Euro -530.686. Movements in 2016 refer to
    - to the effect of the premium paid to purchase own shares amounting to Euro -195,691;
    - to the negative effect on shareholders' equity of the change in fair value of the derivative for Euro 12,286;
    - to the negative effect of the application of IAS 19 with the associated recognition in the statement of comprehensive income of actuarial losses net of the tax effect of Euro 147.144;

- to the negative effect deriving from the financial assets classified as AFS for Euro 44,520
- To the positive effect, for Euro 55,193, resulting from the dividend distribution resolution when approving the 2014 financial statements with reference to the treasury shares held.

NON-CURRENT LIABILITIES

15 - NON-CURRENT PAYABLES TO BANKS

As at 31 December 2016 the balance of the item **"non-current payables to banks"** amounted to Euro 22,266,679 compared with Euro 5,158,092 last year, and pertains to the amounts of medium-term borrowing overdue for over twelve months after 31 December 2016 and low-interest loans for specific investment programmes.

The table below provides details on the items and breaks down the non-current portion (Euro 22,266,679) and the current portion (Euro 11,947,252) of the payable.

Financial Institute	Typology	Contract amount	Amount paid 31.12.2016	Date contract	Expiration date	Repayment installment	Rate applied	Residual capital 31.12.2016	To be repaid within 12 months	To be repaid over 12 months
Ministero dello Sviluppo Economico	Financing	2,019,162	2,019,162	27/12/09	27/02/19	annual	0.87%	692,946	228,984	463,962
Monte dei Paschi di Siena	Financing	5,000,000	5,000,000	04/05/10	10/05/17	montly	Euribor + 2.50%	358,144	358,144	
Monte dei Paschi di Siena	Financing	1,500,000	1,500,000	21/03/16	31/03/17	montly	Euribor + 2.90%	499,895	499,895	
Intesa San Paolo	Financing	2,000,000	2,000,000	06/12/16	06/12/17	montly	Euribor + 2,3%	1,993,813	1,993,813	
Banca Nazionale del Lavoro	Financing	25,000,000	25,000,000	01/04/16	31/12/22	semi-annual	Euribor + 2,4%	22,683,062	3,726,319	18,956,743
IBM Italia Servizi Finanziari	Financing	306,856	306,856	01/05/12	01/02/17	quarterly	9.66%	18,641	18,641	
ICCREA Banca Impresa	Financing	1,020,000	1,020,000	18/07/13	30/09/18	quarterly	Euribor + 3.80%	380,594	214,191	166,403
ICCREA Banca Impresa	Financing	2,500,000	2,500,000	30/12/15	30/03/17	quarterly	Euribor + 3.90%	509,841	509,841	
Simest	Financing	1,955,000	1,198,063	19/04/13	19/04/20	semi-annual	0.5%	839,722	240,690	599,032
Banca del Mezzogiorno	Financing	3,000,000	3,000,000	04/06/14	31/03/24	quarterly	Euribor + 4.80%	2,358,241	277,702	2,080,539
Banca Carime	Financing	2,000,000	2,000,000	16/03/16	16/09/17	montly	Euribor + 3.0%	1,010,054	1,010,054	-
Deutsche Bank	Financing	500,000	500,000	10/11/16	10/05/17	quarterly	Euribor + 1.0%	493,308	493,308	
Deutsche Bank	Financing	1,500,000	1,500,000	15/02/16	16/08/17	montly	Euribor + 0.8%	661,029	661,029	
Credito Emiliano	Financing	1,200,000	1,200,000	13/062016	31/08/17	bi-montly	Euribor + 1.38% *	1,209,074	1,209,074	
Credito Emiliano	Financing	500,000	500,000	01/12/16	31/10/17	quarterly	Euribor + 1.38% *	500,567	500,567	-
Total								*34,208,931*	*11,942,252*	*22,266,679*

Medium-term Loan Agreement

On 1 April 2016 Exprivia SpA stipulated a medium-term loan for a total of Euro 25,000,000 with a pool of banks consisting of BNL and Unicredit, also as lead bank and lead arranger, and Banca Popolare di Bari and Banca Popolare di Milano, consisting of a single amortising credit line to be repaid by 31 December 2022, at an annual rate equal to the Euribor plus a 2.4% spread, to which one-off fees of 1.40% were also added when the agreement was entered into.

The loan is backed by ordinary guarantees typical of transactions of this type, including the guarantee issued by SACE SpA in the amount of Euro 6 million, in addition to guarantees issued by Abaco Innovazione SpA, described in more detail in the Disclosure Document prepared pursuant to art. 5, first paragraph, of the CONSOB Regulation which was published on 8 April 2016 on the company's website in the "Corporate - Corporate Governance - Corporate Information" section.

The loan has the usual market conditions for loans of an equal amount and term, such as: declarations and guarantees, covenants (pari passu, negative pledge, etc.), limitations on significant extraordinary transactions (with the exception of intercompany transactions, which are exclusively allowed within the corporate scope existing as at 1 April 2016), the obligation to maintain adequate insurance coverage, compulsory and optional early repayment clauses, cross defaults, etc.

Lastly, the loan also includes a limitation on the distribution of dividends, which cannot exceed 25% of the net profit, in line with what is set forth in the Business Plan approved by the Company.

The loan also includes several financial covenants - Net borrowing/EBITDA, Net borrowing/Own funds, EBITDA/Net financial charges -, which will be measured on a half-yearly basis, as well as limitations on total investments and the acquisition of own shares, as described in more detail in the table below.

