Interim Report 2017

future. perfect. simple.

Contents

Corporate Bodies

Board of Directors

Chairman and Chief Executive Officer

Domenico Favuzzi

Directors

Dante Altomare (Vice-President)
Angela Stefania Bergantino (2)
Eugenio Di Sciascio (2)
Filippo Giannelli
Marina Lalli (2)
Alessandro Laterza (3)
Valeria Savelli (1)
Gianfranco Viesti (2)

Board of Statutory Auditors

Chairman

Ignazio Pellecchia

Standing Auditors

Anna Lucia Muserra
Gaetano Samarelli

Independent Auditors

PricewaterhouseCoopers S.p.A.

(1) Directors not vested with operating powers
(2) Independent directors pursuant to the Corporate Governance Code of the Corporate Governance Committee
(3) Lead Independent Director

Directors' Report
as at 30 June 2017

Significant Group Figures and Result Indicators

The following table summarises the main consolidated economic, capital and financial data of the Group:

	30.06.2017	30.06.2016	31.12.2016
Total production revenues	75,628,274	67,631,446	141,782,617
net proceeds and variation to work in progress to order	73,755,197	65,667,502	137,250,144
increase to assets for internal work	1,289,169	745,358	1,927,238
other proceeds and contributions	583,908	1,218,586	2,605,235
Difference between costs and production proceeds (EBITDA)	4,917,292	4,048,320	12,797,488
% on production proceeds	6.5%	6.0%	9.0%
Net operating result (EBIT)	2,552,402	1,927,853	7,793,050
% on production proceeds	3.4%	2.9%	5.5%
Net result	(134,782)	559,558	2,838,069
Group net equity	74,637,859	72,487,670	74,744,188
Total assets	209,096,292	189,405,809	206,228,144
Capital stock	25,154,899	25,325,029	25,154,899
Net working capital (1)	25,240,277	29,413,449	29,442,972
Cash flow (2)	1,278,849	2,365,021	9,284,104
Fixed capital (3)	102,174,741	91,761,888	102,810,040
Investment	1,880,488	1,355,001	13,641,013
Cash resources/bonds (*a*)	20,352,949	18,842,463	20,399,886
Short-term financial debts (*b*)	(27,575,963)	(23,574,173)	(29,003,855)
Medium-/long-term financial debts (*c*)	(26,606,604)	(26,635,598)	(27,184,505)
Net financial position (4)	(33,829,618)	(31,367,308)	(35,788,474)

(1) **"Net working capital"** is calculated as the sum of total current assets less liquidity 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 30 June 2017, compared with the same period of the previous year.

For the calculation of ROE and ROI, it was considered appropriate to use an annual "rolling" approach by taking as a reference the net profit and operating income from 1 July 2016-30 June 2017, for the data as at 30 June 2017 and 1 July 2015-30 June 2016 for the figures at 30 June 2016.

Exprivia Group	30/06/2017	30/06/2016
Index ROE (Net income / Equity Group)	2.87%	5.29%
Index ROI (EBIT / Net Capital Invested) **(5)**	7.52%	7.38%
Index ROS (EBIT / Revenues from sales and services, net of changes in inventories of raw materials and finished products))	3.46%	2.94%
Financial charges **(6)** / Net profit	-13.179	2.346

(5) **Net capital employed:** is equal to net working capital plus non-current assets net of 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 30 June 2017 and 31 December 2016.

Exprivia Group	30/06/2017	31/12/2016
Net Financial Debt / Equity Capital	0.45	0.48
Debt ratio (Total Liabilities / Equity Capital)	2.80	2.76

Summary of the operations in the first half of 2017

A summary of the main consolidated economic data of the Group is reported below, as emerging from the situation as at 30 June 2017, compared with the same period of the previous year. Please also note that in the first half of 2017, as specified in more detail in the “Explanatory Notes - note nos. 28, 37 and 40”, a non-current tax item was reflected attributable to the company Exprivia Enterprise Consulting Srl, the effects of which were neutralised in the “adjusted” column.

Exprivia Group (value in K €)	30.06.2017	30.06.2017 adjusted	30.06.2016	Variazioni %	Variazioni % adjusted
Revenues	75,628	75,628	67,631	12%	12%
Net revenues	73,755	73,755	65,668	12%	12%
EBITDA	4,917	6,270	4,048	21%	55%
EBIT	2,552	3,905	1,928	32%	103%
Pre-tax result	808	2,685	534	51%	403%

During the half, revenues posted double-digit growth and there was a healthy rise in profitability. Consolidated revenues amounted to Euro 75.6 million, an increase of 12% compared to 2016, and adjusted EBITDA totalled Euro 6.3 million. Of particular note was the contribution to revenues of the company ACS, which operates in the space technologies sector and was consolidated in the second half of 2016, as well as the revenues from Business Process Outsourcing contracts launched this year.

Exprivia

Future. Perfect. Simple.

An international business to enable digital transformation processes

Exprivia is an international business, now composed of around 1,800 professionals, able to activate digital transformation processes through solutions involving the entire value chain.

Exprivia sets itself apart for its reliability in managing complex projects through the connection and integration of vertical and horizontal skills, and for its capacity to create simple solutions to be utilised and updated, as they are based on constant research and innovation activities.

Listed on the stock exchange's MTA STAR segment (XPR) since 2000, Exprivia works alongside its customers in the following markets: Banking&Finance, Telco&Media, Energy&Utilities, Aerospace&Defence, Manufacturing&Distribution, Healthcare and Public Sector.

The founding concepts of our vision

Future

The future is the point towards which we orient ourselves

in defining scenarios, paths and goals

for ourselves and our customers.

Connection

This is what makes us innovators. It is the capacity to identify unexpected solutions by connecting our skills.

It is the ability to imagine the future by directly combining what we know in the present: technology with customer needs, the world of research with that of business, the city with its residents.

Perfect

Perfect is the level we commit

to reaching in designing

innovative and efficient

digital solutions for every sector.

Reliability

For us this is a constant practise that leads us to seek out perfection in everything we do, to always guarantee that we will meet our commitments in every situation, to consider effectiveness and efficiency to be the indispensable requirements of all of the products and services we offer.

Simple

Being simple is the fundamental requirement

of all of our systems,

which are designed to improve people's lives

by making information available and usable.

Simplicity

For us, this means concealing the complexity of technology behind a sleek user experience, making innovation and the digital transformation accessible to businesses and the public through a project of extreme streamlining which aims for simple solutions.

Industries

A winning offer in every market

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 thirty years of working in our various markets.

Banking & Finance

Digital progress and financial technique: the binomial of the future

The financial market is experiencing a radical business model transformation. The need to always offer new services that can be used at any time using any device requires the development of increasingly innovative and efficient IT solutions and services.

Thanks to the skills accrued in more than 25 years of partnerships with the top credit and insurance institutions in Italy and abroad, we have the specialisation and experience to fully meet customer needs through tailor-made and omnichannel digital solutions: from creditworthiness assessments to monitoring, from capital markets to factoring, from data value to customer experience.

Telco & Media

Skills and technologies for network virtualisation

In the Telco & Media market, technological innovation proceeds at the same pace as the need to expand the availability of value-added services while remaining competitive. We offer operators and builders in the telecommunications sector extremely high-level technological competencies to allow 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 virtualisation of networks and applications. Indeed, virtualisation meets every customer need with dedicated services commensurate with real business requirements, but especially supported by innovative technological skills meeting the most recent standards.

The quality of the services provided enables the customer to transfer a better customer experience to its users, enabling individual needs to be satisfied, also through customer loyalty policies

Energy & Utilities

The technology that optimises energy

The energy & utilities sector is rapidly evolving to adjust to infrastructure technological upgrading processes, the development of new services and the entry into force of new directives on safety, energy efficiency and environmental and consumer protection, which are having a considerable impact on both supply and demand.

In this regard, we offer our customers specific solutions for the development and management of transversal and characteristic processes that aim to ensure greater operational efficiency, high performance and elevated customer service quality to energy, water, environmental and public utility sector businesses. Systems based on technologies like the cloud, XaaS, CRM, big data analytics and business intelligence, IoT, digital channels, social networking, e-mobility and enterprise application governance which place users at the very heart of processes, providing them with increasing autonomy and awareness.

Aerospace & Defence

Military defence, civil safety and digital technology

The recent geopolitical events require an immediate response from the civil and military aeronautical, naval and terrestrial sectors in the adoption of safety systems in which the technological component plays an increasingly crucial role to guarantee the safety of people, places, machinery and IT systems.

Even more urgent is IT support for taking strategic decisions in critical situations for the implementation of preventive measures based on scenario monitoring and controls.

We offer the sector a real benefit by enabling the analysis of complex heterogenous information (images, video, data, text, symbols, voice, sound) generated by a multitude of wearable, fixed and mobile sensors on flights, in navigation, in orbit, in vehicles and in drones.

In particular, we develop systems for command and control, surveillance, cartographic representation, processing of geographical maps and rapid prototyping of land-based, naval and aerial consoles which, also thanks to augmented reality techniques, the wealth of georeferenced information and social collaboration, offer the utmost interaction with scenarios that are increasingly faithful to reality.

Manufacturing & Distribution

Towards the new industrial revolution

The future of industrial processes follows a digital path. The common thread of the various enabling technologies that are changing how we design, create and distribute products by automatically organising and managing an enormous quantity of information in real time.

The fourth industrial revolution is in full swing and very soon will see completely controlled, interconnected and automated production through technological evolution.

Industry 4.0 defines this change through a panorama that is still evolving, but already has precise lines of development coinciding with the knowledge and skills we possess: the use of data and connectivity, analytics and machine learning, human/machine interaction and interaction between reality and the digital realm.

We have taken advantage of this extraordinary opportunity by dedicating ourselves to bringing newfound energy to the entire industrial process with our digital solutions and completely automating the management of huge quantities of information in a simple, streamlined and efficient manner.

Healthcare

Innovative solutions for individual health and efficient administration

Building a healthcare system that unites savings and efficiency, which takes care of people even before treating them, which eliminates waste and reduces waiting times. With these main objectives, we act as the ideal partner for a healthcare system striving towards a future of excellence.

Our technological solutions applied to the healthcare system make it possible to connect all of the disparate pieces of the entire Regional Healthcare System, from the administrative and management centres of public and private hospitals within the entire supply chain, to individual professionals and online services for users, ensuring the utmost optimisation of every single resource.

A team of 350 specialists, 30 years of presence in the IT sector and solutions and services in 500 healthcare facilities for 20 million patients confirm the effectiveness of our responses to the needs of the healthcare industry, which are fundamental for the economy and development of every region.