Reference date	Net borrowing/EBITDA	Net borrowing/Own funds	Ebitda / Net financial expense	Investments
31.12.2016	≤ 3.7	≤ 0.8	≥ 4.0	≤ 15.9 million
30.06.2017	≤ 2.0	≤ 0.8	≥ 5.8	≤ 4.0 million
31.12.2017	≤ 2.0	≤ 0.8	≥ 6.2	≤ 4.0 million
30.06.2018	≤ 2.0	≤ 0.8	≥ 6.2	≤ 4.0 million
31.12.2018	≤ 2.0	≤ 0.8	≥ 6.2	≤ 4.0 million
From 30.06.2019 to 30/06/2022	≤ 2.0	≤ 0.8	≥ 6.2	≤ 4.2 million

These parameters calculated on a consolidated basis must be communicated by 30 April and 30 September of each year and will refer to the previous 12 months respectively at 30 June and 31 December of each year, using the normal calculation criteria agreed between the parties.

The financial parameter “Investments” does not take account of the acquisitions of equity investments exempt from authorisation or those subject to a specific written authorisation issued by banks.

The residual payable as at 31 December 2016 amounted to Euro 22,683,062, of which Euro 3,726,319 to be repaid within the next twelve months (and therefore recognised under short-term liabilities) and a residual Euro 18,956,743 to be repaid in the years 2018-2022 (booked under long-term liabilities).

The Company agreed a modification of certain financial parameters with the pool of banks, to be recognised as at 31 December 2016. Based on the accounting data as at 31 December 2016, the amended financial parameters reported in the above table were respected.

Low-interest Loan from Ministry of Economic Development - Istituto Finanziario Ubi Banca (formerly Centrobanca) POR Puglia

A loan resolved and fully paid for Euro 2,019,162 as at 31.12.2016; it was targeted at financing a research and development project under Law 46/82 F.I.T. art. 14 Circular no. 1034240 of 11 May 2001, expires on 27 February 2019 and bears a below-market fixed rate of interest of 0.87% annually.

Monte dei Paschi di Siena Loan

A loan of Euro 5,000,000 stipulated on 04.05.2010 and provided on 01.06.2010 to be repaid in monthly instalments starting from 10.02.2011 until 10.05.2017. The rate applied is the Euribor + spread of 2.5%.

Iccrea Banca Impresa Loan

A loan of Euro 1,020,000 entered into by Exprivia SpA on 18 July 2013. It is to be repaid in quarterly instalments starting from 30.09.2013 until 30.09.2018 and its aim is to support international development in Brazil through its subsidiary Exprivia do Brasil. The interest rate applied is the Euribor + a 3.80% spread.

The loan in question is backed by a SACE guarantee of Euro 535,500.

The loan agreement provides financial parameters based on the annual consolidated financial statements to be respected for its entire duration. As at 31 December 2016, the financial parameters recorded on the basis of accounting data were respected.

Iccrea Banca Impresa Loan

A loan for Euro 2,500,000 stipulated on 30.12.2015 to be repaid in quarterly instalments starting from 30.03.2016 until 30.03.2017.

The interest rate applied is the Euribor + a 3.90% spread.

Simest Loan

A loan of Euro 1,955,000 entered into on 19 April 2013, of which Euro 1,198,063 disbursed on 31 December 2016, is to be repaid in six-month instalments starting from 19.10.2015 until 19.04.2020. The loan is targeted at supporting international development in China and bears a below-market fixed rate of interest (0.50% yearly).

NET FINANCIAL POSITION

In accordance with the CONSOB notice of 28 July 2006 and CESR recommendation of 10 February 2005 "Recommendations for standard implementation of European Commission regulations on disclosure schedules", the table below shows the net financial position of Exprivia as at 31 December 2016 compared with figures from the previous year.

		31.12.2016	31.12.2015
A.	Cash	3,544	5,553
B.	Other liquid cash	4,214,736	3,141,853
C 1.	Securities held for trading and derivative financial instruments	457,041	501,561
C 2.	Own share	2,547,084	1,752,277
D	**Liquid (A)+(B)+(C)**	**7,222,405**	**5,401,244**
E.	**Current financial receivables**	**6,381,702**	**3,735,106**
F.	Current bank debts	(10,663,505)	(15,966,989)
G.	Current portion of non-current bank debts	(4,687,886)	(3,841,914)
H.	Other current financial payables net of current financial receivables	(6,583,024)	(11,362,326)
I.	**Current financial debts (F) + (G) + (H)**	**(21,934,415)**	**(31,171,229)**
J.	**Net current financial debt (I) + (E) + (D)**	**(8,330,308)**	**(22,034,879)**
K.	Non-current bank debts	(22,266,679)	(5,158,092)
L.	Bond		
M.	Other non-current financial payables net of non-current financial receivables and derivative financial instruments	3,498,809	920,219
N.	**Non-current financial debts (K) + (L) + (M) + (N)**	**(18,767,870)**	**(4,237,873)**
O.	**Net financial debits (J) + (O)**	**(27,098,178)**	**(26,272,752)**

Own shares held by the company (Euro 2,547,084) are included in the calculation of the net financial position. They were not listed under the opening and closing balance of financial assets in the cash flow statement since the change is shown in a dedicated item.

16 - OTHER FINANCIAL LIABILITIES

Payables to subsidiaries

The item **"payables to subsidiaries"** amounted to Euro 430,093 as at 31 December 2016, unchanged with respect to the previous year. It refers to the security deposit (Euro 50,000) paid by the subsidiary Exprivia Healthcare IT Srl in relation to the lease contract for the head offices in Molfetta and, for Euro 380,093, to the tax receivable deriving from the application for a refund of IRAP on IRES which, as a result of national tax consolidation, is assigned to the holding company by its subsidiaries Exprivia Projects Srl (Euro 63,537), Exprivia Healthcare It Srl (Euro 307,710) and Spegea Scasrl (Euro 8,846).

Derivative financial instruments

The balance of the item "**derivative financial instruments**" as at 31 December 2016 amounted to Euro 12,503.

The derivative product was subscribed by the Holding Company Exprivia with Unicredit and the financial instrument is linked to a distinct loan at variable interest rate (Euribor).

Contract	Date operation	Initial Date	Expiry date	Currency	Reference amount	MtM currency	MtM value
IRS Payer	06/06/2016	30/06/2016	28/03/2024	EUR	2,493,948	EUR	(12,503)
TOTAL					**2,493,948**		**(12,503)**

It relates to a cash flow hedge measured at fair value level 2, with changes booked to shareholders' equity given the conditions for Hedge Accounting were respected. As a result of an analysis of the potential effects of a shift of 1% in the spot interest rate curve (and consequently in the curve of the related forward interest rates), the fair value of the derivative would become:

- upon a change of +1%: fair value of roughly Euro 73 thousand;
- upon a change of -1%: negative fair value of around Euro 103 thousand.

Trade payables after the financial year

As at 31 December 2016, the balance of the item **"payables to suppliers after the financial year"** amounted to Euro 75,165 compared with Euro 99,572 at 31 December 2015 and refers to the amounts payable to leasing companies but pertaining to future reporting periods.

17 - NON-CURRENT TAX LIABILITIES

The balance of the item **"non-current tax liabilities"** as at 31 December 2016 was fully reclassified under current tax liabilities.

18 - PROVISIONS FOR RISKS AND CHARGES

The balance of the item **"provisions for risks and charges"** as at 31 December 2016 amounted to Euro 37,000 compared with Euro 173,028 at 31 December 2015.

Description	31/12/2016	31/12/2015	Varition
Fund risks disputes		100,000	(100,000)
Risk provisions staff	30,000	66,028	(36,028)
Provision for other risks	7,000	7,000	
TOTAL	***37,000***	***173,028***	***(136,028)***

The "**provision for dispute risks"** allocated in the previous year of Euro 100,000 was used due to the negative outcome of the judgment of the Council of State no. 5503/16 of 28/12/2016, which ruled definitively on the dispute for exclusion of the RTI (temporary association of companies) with confiscation of the security deposit previously paid by Exprivia SpA for itself and for the principal Exprivia Healthcare IT Srl.

The **"provision for staff risks"**, amounting to Euro 30,000, decreased by Euro 36,028 compared to 31 December 2015, due to use of the provision in relation to the closure of ongoing disputes with former employees as at 31 December 2015.

The **"provision for other risks"**, amounting to Euro 7,000 at 31 December 2016, did not change with respect to 31 December 2015.

19 - EMPLOYEE PROVISIONS

Employee Severance Indemnity Fund

The amounts for the employee severance indemnity accrued after 31 December 2006 were paid to the INPS pension fund and union pension funds. The residual employee severance indemnity at 31 December 2016 amounted to Euro 3,139,640 compared with Euro 3,081,697 at 31 December 2015.

The following table shows changes in the provision in the year.

Description	31/12/2016	31/12/2015
Initial existence	3,081,697	3,431,924
Past service cost		(37,404)
Interest Cost	61,634	51,479
Steps	816	(9,031)
Uses / liquidations of the exercise	(198,117)	(229,589)
(Profit) actuarial losses	193,610	(125,682)
Total end of year	***3,139,640***	***3,081,697***

The fund is net of the paid installments; An actuarial valuation of the related liability was carried out in accordance with the IAS 19 principle, in accordance with the retrospective methodology for the recognition of actuarial gains / losses among the other components of the comprehensive income statement. The labor cost and the interest on the time value component in actuarial calculations remain in the income statement.

Below is a table of the principal actuarial and financial assumptions used in the calculation:

Description	31/12/2016	31/12/2015
Discount rate	1.30%	2.00%
Inflation rate	1.50%	1.50%
Annual rate of wage growth	2.50%	2.50%
Annual rate of TFR growth	2.62%	2.62%
Mortality	Tav ISTAT 2011	Tav ISTAT 2011
Inability	Tav. INAIL	Tav. INAIL
Turn-over	5.50%	7.25%
Probability advance	2.50%	2.50%
Amount% of the severance pay in advance	70.00%	70.00%

Some of the general criteria used for the projections are described below. In order to meet the need to make assessments based on all the information available a technical procedure was used known in the actuarial literature as MAGIS (actuarial method of years in operation on an individual basis and by means of random drawings).
This method is a Monte Carlo-based stochastic simulation that makes it possible to develop projections of amounts payable for each employee while taking into account the demographic and salary data of each position without making aggregations and without introducing average values.
To make the procedure possible, drawings are made for each employee year by year to determine elimination by death, invalidity and incapacity due to resignation or termination.
Reliability is ensured by replicating the procedure a certain number of times until the results are stable.
The calculations were made by the number of years necessary for all the workers currently employed are no longer in service.
The projections were made on a closed group, meaning no new recruits were included.
In accordance with IAS 19, actuarial valuations were carried out using the Projected Unit Credit Method. This method makes it possible to calculate employee severance indemnities accrued at a certain date based on actuarial assumptions, distributing the charge for all remaining years workers are employed. It is no longer an expense to be paid if the company winds up its business at the balance sheet date, but gradually provisioning the charge according to the remaining service period of employees.
The method makes it possible to calculate certain demographic and financial variables at the date of assessment, especially charges relating to service already rendered by employees represented by the DBO – Defined Benefit Obligation (also called Past Service Liability). It is obtained by calculating the present value of amounts due to the worker (severance indemnities) arising from seniority gained at the date of assessment.
For the purpose of revaluation, the employee's termination indemnity is increased, excluding the portion accrued at the end of the period, by applying a fixed rate of 1.50% and 75% of the inflation rate recorded by the ASTAT In December of the previous year; On this revaluation are due 11%.
The legislation also provides for the possibility of requiring a partial anticipation of the TFR accrued when the employment relationship is still in progress.
In the calculations, the 17% annual tax on the revaluation of the TFR was taken into account.

20 - DEFERRED TAX LIABILITIES

Provisions for deferred taxes

The item **"provision for deferred taxes"** as at 31 December 2016 amounted to Euro 808,033 compared with Euro 763,102 at 31 December 2015.