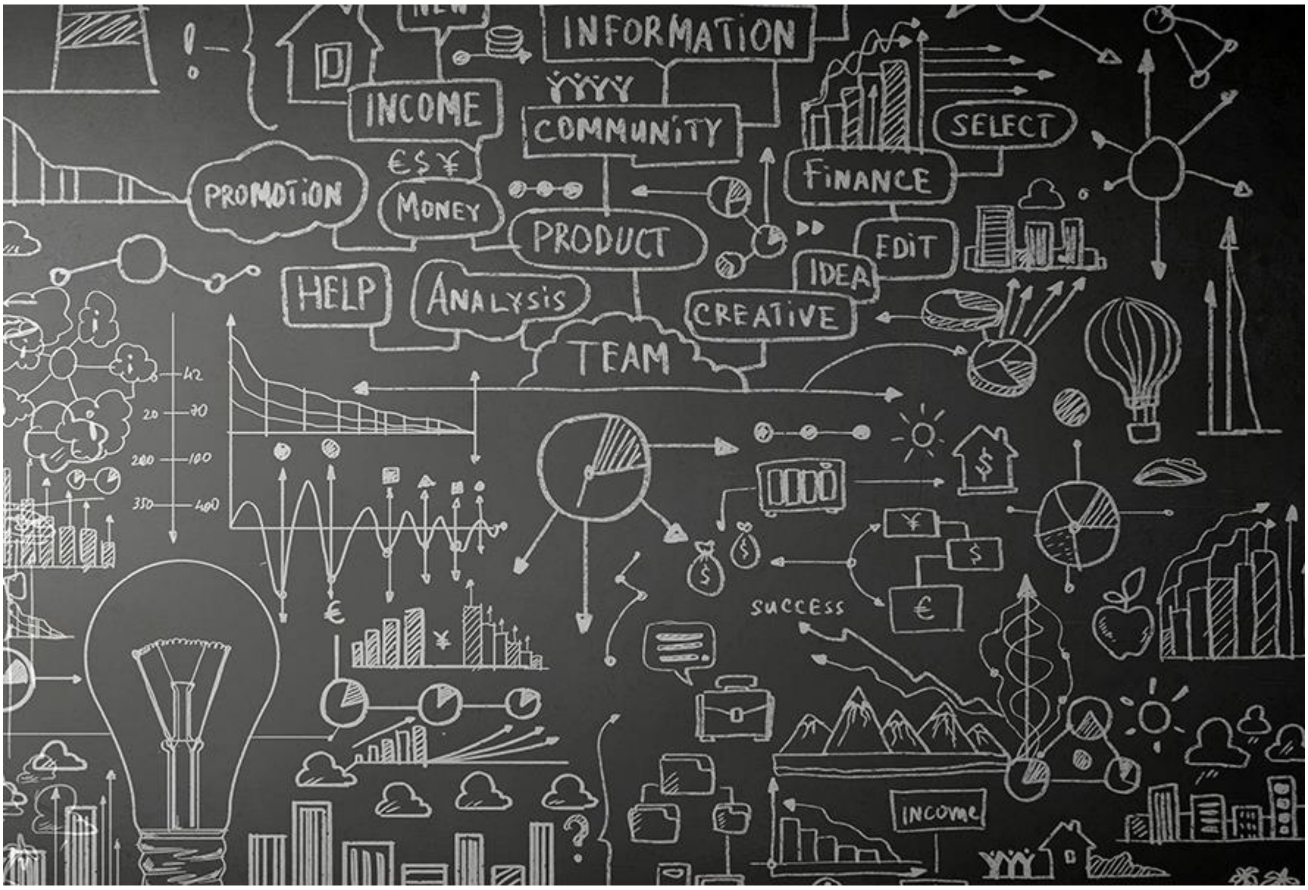
Public Sector

PA digitalisation: the first step towards a reinvigorated country

Some time ago the Public Administration launched a modernisation process based on principles such as innovation, simplicity and reliability to support businesses, residents, public employees and the state itself. 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, we have been able to rely on much of our experience in optimising processes for large private enterprises, which we have reconceptualised based on the needs of central and local governments and broken down into a range of areas, including:

- products and services for management;
- eGovernment and eProcurement solutions;
- 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 (SOA paradigm);
- single point of access for the exchange of information between the entity, residents and businesses;
- system integration for 24/7 operational continuity and automatic repairs.

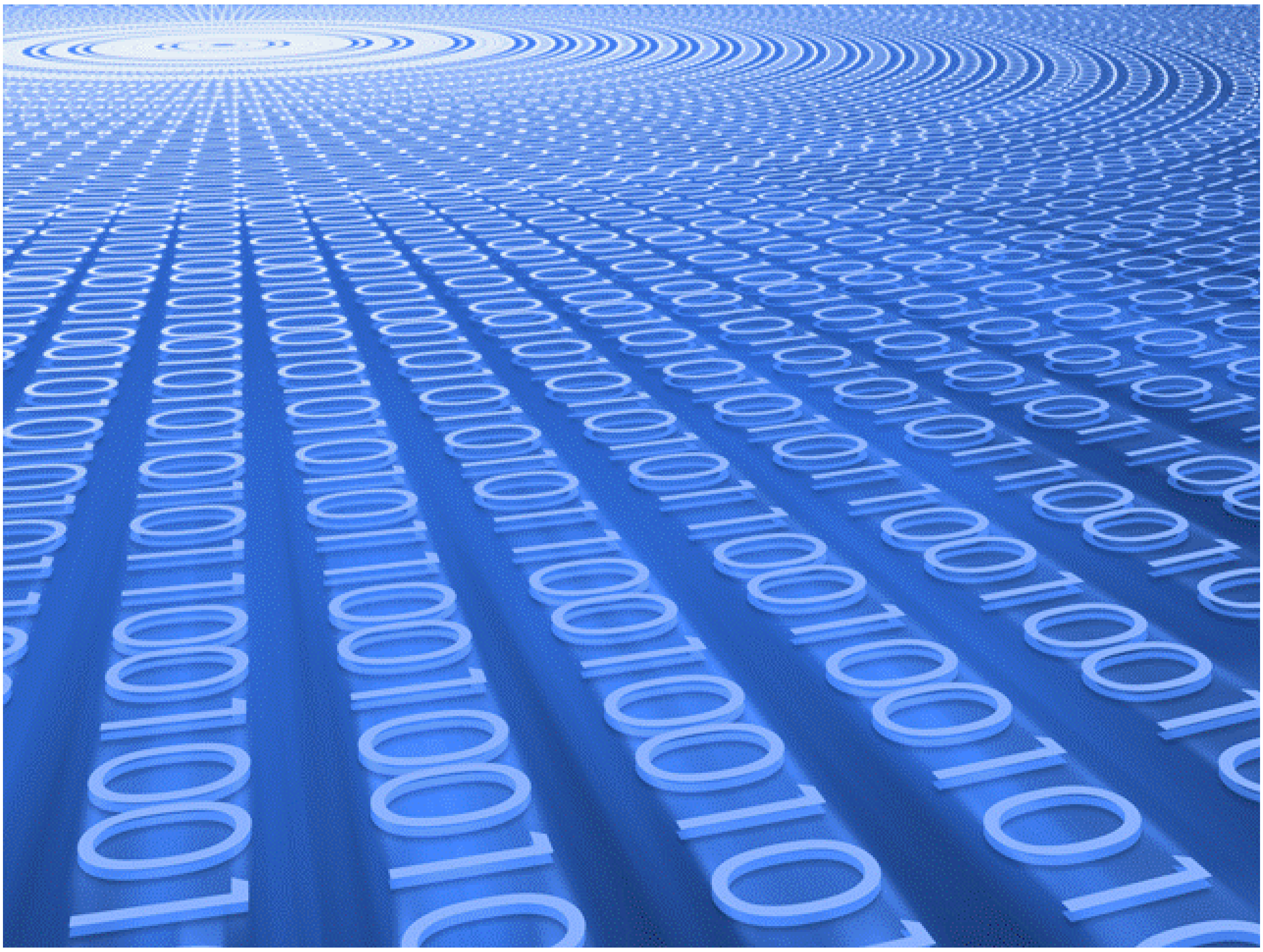


Innovation Lab

Innovation to explore and construct new business opportunities

Innovation Lab is the load-bearing structure of the research, development and integration of Exprivia technologies. A hotbed open to sharing experience and knowledge with the world of academics and research, which has led to the activation of various projects with the main Universities of Apulia (Polytechnic and University of Bari, University of Salento), of Milan (Polytechnic of Milan) and of Rome (La Sapienza), with CNR and with Cefriel, with which it has specifically launched a commercial partnership programme to promote “technological frontier” projects.

Innovation Lab identifies and adapts innovation opportunities to the company’s business model, coordinates projects which exploit public contributions, creates innovative technologies and solutions to be transferred to company production areas and enriches the company’s wealth of knowledge, contributing to creating new distinctive competencies.



Expertise

To build the future, we always need to keep it present

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.

Here are some of our most significant skills.

Big Data & Analytics

Managing data to dominate the markets

Before, there were products and services. Today, an increasing number of companies acquire, transform and provide data. And it is precisely around data that the digital transformation creates new business opportunities in areas regarding customer knowledge and customer experience, the generation of statistics and analyses, the creation of agile and flexible architectures and solutions and the 24/7 availability of security and customer care services.

We offer all of the very latest tools for supporting both the decision-making processes and ordinary activities based on the possession of information. Our Big Data & Analytics area is dedicated to developing projects, services and solutions aimed at the strategic use of big data for increasing business.

The assimilation and processing of unstructured data, which, once duly reorganised, become a precious source of information for creating new value for companies, play a particularly important role in the Big Data process.

Cloud

The revolution among the clouds

The advent of cloud computing has completely revolutionised how we acquire, implement and execute IT services.

Through the web, users can access network resources, memory, processes, services and applications which can be requested, supplied and released quickly with minimal effort and secure interaction with the supplier.

Our cloud services are based on four fundamental models:

Public Cloud

The Public Cloud is characterised by computing power, memory and application services according to individual needs with scalable solutions adaptable to small, medium-sized and large businesses.

Private Cloud

Creating a Private Cloud means providing the range of services, solutions and computational capacity functional to a large organisation, distributed across the area and under continuous evolution, on a single platform.

Hybrid Cloud

The third model is a mix of Public and Private clouds to give the organisation greater dynamism, overcoming the limits through the open Cloud potential and minimising the loss of the guarantee of absolute security that only the physically isolated Cloud offers.

Community Cloud

With the Community Cloud, the business shares IT platforms with other nearby organisations to strengthen the scope and common model for the provision of services and the development of new service classes.

IoT

The immediate future of things

Today, the web has an object complement: it is called, IoT, or the Internet of Things. The challenge that it intends to meet is to equip commonly used items with the ability to interact with the environment and automatically modify their functioning by sending and receiving data via the net. By the year 2020, 20 billion devices will be connected to the Internet and the fields of interaction will increasingly include industrial production processes, logistics, infomobility, energy efficiency, remote assistance and environmental protection. IoT is therefore capable of having a positive effect on the very idea of business, work, study, health and life.

For some time now we have been committed to developing IoT solutions capable of radically changing our way of living, working, learning and having fun. Exprivia has undertaken a series of projects that concern home automation, robotics, avionics, biomedical devices, monitoring in industry, telemetry, wireless networks of sensors, supervision, detection of adverse events and much more.

IT Security

Total data and system security

Security is becoming an increasingly crucial factor for the credibility of institutions and businesses, which are continuously seeking out new security technology instruments and solutions that can protect them from operational risks, attempted fraud, data theft, information leaks and so on and so forth.

We have the experience and technological skill required to act as a “global” partner for security, capable of working alongside the customer with flexible deliveries ranging from consulting to integration and the management of dedicated services, through operational centres to meet security needs at strategic, technological and operational level. The organisation of company security covers three fundamental areas, i.e., governance procedures, infrastructure and operations, and four levels of operational security: Prevention, Monitoring, Response and Governance Risk & Management.