The table below provides details on this item:

Description		31/12/2016		31/12/2015	
		Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	TFR	(50,640)	(13,926)	(50,640)	(13,926)
Goodwill	Avviamenti	774,363	221,855	521,373	149,373
Buildings	Fabbricati	2,090,658	598,973	2,190,770	627,655
Adjustments for IFRS	Rettifiche per adeguamento IFRS	3,949	1,131		
TOTAL	**TOTALI**	**2,818,330**	**808,033**	**2,661,503**	**763,102**

CURRENT LIABILITIES

21 - CURRENT PAYABLES TO BANKS

As at 31 December 2016, the item "**current payables to banks"** amounted to Euro 15,351,391 compared with Euro 19,808,903 at 31 December 2015. Euro 11,942,252 refers to the current amount of payables for loans and mortgages (as already described under the item "**non-current payables to banks**" in note 15) and Euro 3,409,139 refers to bank payables due to major credit institutions stemming from current operations (credit facilities for future advances, credit facilities relating to cash overdrafts).

22 - TRADE PAYABLES

The item **"trade payables"** amounted to Euro 8,741,739 as at 31 December 2016 compared to Euro 9,562,171 at 31 December 2015. The table below provides details on the item:

Description	31/12/2016	31/12/2015	Variation
Invoices received Italy	6,097,772	7,185,203	(1,087,431)
Suppliers of leased assets	26,796	222,735	(195,939)
Invoices received foreing	34,376	70,895	(36,519)
Invoices to consultants	40,382	102,437	(62,055)
Invoices to be received	2,542,413	1,980,901	561,512
TOTAL	**8,741,739**	**9,562,171**	**(820,432)**

The table below provides details on the payables by due date, net of invoices to be received and suppliers of leased assets:

Amount Payables	of which		days past due							
	expire	expired	1 - 30	31- 60	61 - 90	91-120	121-180	181-270	271-365	more
6,172,529	4,095,630	2,076,900	217,065	505,675	413,612	431,020	63,256	39,708	38,314	368,249
100.0%	66.4%	33.6%	3.5%	8.2%	6.7%	7.0%	1.0%	0.6%	0.6%	6.0%

23 - ADVANCE PAYMENTS ON CONTRACT WORK IN PROGRESS

Advance payments

As at 31 December 2016, the item **"advance payments"** amounted to Euro 1,579,883 compared to Euro 2,122,032 at 31 December 2015 and refers to advance payments received for contract work in progress.

24 - OTHER FINANCIAL LIABILITIES

Payables to subsidiaries

As at 31 December 2016, the item **"payables to subsidiaries"** amounted to Euro 10,036,457 compared with Euro 16,336,573 at 31 December 2015 and refers to commercial and financial transactions with the company and its subsidiaries under normal market conditions regulated by specific agreements. The table below shows its breakdown:

Description	31/12/2016	31/12/2015	Variation
Exprivia Digital Financial Solution Srl	6,085,755	7,667,554	(1,581,799)
Advanced Computer Systems Srl	16,413	-	16,413
Exprivia Projects Srl	1,790,323	1,677,248	113,075
Exprivia Healthcare It Srl	512,007	4,011,588	(3,499,580)
Exprivia Enterprise Consulting Srl	893,182	2,090,285	(1,197,103)
Exprivia Telco & Media Srl	320,394	595,062	(274,669)
Spegea S.c. a r.l.	311,668	274,835	36,832
Gruppo ProSap	3,000	-	3,000
Exprivia Asya	87,909	-	87,909
Exprivia SI Group	15,806	20,000	(4,194)
TOTAL	**10,036,457**	**16,336,573**	**(6,300,116)**

Payables for purchase of equity investments

The balance of the item "**payables for equity investments**" as at 31 December 2016 amounted to Euro 359,999 and refers to the residual payable for the acquisition of the ACS Srl.

Amounts payable to others

The item **"amounts payable to others"** amounted to Euro 289,015 as at 31 December 2016 compared to Euro 384,215 at 31 December 2015. The table below provides details of the item:

Description	31/12/2016	31/12/2015	Variation
Advances on projects	51,566	-	51,566
Unicredit Factoring	237,449	384,215	(146,766)
TOTAL	***289,015***	***384,215***	***(95,200)***

The item "advances on projects" refers to advance payments received in previous years exceeding the receivable recognised definitively by the disbursing entity.

25 - TAX LIABILITIES

The item **"tax liabilities"** amounted to Euro 2,602,828 as at 31 December 2016 compared to Euro 3,413,744 at 31 December 2015. The table below provides details of the item:

Description	31/12/2016	31/12/2015	Variation
Payables to tax authority for VAT	651,333	838,272	(186,939)
Payables to tax authority for IRES	447,438	999,435	(551,997)
Payables to tax authority for IRPEF employees	1,142,837	1,209,553	(66,716)
Payables to tax authority for IRPEF freelance workers	22,808	-	22,808
Payables to tax authority for IRPEF collaborators	34,294	-	34,294
Payables to tax authority	58,334	65,404	(7,070)
Payables to tax authority for interest and penalties	245,784	301,080	(55,296)
TOTAL	***2,602,828***	***3,413,744***	***(810,916)***

26 - OTHER CURRENT LIABILITIES

Payables to pension and social security institutions

As at 31 December 2016 the item **"payables to pension and social security institutions"** amounted to Euro 2,047,872 compared with Euro 1,933,923 at 31 December 2015. The table below shows the breakdown and movement in 2016 as well as a comparison with the previous year.

Description	31/12/2016	31/12/2015	Variation
INPS with contributions	1,263,575	1,218,592	44,983
Payables to pension funds	55,882	55,793	88
Enter other social security and welfare	35,657	29,457	6,200
Payables for penalties and interest	713,162	664,084	49,078
INAIL with contributions	(20,404)	(34,004)	13,600
TOTAL	***2,047,872***	***1,933,923***	***113,949***

Other payables

As at 31 December 2016, the item **"other payables"** amounted to Euro 5,697,755 compared with Euro 5,893,130 at 31 December 2015.

The table below provides details on the item:

Description	31/12/2016	31/12/2015	Variation
Directors' pay for settlement	24,914	25,625	(711)
Employees/Collaborators for fees accrued	1,547,284	1,505,031	42,253
Accrued holidays, festivities, summer & yr-end bonuses	2,267,040	2,142,340	124,700
Payables to associations	106,364	8,131	98,233
Sundry payables	167,031	171,486	(4,455)
Competence Contributions in future years	1,585,122	2,040,517	(455,395)
TOTAL	***5,697,755***	***5,893,130***	***(195,375)***

Explanatory notes on the Exprivia SpA Income Statement

Details are provided below on the entries making up the costs and revenue in the income statement, which was drawn up in accordance with international accounting standards (IAS/IFRS).

All the figures reported in the tables below are in euro, unless expressly indicated.

27 - REVENUE FROM SALES AND SERVICES

"Revenues from sales and services", also including changes in work in progress, totalled Euro 60,334,751 in 2016, compared to Euro 63,104,163 in 2015, and include intercompany revenues for a total of Euro 9,687,664.

Description	31/12/2016	31/12/2015	Variation
Hardware and plants	645,386	535,651	109,735
Licences, software and products	1,274,859	1,142,482	132,378
Project development	51,947,612	54,854,043	(2,906,431)
Maintenance	6,466,894	6,571,986	(105,092)
TOTAL	**60,334,751**	**63,104,163**	**(2,769,412)**

The table below provides details on the items and intercompany relations:

Description	Exprivia Healthcare It Srl	Exprivia Enterprise	Exprivia Digital Financial	Exprivia Projects Srl	Spegea S.c.a.r.l.	Abaco Innovazione	ACS Srl	Exprivia Telco & Media Srl	Total
Professional services	241,908	381,018	3,278,636	160,953	14,216	-	88,333	490,144	4,655,208
Commercial advice	253,446	23,302	183,932	99,721	-	-	-	-	560,401
Corporate services and logistics	905,893	27,296	1,958,647	556,186	-	5,000	8,167	1,010,865	4,472,055
TOTAL	**1,401,248**	**431,616**	**5,421,216**	**816,860**	**14,216**	**5,000**	**96,500**	**1,501,009**	**9,687,664**

Transactions with subsidiaries are all regulated by framework agreements and specific contracts.

In relation to the aforementioned revenues, it should be noted that the item is stated net of costs of Euro 5,382,811 for services provided by the subsidiary Exprivia Projects Srl in relation to a contract in the BPO area, whose final contract with the customer is held by Exprivia SpA.

It should also be noted that, in 2016, the company acted as a commercial front in relation to some contracts in the Banking & Finance area, whose activities were entrusted to the subsidiary Exprivia Digital Financial Solution Srl based on the contractual agreements reached following the transfer of the business unit in 2014.

The revenues relating to these activities came to Euro 1,038,086 (Euro 2,387,465 in 2015), in respect of which the company recorded costs for services from the subsidiary for the same amount, stated under costs.

With reference to the Healthcare business area, the company also retained ownership of some contracts after the restructuring of the Group which took place in previous years.

The table below provides details on revenues by operating segment:

Business Areas	31/12/2016	31/12/2015	Variation	Variation%
Banking & Finance	1,038,899	2,299,083	(1,260,184)	-54.8%
Energia e Utilities	15,810,984	14,557,487	1,253,497	8.6%
Industry	12,632,515	11,351,385	1,281,130	11.3%
Oil e Gas	11,286,415	13,917,319	(2,630,904)	-18.9%
Telco & Media	10,000		10,000	#DIV/0!
Healthcare	2,374,137	2,900,675	(526,538)	-18.2%
Public Sector	7,499,171	8,913,700	(1,414,529)	-15.9%
Other	(5,034)	(436)	(4,598)	1054.6%
International Business	9,687,664	9,164,950	522,714	5.7%
Total	**60,334,751**	**63,104,163**	**(2,769,412)**	**-4.4%**

28 - OTHER INCOME

Other revenue and income

In 2016 the item **"other revenue and income"** amounted to Euro 666,830 compared to Euro 1,074,391 in the previous year. The table below provides details on the items.

Description	31/12/2016	31/12/2015	Variation
Contingency assets	8,200	122,375	(114,175)
Rental income	329,532	329,532	-
Guarantees given to subsidiaries	115,243	148,750	(33,507)
Pay in lieu of notice	86,511	39,714	46,797
Income from assignment of vehicles to staff	64,194	42,178	22,016
Other revenue	63,150	391,842	(328,692)
TOTAL	***666,830***	***1,074,391***	***(407,561)***

The balance of amounts receivable for rent from subsidiaries pertains to the proceeds from rent changed to the subsidiary Exprivia Healthcare It Srl for the building located in Molfetta in Via Adriano Olivetti 11 where the subsidiary's head offices are located.

The guarantees granted to subsidiaries refer to the payment made to the parent company for guarantees granted by the latter to subsidiaries (Euro 85,537 to Exprivia Healthcare It Srl, Euro 11,250 to Exprivia Enterprise Consulting Srl, Euro 10,956 to Exprivia Telco & Media Srl and Euro 7,500 to Exprivia Projects Srl).

Grants for operating expenses

In 2016, the item **"grants for operating expenses"** amounted to Euro 1,632,079 compared to Euro 2,897,027 in the previous year and refers to grants and tax credits pertaining to the period or authorised in the period for funded research and development projects.

29 – CHANGE IN INVENTORIES OF RAW MATERIALS AND FINISHED PRODUCTS

Change in inventories of finished products

As at 31 December 2016, the balance of the item **"change in inventories of raw materials and finished products"** amounted to Euro 110,494 compared with Euro 28,919 in 2015. It refers to changes in hardware/software products purchased from resales by the various business units.