Mobile

Tomorrow within reach

The rapid transition from first-generation mobile phones to new mobile terminals which are increasingly efficient and polyfunctional has literally upended the world of mobile communications in just a few decades, and with it consumer habits, opening up possible interaction scenarios which until now had been unimaginable.

Companies have taken part in this trend to seek out new channels for promotion, communications and sales and expand the confines of smart working, so as to make relationships with their resources easier and more efficient through a precise multichannel strategy which, from a BYOD (Bring Your Own Device) perspective, skilfully overlaps times, places and instruments shared between work and personal lives.

We offer companies and entities the possibility to reap the greatest benefit from latest generation mobile technologies by including them within a broader multichannel strategy which encompasses Mobile Device

Management for business devices, Mobile Payment in the various commerce and services sectors, Mobile Health and Mobile Application Development in the areas of health, finance and security.

SAP

More digital efficiency. Superior company efficacy. Greater market presence

With a strategic partnership that has lasted for more than 20 years, today, we are one of the main reference players in the SAP world in Italy and abroad. With a team of more than 400 professionals specialised in ERP and Extended ERP solutions, including more than 300 certified resources distributed across Italy and overseas, we seek out excellence in the creation of the most innovative solutions for our customers' business processes by taking action throughout the value chain: from analysis to consulting, from implementation to Application and System Management services, also using proprietary vertical solutions.

Our main areas of intervention are: Administration, Finance and Control, Operation & Logistics, Business Analytics and Human Capital Management.

Business Process Outsourcing

When outsourcing means optimising

The outsourcing of entire processes is a trend undergoing continuous growth within companies, which are attracted on one hand by the possibility of concentrating on their core business and on the other hand by the significant reduction in operating costs. To offer BPO services specific skills, strategies and professionals who can understand the needs of the customer company and are ready to be partners in change are required.

With the knowledge we have gained working alongside so many important companies, we support and sustain company evolution by taking responsibility for the delicate procedures of end user acquisition, management and retention. The offering ranges from back office outsourcing services relating to typically internal functions such as human resources, accounting and information technology, to front office outsourcing services like customer care and customer service.

All BPO services provided to customers are governed by service performance and quality indicators (Service Level Agreements and Key Performance Indicators).

Corporate Social Responsibility

We believe that sustainability is an indispensable value for the company, its stakeholders and future generations, which takes the form of respecting people, the environment and society as a whole.

Performance of Exprivia Group Results

Performance of Exprivia Group Results

At the end of the first half of 2017, the Exprivia Group’s revenues totalled Euro 75.6 million, up 11.8%; EBITDA was also up by 21.5% to Euro 4.9 million compared to Euro 4 million in the previous year.

The first half of 2017 saw the contribution of ACS, a company consolidated by the Group as of 1 July 2016, which contributed Euro 4.7 million in revenues and Euro 0.7 million in EBITDA, in addition to BPO contracts, which have been rendered fully operational in terms of turnover, contributing an increase of Euro 3.8 million in revenues (although they still need to recover profitability). The results during the first six months were negatively impacted by an extraordinary item relating to Exprivia Enterprise Consulting, with a negative effect on EBITDA of Euro 1.35 million. The volumes of the foreign companies declined, although their profitability was up.

Banking & Finance

The **Banks, Finance and Insurance** market saw a slight improvement of +1% in the first half of the year compared to 2016.

The second quarter marked an increase compared to the first, also as a result of the general review of the national scenario, which was accompanied by international dynamics shaped by the BRExit referendum and its unexpected outcome. On the other hand, the first half witnessed a significant upturn in IT expenditure, driven by the increasingly more crucial legislative-regulatory component.

In this context, Exprivia 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 remained substantially in line with last year, by virtue, in particular, of proactive monitoring of the customer base and an expansion of the offer pertaining to the functional and regulatory component, as well as a greater number of capital market platforms;
- within Credit Solutions, the customer management strategy launched towards the end of last year, which also made it possible to acquire new customers, has seen a slight contraction in volumes due to the delay in several international projects;
- the Factoring segment has also confirmed the quality of the full outsourcing approach proposed to our customers, which has substantially maintained constant volumes despite turnover within the group of customers;
- results in the digital transformation domain (Big Data Analytics, Cloud & Security Infrastructure, Smart Process, Customer Experience) declined slightly compared to 2016, although achieved on a wider customer base and by virtue of a more marked and differentiated offer.

In conclusion, the evolution of the offer combined with the estimated rise in IT spending in this sector in 2017 leads us to reasonably predict positive development in operations over the course of the next few quarters.

Energy & Utilities

During the last two years, overall investments in the Energy sector declined by around 15% due to the decrease in crude oil prices, which reached USD 25/barrel and pushed entire exploration and extraction projects, particularly in the offshore segment, out of the market.

Investments for seeking out and exploiting new reserves went from Euro 95 billion in 2014 to Euro 40 billion in 2016, marking a decline of 58%; while upstream investments dropped 39% from USD 724 billion in 2014 to USD 444 billion in 2016.

In this market, Exprivia saw considerable growth in the first half of 2017. This result is attributable to the definitive entry into full operation of the contracts acquired in the third quarter of 2016 and is related to major digital transformation initiatives for some operators in the energy market in Italy, in which Exprivia is involved. In particular, the share of revenues increased from logistics supply chain optimisation projects for Energy sector companies.

Corporate projects in the area of Administration, Finance and Control and projects for the improvement of processes in the area of Procurement and HCM also provided a strong boost to growth. Revenues in the area of Portals and Web Applications also grew, linked to some important initiatives to improve the Digital Customer Experience and the development of new digital communication strategies in the retail sector. In the course of 2017, the Group has consolidated its transversal offer in the area of Business Process Management & Integration and Analytics, acquiring important projects and thus further consolidating its competitive positioning. Lastly, in the first 6 months of 2017 several projects were launched with significantly innovative content, especially in the area of workplace safety.

The **Utilities** market is demonstrating a significant focus especially on the most highly innovative areas such as Big Data, Analytics and AI/cognitive; it is precisely in these areas that Exprivia is investing so as to offer its customers services capable of adding value directly to their core businesses.

The tender contracts awarded in the previous year allowed for significant growth in revenues.

Exprivia is continuously active in pursuing the operational efficiency and digital transformation goals of its customers by participating in innovative projects with an international scope. The activities of managing and developing company management and business intelligence systems have been confirmed as this market’s main asset; projects have also been rolled out in the area of IoT, customer experience and Grid Management, which are now part of the Group’s main assets.

BPO (Business Process Outsourcing) is specialised in Customer Care, both front office and back office. In the first half of 2017, revenues were up significantly, also thanks to new contracts launched and the relative investments made.

Retail & Manufacturing

Already starting in 2016, the Retail & Manufacturing market saw a strong recovery in demand; in this market Exprivia's offer is based on the SAP platform as well as Business Intelligence.

The industry segment is interpreting the signs of an economic recovery with confidence, by including investments in digital transformation projects in the budget and beginning important technological innovation initiatives. Customers were provided with design and application management services for on-premise or in-cloud applications, as part of more traditional offers such as those relating to ERP, HCM and highly innovative issues, like CRM solutions for after sales processes.

Good results were obtained in international rollouts in Europe and the Far East for customers with head offices in Italy.

The experience acquired in the area of mobility and analytics on the SAP Hana platform is of great importance for growth prospects and, thanks to the investments made, has positioned us among the leaders on the Italian market.

Telco & Media

The Telco & Media market, particularly in Italy, continues to demonstrate significant difficulties, which are reflected primarily in a progressive reduction in revenues for each voice/data line, experienced by the majority of operators.

However, in this market the Exprivia Group has worked on specialising in the most innovative and relevant aspects for its customers' businesses, primarily by offering services in the areas of "Network Optimisation & Transformation", "Next generation OSS Solutions & Services", "Voice & Media Application" and "Carrier grade solution development" as well as for the encrypted VoIP products "Extravox" and "Cryptovox".

The Group has consolidated its business relationships with the main telecommunications players in Italy and has 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.

Healthcare

Again in the first half of 2017 the trend of demand concentrating at regional and central level rather than at individual entity level has been confirmed, with the announcement of tenders for supplies and services with entire regional administrations or the greater districts of the same regions as recipients. In addition, this trend is expected to be impacted by agreements activated or being activated by CONSIP to support the Digital Agenda as regards specialised services and the migration to cloud technologies.

In this scenario, which results in a drop in absolute terms in the number of tenders announced and the amounts of the opening prices, two different trends in the actions of service providers are being observed: in the immediate term, organisation by joining forces, primarily to retain positions already acquired rather than to approach new market areas; in the medium and long-term, greater polarisation through consolidation due to the aggregation of new parties in the market with requirements adapted to the broader competition triggered by the current scenario.

To correct this negative trend and pending the launch or consolidation of work for contracts in the portfolio, efforts have been concentrated on the development of the customer base, primarily in the private sector, and the extension of major contracts already acquired.

As confirmation of these initiatives, during the period significant projects were awarded in the public realm due to the extension of a major contract in the Calabria region and in the domestic private sector, with the activation of an entirely cloud-based system for the management of outpatient activities, as well as in the private sector overseas, with the acquisition of a significant project for the management of image diagnostics for a leading Albanian group in the sector.

Lastly, the initial promising activities have been consolidated for telemedicine solutions, which, through the development of partnerships with top sector operators, should provide considerable benefits in the near future.

Public Sector

The **Public Administration** market saw a recovery in the first half of 2017 attributable primarily to trends in the Central Public Administration, where several contracts signed in early 2017 are starting to be carried out, which see Exprivia engaged in significant digital transformation projects.

For the Local Public Administration, there was a substantial continuity of activities for contracts in the portfolio.

The overall landscape is not particularly brilliant, although there has been a slight recovery in the reference market. The publication by AGID (Agency for Digital Italy) of the Three-Year Plan for PA IT should constitute the frame within which new digital transformation projects will be developed, which are expected to represent a real trend reversal for the entire market.

The **Local Public Administration** is instead going through a phase of radical change due to the increasingly greater drive towards the centralisation of IT skills as well as continuous Spending Review policies. The expected investments linked to Smart Cities, which could represent an occasion for the re-launch of this market, have not yet been seen.

The overall panorama still features many low points, despite the fact that the recent Assinform Report on the Public Administration finally pointed to a weak trend reversal in Public Administration IT spending, compared to the decline seen over the last 5-6 years. The publication of the new Tender Code has not yet favoured an acceleration in investments; rather, in this initial phase it led to a sharp decline in tenders published.

Aerospace & Defence

The Aerospace & Defence market has seen a significant rise in turnover, to a great extent ascribable to the contribution of the acquisition of the new investment in ACS Srl (consolidated as of 1 July 2016).

This performance is aligned with a market situation that continues to be slowed by reorganisations and the significant attention paid to the reduction of expenditure of the main sector entities and industries, with which Exprivia in any event consolidated its position as a preferential supplier in the first half of the year.

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 Group in the Aerospace & Defence market 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.

International business

Exprivia's activities in non-Italian markets have registered a drop in revenues in 2017. The decrease is mostly concentrated in Spain and in Mexico, while other countries recorded stable or increased revenues.