30 - RAW MATERIALS, CONSUMABLES AND GOODS

In 2016 costs for "**raw materials, consumables and goods"** amounted to Euro 6,602,610 compared with Euro 6,325,764 in the previous year. The table below provides details on the items.

Description	31/12/2016	31/12/2015	Variation
Purchase of HW-SW products	6,514,848	6,250,518	264,330
Stationery and consumables	19,572	36,685	(17,113)
Fuel and oil	52,768	58,944	(6,176)
Purchase of sundries	15,422	(20,383)	35,805
TOTAL	***6,602,610***	***6,325,764***	***276,846***

31 - STAFF COSTS

The balance of the item **"staff costs"** as at 31 December 2016 came to Euro 32,464,621, compared to Euro 33,036,552 in 2015.

The table below provides details on the items.

Description	31/12/2016	31/12/2015	Variation
Salaries and wages	22,726,872	22,587,950	138,922
Social charges	6,124,319	6,075,055	49,264
Severance Pay	1,533,416	1,470,705	62,711
Other staff costs	2,080,014	2,902,842	(822,828)
TOTAL	**32,464,621**	**33,036,552**	**(571,931)**

The number of employees as at 31 December 2016 amounted to 661 workers (659 contract employees and 2 temporary workers), compared to 675 in 2015 (673 contract employees and 2 temporary workers).

The average number of employees as at 31 December 2016 was 673.

The item "**other staff costs"** includes the net amount relating to costs and revenues for charge-backs for seconded staff of Group companies (Euro 1,363,230):

- Exprivia Projects Euro -60,579;
- Exprivia Healthcare It Srl Euro 392,813;
- Exprivia Enterprise Consulting Srl Euro 893,959;
- ACS Srl for Euro -22,704;
- Exprivia Telco & Media Srl Euro 159,741.

32 - COSTS FOR SERVICES

In 2016, the balance of the item "**costs for services**" amounted to Euro 16,226,493 compared with Euro 18,610,693 in the previous year. The table below provides the 2016 figures, compared with those of 2015:

Description	31/12/2016	31/12/2015	Variation
Technical and commercial consultancy	3,542,623	4,228,042	(685,418)
Administrative/company/legal consultancy	1,440,847	814,670	626,177
Consultancy to associated companies	7,616,682	10,018,935	(2,402,253)
Auditors' fees	84,162	83,544	618
Travel and transfer expenses	935,590	937,894	(2,304)
Other staff costs	95,550	170,225	(74,675)
Utilities	612,446	586,372	26,073
Advertising and agency expenses	445,047	275,625	169,422
Bank charges	192,354	260,179	(67,825)
HW and SW maintenance	101,202	130,472	(29,270)
Insurance	484,268	356,273	127,995
Costs of temporary staff	4,346	6,335	(1,989)
Other costs	671,376	742,127	(70,751)
TOTAL	***16,226,493***	***18,610,693***	***(2,384,200)***

In order to make the disclosure of data more intelligible, the presentation was changed for certain items in the comparative data of the income statement presented in accordance with IAS 1, with respect to data published in the financial statements as at 31 December 2015. This had no effect on the result and net equity at that date. In particular, the balance as at 31 December 2015 of the item "Costs for services", presented for comparative purposes, increased compared to the data published in the consolidated financial statements as at 31 December 2015 by Euro 260,179 thousand (from Euro 18,350,514 to Euro 18,610,694) with reference to bank fees previously recognised under "Sundry operating expenses", the balance of which fell from Euro 589,775 to Euro 329,596.

The table below provides details on intercompany services, amounting to Euro 7,616,682, broken down by company and type of service. There are framework agreements and special professional contracts in place between the companies of the group.

Description	Exprivia Projects Srl	Exprivia Healthcare IT srl	Exprivia Enterprise Consulting Srl	Spegea Srl	Exprivia Shanghai	Exprivia SL	Exprivia Digital Financial Solution srl	Exprivia Telco & Media	vs.ACS	vs. Exprivia do Brasil	Total
Professional services	73,528	602,647	3,783,992	157,205	126,525	106,667	55,239	892,662	15,040	3,000	**5,816,505**
Commercial fronting							1,038,086				**1,038,086**
Corporate services and logistics			347,285								**347,285**
Selling expenses		51,564	362,738				504				**414,806**
TOTAL	***73,528***	***654,211***	***4,494,015***	***157,205***	***126,525***	***106,667***	***1,093,829***	***892,662***	***15,040***	***3,000***	***7,616,682***

The statement below is provided in accordance with art. 149-*duodecies* of CONSOB Issuer Regulations to show amounts paid to the independent auditors in 2016 for audit services and for other services provided by PricewaterhouseCoopers SpA and other entities belonging to its network.

The fees are shown net of the CONSOB contribution and reimbursement for expenses.

Type of service	Party providing the service	Recipient	Fee attributable 2016
Auditing services	PricewaterhouseCoopers	Exprivia SpA	82,000
Services other than auditing *	PricewaterhouseCoopers Advisory	Exprivia SpA	80,000
Services other than auditing *	PricewaterhouseCoopers	Exprivia SpA	40,000
TOTAL			**202,000**

* Non-audit services related to due diligence activities.

33 - COSTS FOR LEASED ASSETS

In 2016, the item **"costs for leased assets"** amounted to Euro 2,294,472 compared to Euro 2,308,484 in 2015 and is broken down in the table below:

Description	31/12/2016	31/12/2015	Variation
Rental expenses	875,878	738,232	137,646
Car rental/leasing	336,454	331,126	5,328
Rental of other assets	1,040,657	1,198,461	(157,804)
Royalties	41,483	40,666	818
TOTAL	***2,294,472***	***2,308,484***	***(14,012)***

34 - SUNDRY OPERATING EXPENSES

In 2016, **"sundry operating expenses"** amounted to Euro 283,176 compared to Euro 329,596 in the previous year and is broken down in the table below:

Description	31/12/2016	31/12/2015	Variation
Annual subscriptions	70,250	58,623	11,627
Taxes	146,041	149,694	(3,653)
Penalties and fines	5,564	48,804	(43,240)
Charitable donations	23,225	22,995	230
Contingency liabilities	802	4,460	(3,657)
Write-offs	4,509	-	4,509
Sundry expenses	2,940	44,090	(41,150)
Capital losses on disposals	29,845	931	28,914
TOTAL	***283,176***	***329,596***	***(46,420)***

It should be noted, as already reported in note 32, that solely for comparative purposes, the balance published in the annual financial statements as at 31 December 2015 in the item "Sundry operating expenses" was reduced by Euro 260,179 (from Euro 589,755 to Euro 329,596) with reference to bank fees.

35 - PROVISIONS

"Provisions" amounted to Euro -36,028 due to the release of the provision for risks allocated in previous years in relation to labour disputes concluded in 2016.

36 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS

As at 31 December 2016, the balance of the item **"amortisation, depreciation and write-downs"** amounted to Euro 7,398,786 compared with Euro 2,291,413 in the previous year and comprises amounts pertaining to the reporting period for amortisation and depreciation of intangible and tangible assets and write-downs. The table below provides a breakdown for the item as well as a comparison with 2015.

Description	31/12/2016	31/12/2015	Variation
Amortisation intangible assets	282,195	423,316	(141,121)
Amortisation tangible assets	1,081,483	1,077,271	4,212
Other Assets write-downs	6,035,108	790,826	5,244,282
TOTAL	***7,398,786***	***2,291,413***	***5,107,373***

Amortisation of intangible assets amounted to Euro 282,195 and is detailed under notes 2 and 3.

Depreciation of tangible assets amounted to Euro 1,081,483 and is detailed under note 1.

Write-downs, amounting to Euro 6,035,108, refer primarily to the adjustment of the provision for doubtful receivables unlikely to be collected totalling Euro 31,108 and the write-down of the equity investment in the company Exprivia Enterprise Consulting Srl for Euro 6,000,000 (also see note 4). In fact, the Company intended to prudentially arrange for the write-down, due to the gradual contraction in the volume of business, which started in 2015 and increased in 2016 and was confirmed by the drop in value recorded by the impairment test.

37 - FINANCIAL (INCOME) CHARGES AND OTHER INVESTMENTS

In 2016, the balance of the item "**financial income and charges and other investments"** amounted to Euro 1,524,326 compared with Euro 1,253,922 in 2015. The table below provides the breakdown between income and charges.

Description	31/12/2016	31/12/2015	Variation
Income from investments in subsidiaries	3,337,224	2,933,567	403,657
Proceeds from other financial assets available for sale	13,037	13,037	-
Income from subsidiaries	205,979	157,378	48,601
Income from parent companies	75,150	29,188	45,962
Other income	19,382	19,099	282
Interest and other financial charges	(1,617,510)	(1,484,802)	(132,708)
Expenses from subsidiaries	(235,041)	(379,165)	144,124
Charges from parent companies	(276,231)		(276,231)
Profit and loss on foreign exchange	2,336	(34,381)	36,717
TOTAL	**1,524,326**	**1,253,922**	**270,404**

Income from equity investments in subsidiaries

In 2016, **"income from equity investments in subsidiaries"** amounted to Euro 3,337,224 compared to Euro 2,933,567 in the previous year and refers to dividends received from the subsidiaries Exprivia Healthcare It Srl (Euro 139,254), Exprivia Digital Financial Solution Srl (Euro 2,872,480), Exprivia Projects Srl (Euro 309,330) and Exprivia Telco & Media Srl (Euro 16,161).

Income from other financial assets available for sale

In 2016, the item **"income from other financial assets available for sale"** amounted to Euro 13,037 and refers to income from Banca Popolare di Bari for bonds and shares subscribed.

Income from subsidiaries

In 2016, **"income from subsidiaries"** amounted to Euro 205,979 compared with Euro 157,378 in 2015 and refers to interest accrued from cash pooling and for loans in place with its subsidiaries.

Income from Parent Companies

In 2016, the item **"income from parent companies"** amounted to Euro 75,150 compared with Euro 29,188 in the previous year and related to receivable interest accrued on loans in place with the parent company Abaco Innovazione SpA.

Other income other than the above

The item **"other income other than the above"** in 2016 amounted to Euro 19,382 compared to Euro 19,099 in the previous year. The table below provides details on the items.

Description	31/12/2016	31/12/2015	Variation
Bank interest receivable	998	1,849	(850)
Other interest income	18,221	15,829	2,391
Rounding up of assets	163	1,421	(1,258)
TOTAL	*19,382*	*19,099*	*283*

Interest and other financial charges

In 2016 the item **"interest and other financial charges"** amounted to Euro 1,617,510 compared with Euro 1,484,802 in the previous year. The table below provides details on the items.

Description	31/12/2016	31/12/2015	Variation
Bank interest payable	161,173	344,954	(183,781)
Interest on loans and mortgages	844,148	459,295	384,853
Sundry interest	495,074	601,844	(106,771)
Charges on financial products and sundry items	55,482	27,073	28,409
Rounding up/down	61,634	51,636	9,998
TOTAL	*1,617,510*	*1,484,802*	*132,707*

Charges from subsidiaries

In 2016 the item **"charges from subsidiaries"** amounted to Euro 235,041 compared with Euro 379,163 in the previous year and refers to interest for the cash pooling in place with its subsidiaries.

Charges from parent companies

The balance of the item "**charges from parent companies**" amounted to Euro 276,231 in 2016 and refers to the portion applicable to the period of charges recognised to the parent company Abaco Innovazione SpA for guarantees issued by the latter.

Profit/loss on currency exchange

As regards "**profit/loss on currency exchange"** in 2016, net profit of Euro 2,336 was recorded, compared to a loss of Euro 34,381 in 2015.

38 - TAXES

In 2016, the item **"taxes"** amounted to Euro 942,815 compared with Euro 943,194 in 2015. The table below provides details on the item.