In **Spain**, where Exprivia 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 the distribution of Business Intelligence solutions for the Healthcare sector.

In the first half of this year, the business lines were consolidated and the cost structure was rationalised and adapted to revenues.

In **Central America**, where Exprivia operates directly through 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 American countries. The Mexican company was also subject to economic-capital restructuring activities, whose effects were felt starting in the fourth quarter of 2016.

In **Brazil**, the revenues of the company Exprivia do Brasil Serviços de Informatica Ltda are in line with those of the previous year, 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 the second half of the year.

In **China**, with Exprivia IT Solutions (Shanghai) Co. Ltd, whose sole shareholder is Exprivia Asia Ltda in Hong Kong, Exprivia has developed its business in providing professional services in IT infrastructure and SAP. The first half of the year saw a contraction of revenues, and 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

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

Precisely for these reasons, many years ago processes were set up 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: Banking & Finance, Oil&Gas, Telco&Media, Utilities, Industry, Aerospace & Defence, Healthcare and Public Sector.

The revenue of the Group is well distributed over a broad customer base but, nevertheless, the withdrawal of certain leading customers from the portfolio could have impacts 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 Group is considerably active in foreign markets, where 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 moments of 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 IT 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 consisting of companies that are typically 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 universities and other centres of competence and the extensive collaboration with them.

Risk related to changes in legislation

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

Financial Risk

Interest Rate Risk

In 2016, the Exprivia Group obtained a major medium-long term variable rate loan from a pool of banks; this is combined with other variable rate and below-market fixed rate loans, the latter relating to funded research and development projects. Concerning variable rate loans, the Group has 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 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. In April 2016, the Group finalised a medium-term loan with a pool of banks, significantly reducing liquidity risk.

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 and Mexico) might constitute a risk to be monitored, depending, however, on the volumes in place, which for the moment are not significant.

Significant Events of the first half of 2017

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.

On **27 April 2017**, the ordinary shareholders' meeting of Exprivia SpA met on first call to approve the financial statements as at 31 December 2016. 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 "Investor Relation - Corporate Governance - Corporate Information" section.

The ordinary shareholders' meeting also approved the issuing of a new authorisation to purchase and dispose of own shares within the meaning of Articles 2357 and 2357-ter of the Italian Civil Code and proceeded to nominate the new corporate bodies, the offices of the previous bodies having expired upon approval of the 2016 financial statements.

Acquisitions/Sales in the Exprivia Group

On **30 March 2017**, Exprivia SpA took over the shares held by Christian Maggioni in Exprivia do Brasil Serviços de Informatica Ltda (0.08%), bringing its shareholding up to 52.30%.

On **23 June 2017**, the Boards of Directors of Exprivia SpA and of the subsidiaries Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl approved the project for the merger by incorporation of the three subsidiaries within the holding company. The Merger Project is published on the Company website in the section "Investor Relation – Shareholders and capital transactions".

Events after 30 June 2017

Acquisitions/Sales in the Exprivia Group

On **1 July 2017**, Exprivia Digital Financial Solution Srl acquired the ESIET VAS S.r.l. business unit operating in the IT services and consulting market for banking and financial sector customers.

On **27 July 2017**, Exprivia SpA signed agreements legally binding all of the parties involved for the acquisition of control over Italtel S.p.A. with a share of 81% in the share capital; the transaction should be completed by the end of December 2017.

On **31 July 2017**, the Extraordinary Shareholders' Meetings of Exprivia SpA and of the subsidiaries Exprivia Digital Financial Solution Srl, Exprivia Healthcare IT Srl and Exprivia Telco & Media Srl approved the project for the merger by incorporation of the three subsidiaries within the holding company. The Merger Project is published on the Company website in the section "Investor Relation – Shareholders and capital transactions".

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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).

The Share Capital as at 30 June 2017 consists of 51,883,958 shares with a nominal unit value of Euro 0.52.

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

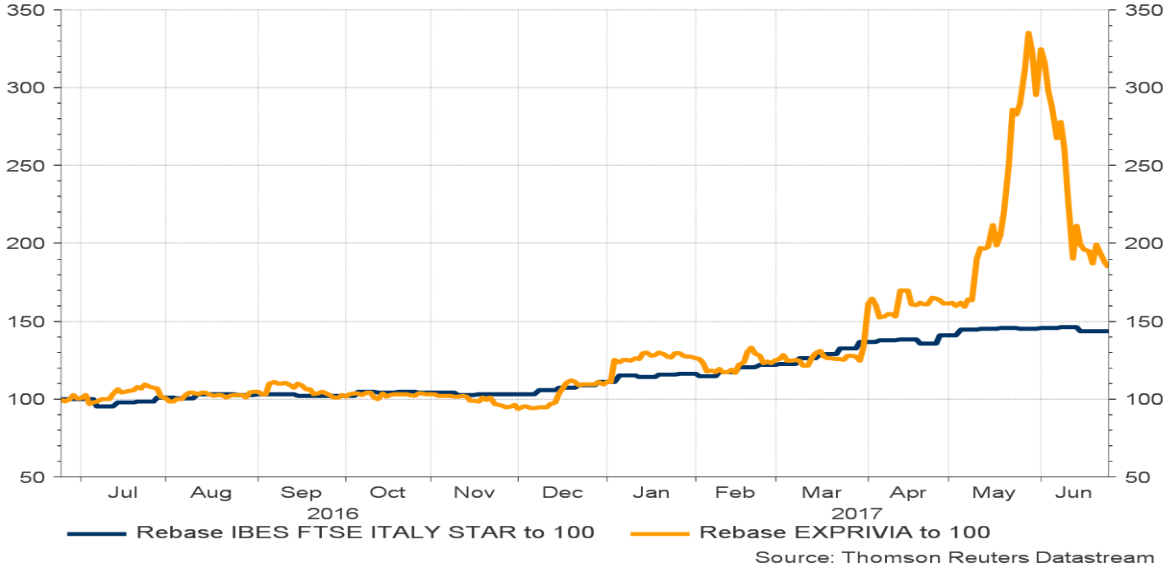
Composition of Shareholders

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 30 June 2017, the shareholder structure of Exprivia was as follows:

Shareholder	Shares	Amount held
Abaco Innovazione SpA:	24,145,117	46.54%
Treasury 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 compares the performance of the Exprivia share price with the FTSE Italia Star index in June 2017 and with reference to the twelve months prior to this date.



Business Outlook

The first half of 2017 closed with a significant rise in volumes as well as profitability, in keeping with forecasts made at the end of last year.

It is quite clear to the management that the IT market is increasingly rewarding the capacity of companies to make investments in innovation, which enable them to offer solutions and support for an ever broader segment of the value chain of their customers. The Exprivia Group is moving precisely in this direction, signing an agreement for the acquisition of the majority interest in Italtel, a traditional industrial group operating at international level in the development of products and solutions for telephone networks and latest generation services. This strategic move will therefore enable the Exprivia Group to launch a series of industrial synergies, which will allow it to play a role of primary importance in the market, becoming a player capable of delivering its customers an offering that is unique within the market.

This transaction will also make it possible to boost our presence in foreign markets and therefore to increase the cross-selling of our and Italtel's portfolios in these markets.

The acquisition at the start of the second half of the year of a business unit which enhances our offer in the Finance market also moves in this direction, enabling us to strengthen our presence with existing customers, while also guaranteeing end-to-end service.

Aside from the above-mentioned initiatives, through its management Exprivia decided to launch another two highly important projects: the "One Company" project, which will involve the merger by incorporation of the Group's main Italian companies within Exprivia SpA. This project will have the aim of redesigning our internal organisation so as to boost the effectiveness and efficiency of our core processes and make our market actions more effective.

And the "Digital One" project is intended to expand and strengthen the Group's main IT systems.

On the basis of the foregoing, while not overlooking permanent market volatility, we believe that the second half of the year will likely confirm and strengthen the results obtained thus far.

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Investments

Real Estate

Exprivia owns a property in Viale PIO XI 40 in Molfetta (BA) which 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 15,000 sq. m on which there is a complex of buildings (made up of five blocks, four of which are multi-story). All of these are office space and warehouses for a net total of approximately 7,500 sq. m of office space.

The 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 m2 is owned by the company, the second, covering roughly 1,050 m2, 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 research programmes active in 2016 were completed and the relative objectives met. The priority areas were: Sanità 2.0 and Intelligent Transportation System (ITS).

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

Healthcare 2.0.

As regards healthcare, Exprivia essentially concluded project DSE through 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 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, Exprivia took part in the **MISE Horizon 2020** and Grandi progetti ('large projects') tenders with a number of partners with which Exprivia presented two project proposals:

- **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 convalescence;
- **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, some of which 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.

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 development of training policies 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);
- personnel placement and reallocation (Selection and Orientation department);
- Total Rewarding policies.

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

In the first half of 2017, the programme already launched in 2016 on individual and organisational well-being continued, in continuity with the company's Total Rewarding programmes:

Company Welfare – Exprivia People Care: the company welfare plan enhances the total reward system by responding to a broad range of worker expectations and needs, not only financial. This project was created due to the company's sensitivity towards policies and tools that can achieve work-life balance. Exprivia

People Care initiatives support employees, also with a view to creating a collaborative working environment, with new opportunities available through the Easy Welfare portal. This technological platform, for use exclusively by company employees, contains a selection of services that can be taken advantage of directly through the portal and can be flexibly combined based on individual needs.

In 2017, Exprivia revised its welfare offering to adjust it to the new elements introduced by the engineering workers' National Collective Labour Agreement.

Smart Working - the trial phase is under way, involving up to 10% of the company population. From August 2016 to June 2017, roughly 143 people participated in this initiative for a total of 10,795.75 hours. To assess the level of satisfaction of initiative participants, a questionnaire was issued to smart workers as well as their managers to evaluate the feedback provided regarding productivity and personal well-being. The results of this questionnaire will make it possible to improve and extend the plan to the entire company population. In June 2017, Exprivia was recognised in the 'Welfare awards 2017' for having the best welfare plan in southern Italy, based on quality and comprehensiveness as well as its capacity to satisfy worker needs, including by employing digital solutions.

In terms of Training, roughly 27,262 hours of training were planned with 1,975 participants, against roughly 20,000 planned in 2016. In the first half of 2017, 9,353 hours of training were provided to 922 participants.

As usual, the training courses were set up at the start of the year and reviewed every quarter in order to make the training 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 belief that improving skills means raising the value of persons and so the competitive advantage of the organisation. Some innovative courses of particular interest were: training courses for earning the Oracle Certified Master JAVA EE 6 Java Architect and Certified Business Analysis Professional (CBAP) certifications and the Master in Innovation and digital transformation;
- **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:

- Preparation course for the PMP-Project Management Professional certification: the new training process in blended mode, part e-learning (asynchronous support) and part classroom-based (instructor-centred), resulted in 12 new PMP certified resources;
- Leading the Exprivia Way course: intended for the SAP Business Unit with a view to developing all of those behaviours that contribute to creating a specific conduct and leadership style to be used in work team management so as to improve management effectiveness.

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

- about 649 hours dedicated to continuing education in order to improve the performance of our workers for the activities in question. These hours involved around 1,711 participants;
- about 965 hours dedicated to specialised training to enable our workers to deal with new activities. These initiatives involved about 322 participants;
- around 2,457 hours were dedicated to new entry training. These initiatives involved about 27 participants.

Concerning Recruiting and Selection, in the first half of 2017 130 new staff were hired, including new graduates and workers qualified in technical/IT disciplines, process experts and IT Management experts. A total of roughly 44 new workers were placed in the contact centre (Business Process Outsourcing Business Unit).

Also in the first half of 2017, 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: at 30 June 2017, we continued managing the school/work projects launched in 2016. School/work projects consist in the creation of processes designed, implemented and assessed, under the responsibility of the educational institution, based on the appropriate agreements. 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 involved 106 students from 7 higher education institutes in the Apulia and Lombardy regions in the first half of 2017, for a total of 6,885 hours in the first half of the year;
- 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

The tables show the company workforces as at 30 June 2017, compared with those at 30 June 2016. In particular, the first table (Table 1) shows the number of resources, around 25.44% of whom are part-time (with various arrangements of contractual working hours). The second table shows the number of full-time equivalent workers (on an annual basis) (Table 2):

Table 1

Company	Employees			Average employees			Temporary workers			Average temporary workers		
	30/06/16	31/12/16	30/06/17	30/06/16	31/12/16	30/06/17	30/06/16	31/12/16	30/06/17	30/06/16	31/12/16	30/06/17
Exprivia SpA	678	659	684	677	673	668	2	2	1	2	2	2
Exprivia Healthcare IT Srl	330	325	326	332	330	326	-	0	-	0	0	
Exprivia Enterprise Consulting Srl	141	123	114	144	138	116	1	1	0	1	1	1
Exprivia Digital Financial Solutions Srl	195	198	202	196	196	201	-		-	0		
Exprivia Projects Srl	226	242	252	222	236	251	-		-	0		
Exprivia Process Outsourcing Srl		236	257		236	254			0			
Exprivia Telco & Media Srl	366	365	372	363	365	365	0	0	1	0	0	0
Advanced Computer Systems Srl		64	62		64	63						
Exprivia IT Solutions Shanghai	20	14	12	19	18	12	1	1	1	1	1	1
Exprivia SLU (Spain)/Prosap SA de CV/Prosap Centroamerica SA	93	91	85	91	106	83	4		2	6	3	1
Exprivia do Brasil Servicos de Informatica Ltda	25	22	20	23	23	21	7	8	5	7	7	6
Spegea Scarl	7	7	7	8	7	7	1	1	0	1	1	1
Total	**2081**	**2346**	**2393**	**2075**	**2392**	**2367**	**16**	**13**	**10**	**18**	**15**	**12**
Executives	*39*	*47*	*46*	*43*	*49*	*46*						
Middle Managers	*177*	*193*	*193*	*189*	*199*	*194*						

Table 2.

Company	Employees			Temporary workers		
	30/06/2016	31/12/2016	30/06/2017	30/06/2016	31/12/2016	30/06/2017
Exprivia SpA	661	632	664	2	2	1
Exprivia Healthcare IT Srl	316	306	307	-	-	-
Exprivia Enterprise Consulting Srl	131	112	105	1	1	0
Exprivia Digital Financial Solutions Srl	188	187	199	-	-	-
Exprivia Projects Srl	145	138	149	-	-	-
Exprivia Process Outsourcing Srl		144	164		-	-
Exprivia Telco & Media Srl	346	364	369	0	-	1
Exprivia IT Solutions Shanghai	19	13	11	1	1	1
Advanced Computer Systems Srl		61	59			
Exprivia SLU (Spain)/ProSap SA de CV/ProSap Centroamerica SA	93	91	85	4	-	2
Exprivia do Brasil Servicos de Informatica Ltda	25	22	20	7	8	5
Spegea Scarl	6	6	6	1	1	0
Total	**1930**	**2076**	**2136**	**16**	**13**	**10**
Executives	*39*	*47*	*46*			
Middle Managers	*177*	*192*	*188*			

As regards the FTE table (Table 2), resources subject to CIGO [ordinary wages guarantee fund]/CIGD [extraordinary wages guarantee fund]/absences due to long-term illnesses are excluded.

Integrated Management System

The Company has developed an Integrated Management System that meets the requirements of the ISO 9001, ISO 13485, ISO/IEC 20000-1, ISO/IEC 27001 and ISO 22301 international standards. This system is supplemented with specific standards for the engineering of software and systems with a view to developing working methodologies and processes capable of combining standardisation with flexibility and self-improvement capacities through the support of competent, aware and motivated individuals.

In 2014, the Company obtained CMMI-DEV level 2 after fine tuning the software development project process in order to improve the quality of the products/services by reducing poor service and non-compliance, and increase customer satisfaction and performance of the processes.

Checks are regularly and successfully carried out by an outside body to ensure the ISO certifications are maintained.

Group Quality Assurance Certification

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 all of Exprivia.

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 “Corporate” section under “Investor Relation - Corporate Governance – Corporate Information”.

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 and Control Department centrally manages all Group companies.

The Finance Department handles financial activities at Group level.

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.

The majority of the Italian Group companies adhere to tax consolidation based on a specific regulation and they are also party to a cash pooling relationship.

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 was introduced on 26 March 2007, and is available on the company’s website in the section “Corporate > Corporate Governance > Corporate Information”.

The transactions with related parties carried out in the first half of 2017 fall within the scope of normal business operations and were carried out on an arm’s length basis. No atypical or unusual transactions were carried out with related parties.

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 the parent company Abaco Innovazione S.p.A., with head offices in Viale Adriano Olivetti 11, Molfetta (Bari, Italy), tax code and VAT No. 5434040720.

In exercising management and coordination activities:

- 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 SpA 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 following section of this Directors' Report "Group Relations with the Parent Company".

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 2017, 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 30 June 2017 compared to 30 June 2016 and 31 December 2016 are laid out below.

Receivables

Description	30/06/2017	31/12/2016	Variation
Exprivia S.p.A.	2,616,661	3,066,588	(449,927)
TOTAL	**2,616,661**	**3,066,588**	**(449,927)**

The balance as at 30 June 2017 included Euro 2,596,910 relating to the receivable for an unsecured loan with no guarantees taken out in 2016 by the parent company Abaco Innovazione SpA, with Euro 1,680,000 disbursed in cash and Euro 1,305,338 as a reclassification of payables outstanding as at 31 December 2015. It also included Euro 19,751 for interest receivable accrued on the same loan.

Costs

Description	30/06/2017	30/06/2016	Variation
Exprivia SpA	192,043	84,753	107,290
TOTAL	**192,043**	**84,753**	**107,290**

The balance as at 30 June 2017 of Euro 192,043 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	30/06/2017	30/06/2016	Variation
Exprivia S.p.A.	26,793	29,455	(2,662)
TOTAL	**26,793**	**29,455**	**(2,662)**

The balance as at 30 June 2017 refers, for Euro 24,313, to interest on the loan granted to the parent company; it also includes charge-backs for administrative services (Euro 2,480).

The condensed half-year Consolidated Financial Statements of Exprivia Group as at 30 June 2017

Consolidated financial statements as at 30 June 2017

Consolidated Balance Sheet

Amount in Euro			
	Note	**30.06.2017**	**31.12.2016**
Land and buildings		13,516,240	13,869,992
Work in progress and anvances		154,804	
Other assets		2,063,151	2,171,240
Property, plant and machinery	1	15,734,195	16,041,232
Goodwill		67,354,020	67,428,110
Goodwill and other assets with an indefinite useful life	2	67,354,020	67,428,110
Intangible assets		3,936,939	4,112,591
Research and development costs		3,879,074	4,188,397
Work in progress and advances		3,916,402	3,314,652
Other Intangible Assets	3	11,732,415	11,615,640
Investments in other companies		167,661	167,561
Shareholdings	4	167,661	167,561
Receivables to parent companies		2,196,440	2,596,910
Other receivables		222,747	209,659
Derivative financial instruments		34,568	34,568
Other financial assets	5	2,453,755	2,841,137
Other receivables		1,767,528	1,772,942
Other financial assets	6	1,767,528	1,772,942
Tax advances/deferred taxes		2,965,167	2,943,418
Deferred tax assets	7	2,965,167	2,943,418
NON-CURRENT ASSETS		**102,174,741**	**102,810,040**

Amount in Euro	Note	30.06.2017	31.12.2016
Trade receivables		60,394,074	59,422,457
Other receivables		8,848,121	9,527,989
Tax receivables		2,531,987	2,796,038
Trade receivables and other	8	71,774,182	71,746,484
Stock		937,828	1,019,248
Stock	9	937,828	1,019,248
Work in progress to order		18,876,216	15,652,180
Work in progress to order	10	18,876,216	15,652,180
Other receivables		566,215	1,572,833
Receivables from parent		420,221	469,678
Other Financial Assets	11	986,436	2,042,511
Current banks		13,849,036	12,455,496
Cheques and unpresented effects		32,097	39,437
Cash resources	12	13,881,133	12,494,933
Shareholdings in subsidiaries		465,756	462,748
Assets classified as owned for sales and those included in aggregates for disposal	13	465,756	462,748
CURRENT ASSETS		**106,921,551**	**103,418,104**
ASSETS		**209,096,292**	**206,228,144**

Amount in Euro	Note	30.06.2017	31.12.2016
Share Capital		25,154,899	25,154,899
Share capital	14	25,154,899	25,154,899
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	3,931,382
Revaluation reserve	14	3,931,382	3,931,382
Other reserves		18,673,753	20,579,266
Other reserves	14	18,673,753	20,579,266
Retained earning/loss		6,938,506	2,246,057
Profits/Losses for previous periods	14	6,938,506	2,246,057
Profit/Loss for the period		(134,782)	2,838,069
SHAREHOLDERS' EQUITY		**75,552,634**	**75,738,549**
Minority interest		914,775	994,361
GROUP SHAREHOLDERS' EQUITY		**74,637,859**	**74,744,188**

Amount in Euro		30.06.2017	31.12.2016
NON-CURRENT LIABILITIES			
Non-current bond		922,087	1,839,297
Non-current bond	15	922,087	1,839,297
Non-current bank debt		24,936,450	24,624,683
Non-current bank debt	16	24,936,450	24,624,683
Trade payables after the financial year		725,563	698,021
Payables to other lenders		10,000	10,000
Derivative financial instruments		12,503	12,503
Other financial liabilities	17	748,066	720,524
Tax liabilities and amounts for social security payable after the financial year		2,431,304	2,881,594
Other financial liabilities	18	2,431,304	2,881,594
Amounts payable to pension and social security institutions		382,350	436,004
Payables for equity investments		668,216	
Other no current liabilities	19	1,050,566	436,004
Other provisions		301,143	1,068,718
Provision for risks and charges	20	301,143	1,068,718
Employee severance indemnities		9,783,682	10,403,774
Employee provisions	21	9,783,682	10,403,774
Provisions for deferred taxes		1,233,376	1,189,221
Deferred tax liabilities	22	1,233,376	1,189,221
NON CURRENT LIABILITIES		**41,406,674**	**43,163,815**