Description	31/12/2016	31/12/2015	Variation
IRES	650,633	260,828	389,805
IRAP	241,402	222,542	18,860
Other taxes on income		14,115	(14,115)
Deferred taxes	5,425	(169,599)	175,024
Taxes paid in advance	44,931	36,616	8,315
Prior year taxes	424	578,692	(578,268)
TOTAL	***942,815***	***943,194***	***(379)***

Prepaid and deferred taxes were determined taking into consideration the *Stability Law* approved in December 2015 with respect to the 3.5% reduction in the IRES rate starting in 2017. Thus, amounts receivable for prepaid taxes and provisions for deferred taxes, which will be executed in financial years following 2016, were duly adjusted.

The table below shows the reconciliation between theoretical IRES charge reported in the balance sheet and the actual tax charge:

Description	31/12/2016		31/12/2015	
	AMOUNT	%	AMOUNT	%
RECONCILIATION OF THEORETICAL AND EFFECTIVE RATE				
PROFIT BEFORE TAXES	(965,650)		5,380,920	
TAX THEORY	(265,554)	27.5%	1,479,753	27.5%
COSTS AND EXPENSES NOT DEDUCTIBLE	6,615,662		586,437	
REVENUES NOT TAXABLE	(3,190,207)		(2,857,323)	
AMORTIZATION	267,210		(151,952)	
OTHER DECREASES	(361,077)		(2,009,617)	
TAXABLE INCOME TAX	2,365,937		948,465	
IRES YEAR	**650,633**		**260,828**	
EFFECTIVE RATE		67.4%		4.8%

39 - PROFIT (LOSS) FOR THE YEAR

The income statement closed with a loss (after tax) of Euro 1,908,465 and is confirmed in the balance sheet as well.

RELATED PARTIES

As per the requirements of CONSOB resolution no. 11520 of 1 July 1998, the table below illustrates the remuneration for Holding Company Directors, Statutory Auditors and Key Executives. For further information see the **"Remuneration Report"** available on the company website (www.exprivia.it) in the section Corporate – Corporate Governance - Corporate Information.

Description	31/12/2016				31/12/2015			
Offices	Fixed remuneration as a member of the Board of Director	Equity compensation committees	Wages and salaries	Other incentives	Fixed remuneration as a member of the Board of Director	Equity compensation committees	Wages and salaries	Other incentives
Administrators	421,000	80,000	257,271	20,000	421,000	80,000	258,305	20,000
Statutory Auditors	84,162				83,544			
Strategic managers			90,000	30,000			90,000	30,000
TOTAL	**505,162**	**80,000**	**347,271**	**50,000**	**504,544**	**80,000**	**348,305**	**50,000**

Transactions with related parties essentially consist in services and the exchange of products. They are part of ordinary operations conducted at market conditions, meaning at the conditions that would be applied between independent parties. All transactions are carried out in the interest of the companies involved.

The table below provides information on relations with other related parties:

Description	31/12/2016	31/12/2015	Variation
Daisy-Net- Driving Advances of ICT in South Italya	13,939	13,939	-
DHITECH Srl	-	17,000	(17,000)
TOTAL	**13,939**	**30,939**	**(17,000)**

Trade payables

Description	31/12/2016	31/12/2015	Variation
Kappa Emme Sas	25,000	22,814	2,186
TOTAL	**25,000**	**22,814**	**2,186**

Costs

Description	31/12/2016	31/12/2015	Variation
Kappa Emme Sas	150,000	150,000	-
Innovision International Ltd	-	42,503	(42,503)
TOTAL	**150,000**	**192,503**	**(42,503)**

Transactions deriving from atypical/unusual operations

In accordance with Consob notice no. 6064293 of 28 July 2006, it should be pointed out that in 2016 the company did not undertake any atypical and/or unusual operations, as defined in the notification itself.

Subsequent Events

No additional significant events were reported after closing the 2016 financial year or as of 16 March 2017.

Molfetta, 16 March 2017

The Board of Directors

Chairman and Chief Executive Officer

Domenico Favuzzi

BOARD OF DIRECTORS' PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

We would like to thank you for your trust and we encourage you to approve the year-end financial statements as at 31 December 2016. We propose that the loss for the year be covered by using the extraordinary reserve:

Molfetta, 16 March 2017

The Board of Directors

Chairman and Chief Executive Officer

Dott. Domenico Favuzzi

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF ITALIAN LEGISLATIVE DECREE 58/98

The undersigned Domenico Favuzzi, CEO, and Giovanni Sebastiano, Executive manager responsible for preparing the corporate accounts of Exprivia SpA, certify the following, taking into account the provisions of Art. 154-bis (3,4) of Italian Legislative Decree no. 58 of 24 February 1998:

- Adequacy, in relation to the characteristics of the company and
- actual application of administrative and accounting procedures to draft the year-end financial statements for the reporting period at 31 December 2016.

Furthermore, it is certified that the financial statements:

a) Correspond to accounting records;

b) were prepared in accordance with International Financial Reporting Standards, which were adopted by the European Commission with regulation 1725/2003 as amended, and are suitable for giving an accurate and correct representation of the equity, economic and financial situation of the company.

c) The Directors' Report for the group includes a reliable analysis that is consistent with the financial statements, operating trends and results, and also the situation of the company, together with the description of the main risks and uncertainties.

Molfetta, 16 March 2017

The Chairman and CEO	The Reporting Officer
Domenico Favuzzi	**Gianni Sebastiano**

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Exprivia SpA

Report on the financial statements

We have audited the accompanying financial statements of Exprivia SpA, which comprise the statement of financial position as of 31 December 2016, income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Exprivia SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Exprivia SpA, with the financial statements of Exprivia SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Exprivia SpA as of 31 December 2016.

Bari, 31 March 2017

PricewaterhouseCoopers SpA

Signed by

Corrado Aprico
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.
We have not examined the translation of the separate financial statements referred to in this report.