Amount in Euro	Note	30.06.2017	31.12.2016
Current bond		1,682,627	1,508,246
Current bond	23	1,682,627	1,508,246
Current bank debt		24,336,843	25,845,581
Current bank debt	24	24,336,843	25,845,581
Trade payables		20,053,943	18,816,906
Trade payables	25	20,053,943	18,816,906
Advances		3,376,341	3,394,884
Advances payment on work in progress contracts	26	3,376,341	3,394,884
Payables for equity investments		360,000	359,999
Other payables		954,590	925,172
Other financial liabilities	27	1,314,590	1,285,171
Tax liabilities		13,009,593	12,360,112
Tax liabilities	28	13,009,593	12,360,112
Payables to welfare and social security institutions		5,562,670	6,866,252
Other payables		22,800,378	17,248,628
Other current liabilities	29	28,363,048	24,114,880
CURRENT LIABILITIES		**92,136,984**	**87,325,780**
TOTAL LIABILITIES		**209,096,292**	**206,228,144**

Consolidated Income Statement

Amount in Euro			
	Note	**30.06.2017**	**30.06.2016**
Revenue from sales and services		73,866,678	65,750,774
Revenues	30	73,866,678	65,750,774
Other revenues and income		289,414	305,751
Grants related to income		294,494	912,835
Increase in capitalised expenses for intenal projects		1,289,169	745,358
Other income	31	1,873,077	1,963,944
Var. stock of products being processed, semi-finished items		(111,481)	(83,272)
Variation in stock of finished products and products being processed	32	(111,481)	(83,272)
PRODUCTION REVENUES		**75,628,274**	**67,631,446**
Costs of raw, subsid. & consumable mat. and goods	33	6,058,347	5,364,801
Salaries	34	50,398,685	45,999,161
Costs for services	35	10,570,617	9,713,010
Costs for leased assets	36	2,087,322	2,079,437
Sundry operating expenses	37	2,175,444	301,632
Provisions	38	(579,433)	125,085
TOTAL PRODUCTION COSTS		**70,710,982**	**63,583,126**
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES		**4,917,292**	**4,048,320**

Amount in Euro	Note	30.06.2017	30.06.2016
Ordinary amortisement of intangible assets		1,447,718	1,062,391
Ordinary amortisement of tangible assets		697,022	967,215
Devaluation of credits included in working capital		220,150	90,861
Amortisation, depreciation and write-downs	39	2,364,890	2,120,467
OPERATIVE RESULT		**2,552,402**	**1,927,853**
Financial income and charges	40	(1,744,598)	(1,393,934)
PRE-TAX RESULT		**807,803**	**533,919**
Income tax	41	942,586	(25,639)
PROFIT OR LOSS FOR THE PERIOD	**42**	**(134,782)**	**559,558**
Attributable to:			
Shareholders of holding company		(160,811)	556,285
Minority interest		26,029	3,273
Earnings per share losses	43		
Basic earnings per share		(0.0033)	0.0113
Basic earnings diluted		(0.0033)	0.0113

Consolidated Statement of Comprehensive Income

Amount in Euro			
Description	**Note**	**30/06/2017**	**30/06/2016**
Profit for the year		**(134,782)**	**559,558**
Other gains (losses) total will not subsequently be reclassified in profit (loss)			
Profit (loss) Actuarial effect of IAS 19		326,667	
Tax effect of changes		(78,401)	
Total other comprehensive income (loss) will not subsequently be reclassified in profit (loss)	**14**	**248,266**	**0**
Other gains (losses) total that will be subsequently reclassified to profit (loss) for the period we			
Change in translation reserve		(245,315)	263,164
Profit (loss) on cash flow hedge derivatives			(41,618)
Total other comprehensive income (loss) that will subsequently be reclassified in profit (loss)	**14**	**(245,315)**	**221,546**
NET COMPREHENSIVE INCOME FOR THE PERIOD		**(131,831)**	**781,104**
attributable to:			
Group		(79,484)	635,200
Minority interest		(52,347)	145,904

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 01/01/2014	**26,979,658**	**(636,787)**	**18,081,738**	**2,907,138**	**3,312,804**	**11,718,309**	**5,975,474**	**2,855,879**	**71,194,213**	**1,906,914**	**69,287,299**
Reclassification previous year's profit to previous year's profit					248,866	4,728,440	(2,121,427)	(2,855,879)	0		0
Purchase of own shares		(477,128)				(196,798)			(673,926)		(673,926)
Other movements (sales / use treasury shares)		544,526				432,264			976,790		976,790
Changes in consolidated companies						301,651	(1,033,224)		(731,573)	(340,570)	(391,003)
Components of comprehensive income											
Profit (loss for the period)								3,037,163	3,037,163	(464,197)	3,501,360
Effects of applying IAS 19							(805,832)		(805,832)	(9,875)	(795,957)
Translation reserve						(270,895)			(270,895)	(132,436)	(138,459)
Total income (loss) for the year Overall									**1,960,436**	**(606,508)**	**2,566,944**
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**
Reclassification previous year's profit to previous year's profit						(1,908,465)	4,746,534	(2,838,069)	0		-
							842		842		842
							(54,927)		(54,927)	(27,239)	(27,688)
Components of comprehensive income											
Profit (loss for the period)								(134,782)	(134,782)	26,029	(160,811)
Effects of applying IAS 19						248,266			248,266	2,229	246,037
Translation reserve						(245,315)			(245,315)	(80,606)	(164,709)
Total income (loss) for the year Overall									**(131,831)**	**(52,347)**	**(79,484)**
Balance at 30/06/2017	**26,979,658**	**(1,824,759)**	**18,081,738**	**2,907,138**	**3,931,382**	**18,673,753**	**6,938,506**	**(134,782)**	**75,552,634**	**914,775**	**74,637,859**

Consolidated Cash Flow Statement

Amount in Euro	NOTE	30.06.2017	30.06.2016
	44		
Operating activities:		(1)	(1)
Profit (loss)	42	(134,782)	559,558
Amortisation, depreciation and provisions		1,785,457	2,029,606
Provision for Severance Pay Fund		2,122,138	1,931,196
Advances/Payments Severance Pay		(2,493,964)	(2,155,339)
Cash flow arising from operating activities		**1,278,849**	**2,365,021**
Increase/Decrease in net working capital:			
Variation in stock and payments on account		(3,161,159)	(2,246,266)
Variation in receivables to customers		(1,134,837)	3,398,678
Variation in other accounts receivable		943,308	(2,318,642)
Variation in payables to suppliers		1,304,164	1,128,407
Variation in payables to parent/subsidiary/associated company			465,930
Variation in tax and social security liabilities		(654,101)	(2,563,978)
Variation in other accounts payable		5,607,576	6,388,140
Cash flow arising (used) from current assets and liabilities		**2,904,951**	**4,252,269**
Cash flow arising (used) from current activities		**4,183,800**	**6,617,290**
Investment activities:			
Variation in tangible assets		(389,985)	(309,853)
Variation in intangible assets		(1,547,332)	(688,709)
Variation in financial assets		(8,513)	(150,446)
Purchase of minority interests		(1,481)	
Cash flow arising (used) from investment activities		**(1,947,311)**	**(1,149,008)**
Financial activities:			
Changes in financial assets not held as fixed assets		20,285	263,351
Changes in fair value of derivatives			(41,618)
Capital increase			(585,154)
Dividend paid		(54,927)	(1,044,775)
Variation shareholdres' equity		(242,991)	301,723
Cash flow arising (used) from financial activities		**(277,633)**	**(1,106,473)**
Increase (decrease) in cash		**1,958,856**	**4,361,810**
Banks / funds / securities and other financial assets at the beginning of the year		17,852,802	8,565,365
Banks / cash and other financial liabilities at the beginning of the year		(56,188,359)	(46,631,913)
Banks / funds / securities and other financial assets at end of period		17,805,864	19,101,942
Banks / cash and other financial liabilities at end of period		(54,182,565)	(52,806,681)
Increase (decrease) in liquidity		**1,958,856**	**4,361,810**
(1) including taxes and interest paid in the period		1,391,120	1,115,433

Explanatory notes

Introduction

This Half-year Financial Report as at 30 June 2017 was drafted in compliance with art. 154-ter of Legislative Decree 58/1998 and subsequent amendments, as well as the Issuer Regulation issued by Consob. This report was prepared in observance of the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union and was drafted according to IAS 34 - Interim financial reporting.

Accounting policies and valuation criteria

General information

The condensed half-year consolidated financial statements as at 30 June 2017 were drafted in accordance with art. 154-ter of Legislative Decree 58/98, as well as the relevant Consob provisions and according to the provisions of IAS 34 - Interim financial reporting. In particular, they were prepared in condensed form as at 30 June 2017 and do not show all the information and notes required for annual consolidated financial statements and must, therefore, be read together with the annual consolidated financial statements as at 31 December 2016, available on the website www.expriva.it in the “Investor Relation” section under “Corporate Information”.

The condensed half-year consolidated financial statements include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders’ equity, the cash flow statement and these explanatory notes, in line with the requirements of IFRS.

On 4 August 2017, the Board of Directors approved the condensed half-year consolidated financial statements and made these available to the public and to Consob, according to the methods and terms set forth in the applicable legislative and regulatory provisions.

Drafting and presentation criteria

The consolidation principles, accounting policies and valuation criteria are the same as those adopted to prepare the consolidated financial statements as at 31 December 2016, to which explicit reference should be made, with the exception of the information outlined in the next paragraph.

The valuation and measurement policies are based on the IFRS standards in effect as at 30 June 2017 and approved by the European Union.

The table below shows the IFRS/Interpretations approved by IASB and approved for adoption by Europe, effective after 4 August 2017.

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 November 2016	29 October 2016	Exercises beginning on or after 1 January 2018	01 January 2018

IFRS 9 - 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:

- amend the classification and measurement model for financial assets;
- introduce the concept of expected credit losses amongst the variables to be considered in the valuation and write-down of financial assets;
- amend regulations on hedge accounting.

The new standard must be applied as of 1 January 2018.

The Group is assessing the possible effects of the introduction of the new standard, of which it will not be possible to provide a reasonable estimate until the detailed analysis is completed.

IFRS 15 - IFRS 15 “Revenue from contracts with customers” is meant to replace IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The standard establishes a new model for the recognition of revenue that will apply to all contracts entered into with customers with the exception of those subject to the application of other IAS/IFRS standards (leases, insurance contracts and financial instruments). The fundamental steps for accounting for revenue in accordance with the new model are:

- identify the contract with the customer
- identify the performance obligations of the contract
- determine the price
- allocate the price to the performance obligations
- recognise revenue upon satisfaction of each performance obligation.

The new standard must be applied as of 1 January 2018.

The Exprivia Group has initiated a project to identify the effects of the adoption of the new standard in terms of accounting and process impacts. Although the project is still in a phase in which it is not possible to identify quantitative effects, the analysis conducted to date highlights the following main areas impacted:

- requirements for the identification of the performance obligations in contracts
- identification of contractual clusters
- revenues relating to licences, usage rights and access rights
- identification of the implicit financial effects in the case of long-term contracts with significant financial components
- recording and recognising revenues for after-sale services and guarantees
- capitalisation of cost principal contracts with agents.

IFRS/interpretations approved by the IASB and not approved in Europe

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 adoption in Europe at the date of 4 August 2017.

Description	EFFECTIVE DATE PROVIDED BY PRINCIPLE
IFRS 17 Insurance Contracts (issued 18 May 2017)	Periods beginning on or after Junary 1, 2021
IFRS 14 rgulatory deferral accounts (issued on 30 January 2014)	Periods beginning on or after Junary 1, 2016
IFRS 16 Leases (issued on 13 January 2016)	Periods beginning on or after Junary 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	Periods beginning on or after Junary 1, 2019
Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an Investor and its associate or joint venture (issued on 11 September 2014)	He was different, waiting for definition
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)	Periods beginning on or after Junary 1, 2017
Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)	Periods beginning on or after Junary 1, 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	Periods beginning on or after Junary 1, 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	Periods beginning on or after Junary 1, 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	Periods beginning on or after Junary 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	Periods beginning on or after Junary 1, 2017/2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	Periods beginning on or after Junary 1, 2018
Amendments to IAS 40: Transfers of Investmenty Property (issued on 8 December 2016)	Periods beginning on or after Junary 1, 2018

With the publication of the new accounting standard IFRS 16 “Leases”, the IASB replaced the accounting rules laid out in IAS 17, requiring all leasing contracts to be recognised in the balance sheet as assets and liabilities whether they are “finance” or “operating”.

With reference to IFRS 16, the Exprivia Group is working on an analysis to determine the impacts on its consolidated financial statements and to identify suitable solutions in its IT systems. For an initial estimate of the extent of the impacts expected from the adoption of IFRS 16, please refer to note 12 “Commitments, risks, uncertainties and contingent liabilities”, which addresses future commitments for operating lease fees.

With reference to the other standards and interpretations, their adoption is not expected to not have any material impact on the valuation of the Group’s assets, liabilities, costs and revenues.

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).

It should also be noted that certain valuation processes, in particular the more complex ones such as the determination of any impairment of non-current assets, are generally only fully carried out at the time of drafting of the annual financial statement, when all the necessary information is available, except cases in which there are indicators of impairment which call for an immediate impairment assessment.

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 account 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 30 JUNE 2017	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	2,419					2,419
Derivative financial instruments			35			35
Investments in other companies		168				168
Other non-current assets	1,768					1,768
Total no current assets	**4,187**	**168**	**35**	**-**	**-**	**4,390**
Current assets						
Trade receivables	71,774					71,774
Other financial assets	986				466	1,452
Cash	13,881					13,881
Total Current assets	**86,642**	**-**		**-**	**466**	**87,108**
TOTAL	**90,828**	**168**	**35**	**-**	**466**	**91,497**

LIABILITIES 'FINANCIAL AT 30 JUNE 2017	Loans and borrowings "amortized cost"	Investments held to maturity "amortized cost"	Derivative financial instruments "financial liabilities 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 liabilities						
Bond	922					922
Due to banks	24,936					24,936
Other financial liabilities	736					736
Hedging derivative financial instruments				13		13
Other non-current liabilities	3,482					3,482
Total Non Current liabilities	**30,076**	**-**	**-**	**13**	**-**	**30,089**
Current liabilities						
Trade payables and advances	23,430					23,430
Other financial liabilities	1,315					1,314.59
Due to banks	24,337					24,337
Bond	1,683					1,682.63
Other current liabilities	41,373					41,373
Total Current liabilities	**92,137**	**-**	**-**	**-**	**-**	**92,137**
TOTAL	**122,214**	**-**	**-**	**13**	**-**	**122,227**

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 and those available-for-sale 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 30 June 2017 include the equity, economic and financial situations of the Holding Company Exprivia S.p.A. and subsidiaries, and did change with respect to 31 December 2016.

The table below shows the companies under consolidation; 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 and Advanced Computer Systems D-Gmbh, which are controlled indirectly:

Company	REFERENCE MARKET
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

With reference to Exprivia Do Brasil Servicos de Informatica Ltda, please note that on 30 March 2017 Exprivia SpA acquired 0.08% of the share capital of the subsidiary company from a minority shareholder for about Euro 1.5 thousand, bringing its equity investment to 52.30%. The value of the shareholders' equity acquired is equal to around Euro 1.6 thousand.

The main data on the aforementioned subsidiaries consolidated using the line-by-line method are provided below (as at 30 June 2017).

Company	H.O.	Company capital	Results for period	Net worth	Total revenues	Total Assets	% of holding
Advanced Computer Systems Srl	Roma	2,801,307	(127,859)	2,696,978	4,525,039	20,678,474	100.00%
Advanced Computer Systems D- Gmbh	Offenbach (Germania)	25,000	12,245	66,433	259,103	162,050	100.00%
Consorzio Exprivia S.c.a.r.l	Milano	20,000	(2,164)	18,482	0	20,535	100.00%
Exprivia ASIA Ltd	Hong Kong	329,843	(39,776)	15,583	0	432,683	100.00%
Exprivia It Solutions (Shanghai) Ltd	Shanghai (Cina)	223,558	(36,438)	(99,864)	497,077	717,140	100.00%
Exprivia Enterprise Consulting Srl	Milano	1,500,000	(1,976,902)	17,075	3,109,879	5,844,207	100.00%
Exprivia Healthcare IT Srl	Trento	1,982,190	45,237	10,877,679	10,506,986	25,094,366	100.00%
Exprivia Process Outsoursing Srl	Palermo	100,000	(215,447)	100,000	2,840,282	1,507,144	100.00%
Exprivia Do Brasil Servicos Ltda	Rio de Janeiro (Brasile)	1,566,666	91,465	1,761,789	702,383	2,129,677	52.30%
Exprivia Projects Srl	Roma	242,000	178,812	469,041	3,130,746	2,185,831	100.00%
Exprivia Telco & Media Srl	Milano	1,200,000	(273,157)	941,567	10,642,782	14,291,832	100.00%
Succursal Ecuador de Exprivia SLU	Quito (Ecuador)	8,763	(2,507)	(3,369)	-	2,502	100.00%
Exprivia SLU	Madrid (Spagna)	197,904	(139,643)	766,881	1,074,170	8,961,192	100.00%
ProSap Centroamerica SA	Città del Guatemala (Guatemala)	573	(10,211)	231,016	332,249	1,271,069	100.00%
ProSap Sa de CV	Città del Messico (Messico)	2,429	(131,213)	(975,125)	1,324,384	4,898,599	100.00%
ProSap Perà SAC	Lima (Perù)	203,081	(289)	17,713	-	35,093	100.00%
Exprivia Digital Financial Solution Srl	Milano	1,586,919	1,470,427	11,782,609	12,834,974	23,694,698	100.00%
Spegea Sc a rl	Bari	125,000	(43,999)	186,004	517,730	1,379,737	60.00%

The primary exchange rates used for conversion into euro of the financial statements of foreign companies for 30 June 2017 were as follows:

VALUTE	EUR/GTQ	EURO/MXN	EURO/PEN	EURO/USD	EURO/BRL	EURO/HKD	EURO/CNY
30/06/2017	8.3716	20.5839	3.7098	1.1412	3.7600	8.9068	7.7385
Average half 2017	7.9954	21.0280	3.5456	1.0825	3.4393	8.4159	7.4417

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

The Group has changed its internal organisational structure considering the increase in synergies amongst the various sectors and the greater orientation towards planning and monitoring business results from a group perspective. This has entailed the combination of all reportable segments previously identified into a single reportable segment.

As required by IFRS 8 (paragraph 32-34) information regarding revenues by type of product and service as well as revenues by customer type, public or private, and by geographical area, is provided below.

Gruppo Exprivia (valori in k Euro)	30/06/2017	30/06/2016	Variazioni	Variazioni%
Projects and Services	63,725	56,917	6,808	12.0%
Maintenance	6,789	6,522	267	4.1%
HW/ SW third parties	2,091	1,354	737	54.4%
Own licences	732	557	175	31.4%
Other	418	318	100	31.4%
Total	**73,755**	**65,668**	**8,087**	**12.31%**

Gruppo Exprivia (valori in k Euro)	30/06/2017	Incidenza%	30/06/2016	Incidenza %	Variazioni%
Private	62,444	84.7%	51,293	78.1%	21.7%
Public	11,311	15.3%	14,375	21.9%	-21.3%
TOTALI	**73,755**		**65,668**		**12.31%**

Gruppo Exprivia (valori in k Euro)	30/06/2017	Incidenza %	30/06/2016	Incidenza %	Variazioni%
Italy	65,905	89.4%	60,282	91.8%	9.3%
Abroad	7,850	10.6%	5,386	8.2%	45.7%
TOTALI	**73,755**		**65,668**		**12.31%**

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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 15,734,195 as at 30 June 2017 compared to Euro 16,041,232 at 31 December 2016.

Categories	Historical cost 01/01/17	Inc.	Dec.	Historical cost at 30/06/2017	Reserve prov. at 01/01/17	Provision for period	Dec.	Cum. prov. 30/06/17	Net value at 30/06/17
Land	1,336,394	-	-	1,336,394	-	-	-	-	1,336,394
Buildings	17,122,680	-	(123,216)	16,999,464	(4,589,082)	- 263,629	33,093	(4,819,618)	12,179,846
Others	19,049,008	355,041	(279,513)	19,124,536	(16,877,768)	- 433,394	249,776	(17,061,386)	2,063,151
Fixed assets in progress	-	154,804	-	154,804	-	-	-	-	154,804
TOTAL	**37,508,082**	**509,845**	**(402,729)**	**37,615,198**	**(21,466,850)**	**(697,022)**	**282,869**	**(21,881,003)**	**15,734,195**

The increase in “**other assets**”, totalling Euro 355,041, refers almost exclusively to purchases of electronic office equipment (of which Euro 89,688 acquired under lease).

Please note that “work in progress” relates to plant engineering work carried out for the leased property housing the Palermo offices of the subsidiary Exprivia Process Outsourcing Srl.

The decreases relate primarily to the transfer of assets to important customers in the Healthcare market, in relation to the conclusion of contracts following which contractual provision was made for the acquisition of the aforementioned assets by said customers.

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).

It should be mentioned that the net book value of assets under finance lease amounted to 1,325,377 and pertains to electronic office equipment for Euro 126,616, furniture and furnishings for Euro 334,351 and land and buildings for Euro 864,410. It should also be noted that minimum future payments within one-year amount to Euro 116,988, while those due in one to five years amount to Euro 725,563.

2 - Goodwill and other assets with an indefinite useful life

The item “**goodwill and other assets with an indefinite useful life**” amounted to Euro 67,354,020 as at 30 June 2017 compared to Euro 67,428,110 at 31 December 2016.

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.

In consideration of the increase in synergies between the different CGUs previously identified and the greater tendency of the Group to plan and monitor business results from a more unitary perspective, as witnessed by the project for the merger by incorporation of the main Italian subsidiaries, we have moved to a simplified CGU model that is more representative of the company's current situation, obtained by combining the previous CGUs within a single CGU corresponding to the Group.

Therefore, goodwill is allocated in full to the Exprivia Group CGU.

3 - Other intangible assets

The item **Other intangible assets** amounted to Euro 11,732,415 at 30 June 2017 (net of amortisation) compared to Euro 11,615,640 at 31 December 2016.

The table below provides a summary of the item.

Categories	Historic cost 01/01/17	Increases at 30/06/17	Dec. al 30/06/17	Total historic cost at 30/06/17	Deprec. fund at 01/01/17	Deprec. quota for period	Decreases	Cumulated deprec. 30/06/17	Net value at 30/06/17
Cost of plant and extension	10,390,713	261,114	(18,196)	10,633,632	(6,278,122)	(427,850)	9,279	(6,696,693)	3,936,939
Development of advertising	20,739,377	692,622	0	21,431,998	(16,550,981)	(1,001,944)	0	(17,552,924)	3,879,074
Assets under constr. & payment on a/c	3,314,652	601,750	0	3,916,402	0	0	0	0	3,916,402
TOTAL	**34,444,742**	**1,555,486**	**(18,196)**	**35,982,032**	**(22,829,102)**	**(1,429,794)**	**9,279**	**(24,249,617)**	**11,732,415**

The increase in the item **"costs for capitalised internal projects"** is mainly due to the development of software applications in the Banking & Finance, Healthcare and Defence & Aerospace markets.

It should be noted that the item "**work in progress**" relates to "costs for capitalised internal projects" as a result of projects that have not yet entered into production.

4 - Equity investments

The item "**equity investments**" as at 30 June 2017 amounted to Euro 167,661 compared to Euro 167,561 at 31 December 2016.

The composition of equity investments is described below.

Equity investments in other companies

The item "**equity investments in other companies**" as at 30 June 2017 amounted to Euro 167,661 compared to Euro 167,561 at 31 December 2016.

The table below provides details on the items:

Description	30/06/2017	31/12/2016	Variation
Ultimo Miglio Sanitario	2,500	2,500	0
Certia	516	516	0
Conai	9	9	0
Software Engineering Research	12,000	12,000	0
Consorzio Biogene	3,000	3,000	0
Consorzio DARe	1,000	1,000	0
Consorzio DHITECH	17,000	17,000	0
H.BIO Puglia	12,000	12,000	0
Consorizio Italy Care	10,000	10,000	0
Consorzio DITNE	5,583	5,583	0
SELP	0	0	0
Consorzio Daisy-Net Partecipation	13,939	13,939	0
Cattolica Popolare Soc. Cooperativa	23,491	23,491	0
Banca di Credito Cooperativo	0	0	0
Innoval Scarl	2,500	2,500	0
Partecipazione Consorzio SILAB-Daisy	7,347	7,347	0
ENFAPI CONFIND Partecipation	1,033	1,033	0
Moda Mediter Partecipation	0	0	0
Partecipazione Consorzio GLOCAL ENABLER	2,000	2,000	0
Consorzio Campus Virtuale	0	0	0
Consorzio CLIO COM	0	0	0
Centro di Competenza ICT	0	0	0
Consorzio Heath Innovation HUB/Consorzio Semantic Valley	3,000	2,900	100
Cefriel Scarl	33,000	33,000	0
Consorzio Semantic Valley	0	0	0
Consorzio Azimut	2,000	2,000	0
Banca di Credito Cooperativo di Roma	8,773	8,773	0
Consorzio Createc	6,971	6,971	0
TOTAL	**167,661**	**167,561**	**100**

5 - Other non-current financial assets

Receivables from Parent Companies

The balance of the item "**receivables from parent companies**", amounting to Euro 2,196,440 as at 30 June 2017, compared to Euro 2,596,910 at 31 December 2016, 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 for a total of Euro 2,985,338 was disbursed in the form of Euro 1,680,000 in cash and Euro 1,305,338 through the reclassification of payables outstanding as at 31 December 2015. The loan term has been established as 7 equal deferred annual instalments. The change of Euro 400,470 relates to the amount reclassified from the item "receivables from parent companies" to "other financial assets" for the instalment due on 4 April 2018 (note 11).

Other Receivables

As at 30 June 2017, "**other receivables**" amounted to Euro 222,747, compared to Euro 209,659 at 31 December 2016. The change is shown in the table below.

Description	30/06/2017	31/12/2016	Variation
Long term deposit	222,747	201,736	21,011
Financial recivables	0	7,923	(7,923)
TOTAL	**222,747**	**209,659**	**13,088**

Derivative financial instruments

The balance of the item "**derivative financial instruments**" amounted to Euro 34,568 as at 30 June 2017, unchanged with respect to 31 December 2016. It relates to the following derivative instruments.

Contract	Date Operation	Initial Date	Expiration Date	Value	Amount of Reference	Fair 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 -	09/05/2016	30/06/2017	30/12/2022	EUR	4,900,000	13,316
TOTALI					**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.

6 - Non-current tax receivables

The balance of the item "**non-current tax receivables**" as at 30 June 2017 amounted to Euro 1,767,528 compared to Euro 1,772,942 at 31 December 2016 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 2,965,167 as at 30 June 2017 compared to Euro 2,943,418 at 31 December 2016, 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	30/06/2017		31/12/2016	
	Amount temporary differ	tax effect	Amount temporary differ	tax effect
Depreciation	153,592	36,862	97,549	23,412
Goodwill	42,015	11,878	42,015	11,878
Allowance for doubtful accounts	2,691,790	646,810	2,691,790	646,810
Fund risks	722,447	220,533	706,361	215,450
Wip	65,529	15,727	65,529	15,727
Tax losses	6,530,982	1,715,722	6,738,143	1,702,558
Adjustments for IFRS	535,558	131,574	678,249	165,819
Others	703,967	186,061	616,253	161,764
TOTAL	**11,445,880**	**2,965,167**	**11,635,889**	**2,943,418**

CURRENT ASSETS

8 - Trade receivables and others

Trade Receivables

As at 30 June 2017, the item “**trade receivables**” amounted to Euro 60,394,074 (net of the bad debts provision) compared to Euro 59,422,457 at 31 December 2016.

The following table provides details on the item as well as a comparison with 31 December 2016.

Description	30/06/2017	31/12/2016	Variation
To Italian customers	44,527,712	42,454,697	2,073,015
To foreign customers	12,685,679	12,908,505	(222,826)
To public bodies	6,983,151	7,957,434	(974,283)
S-total receivables to customers	**64,196,542**	**63,320,636**	**875,906**
Less: provision for bad debts	(3,802,468)	(3,898,179)	95,711
Total receivables to customers	**60,394,074**	**59,422,457**	**971,617**

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

Details	30/06/2017	31/12/2016	Variation
To third parties	48,630,137	51,725,262	(3,095,125)
Invoices for issue to third parties	15,566,405	11,595,374	3,971,031
TOTAL	**64,196,542**	**63,320,636**	**875,906**

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		
48,630,137	24,256,522	24,373,615	3,866,382	1,229,873	2,255,030	574,519	2,279,080	1,345,438	489,280	12,334,012	3,802,468	44,827,669
100.0%	50%	50%	8%	3%	5%	1%	5%	3%	1%	25%	0.0%	

Other Receivables

As at 30 June 2017, the item "**other receivables**" amounted to Euro 8,848,121 compared to Euro 9,527,989 at 31 December 2016.

The table below provides the detailed breakdown.

Description	30/06/2017	31/12/2016	Variation
Receivables for contrib.	4,462,687	5,476,330	(1,013,643)
Receivables to s/holders for holdings/spin-offs	0	19,109	(19,109)
Advances to suppliers for services	241,700	185,476	56,224
Sundry credits	751,089	501,773	249,316
Receivables to factoring	4,356	96,506	(92,150)
Receivables to welfare institutes/INAIL	214,760	232,074	(17,314)
Receivables to employees	76,667	81,453	(4,786)
Guaranteed securities	18,785	20,373	(1,588)
Costs in future years expertise	3,078,077	2,914,895	163,182
TOTAL	**8,848,121**	**9,527,989**	**(679,868)**

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 3,078,077 mainly refers to maintenance costs for future reporting periods.

Tax Receivables

As at 30 June 2017 the item "**tax receivables**" amounted to Euro 2,531,987, compared to Euro 2,796,038 as at 31 December 2016. The table below provides a breakdown.

Description	30/06/2017	31/12/2016	Variation
Receivables to tax a/c - IRES	479,236	185,706	293,530
Receivables to tax a/c - IRAP	275,296	360,376	(85,080)
Tax authority w/holding taxes on interest income	8,097	1,320	6,777
Tax authority deductions on foreign payments	229,511	217,427	12,084
Credits to tax authority for VAT	682,693	689,243	(6,550)
Credits with tax authority	837,606	1,321,621	(484,015)
Advanced Tax Credits	19,548	20,344	(796)
TOTAL	**2,531,987**	**2,796,038**	**(264,051)**

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 937,828 as at 30 June 2017 compared to Euro 1,019,248 at 31 December 2016 and refer to software and hardware purchased and destined to be resold in future periods.

10 – Contract work in progress

"**Contract work in progress**" amounted to Euro 18,876,216 as at 30 June 2017 compared to Euro 15,652,180 at 31 December 2016 and refers to the percentage of completion of contracts in progress.

11 – Other current financial assets

Other Receivables

As at 30 June 2017, "**other receivables**" amounted to Euro 566,215, compared to Euro 1,572,833 at 31 December 2016 and refers to receivables due from leading factoring companies and relating to contracts without recourse.

Receivables from Parent Companies

As at 30 June 2017, the balance of "**receivables from parent companies**" amounted to Euro 420,221 compared to Euro 469,678 at 31 December 2016 and related to the current portion of the Holding Company's financial receivable due from the parent company Abaco Innovazione SpA (Euro 400,470) and receivables primarily for interest accrued on the same financial receivable (Euro 19,751).

12 - Cash at bank and on hand

The item "**cash at bank and on hand**" amounted to Euro 13,881,133 at 30 June 2017 compared to Euro 12,494,933 at 31 December 2016 and refers to Euro 13,849,036 held at banks and Euro 32,097 in cheques and cash in hand.

The bank balance includes secured deposits for guarantees (Euro 450 thousand) given to two banks and Euro 275 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 465,756 as at 30 June 2016, compared to Euro 462,748 at 31 December 2016. It relates mainly to financial instruments issued by Banca Popolare di Bari, more specifically:

- 33,427 newly issued shares of said bank for an amount of Euro 7.5 each, totalling Euro 250,702.50
- 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).

14 - SHAREHOLDERS' EQUITY

14 - Share capital

"**Share Capital**", fully paid up, amounted to Euro 25,154,899 and did not change compared to 31 December 2016; it 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 at 30 June 2017 for a value of Euro 1,824,760, which did not change compared to 31 December 2016.

14 - Share premium reserve

As at 30 June 2017 the "**share premium reserve**" amounted to Euro 18,081,738 and is the same as at 31 December 2016.

14 - Revaluation reserve

As at 30 June 2017 the "**revaluation reserve**" amounted to Euro 2,907,138 and is the same as at 31 December 2016.

14 - Legal reserve

The **legal reserve** amounted to Euro 3,931,382 and is the same as at 31 December 2016.

14 - Other reserves

The balance of the item "**other reserves**" amounted to Euro 18,673,753 as at 30 June 2017 compared to Euro 20,579,266 at 31 December 2016 and consists of:

- Euro 19,301,316 for the "**extraordinary reserve**" compared to Euro 17,363,657 at 31 December 2016. The changes that took place can be attributed to the allocation of the 2016 loss for the year (Euro 1,908,465) as resolved by the shareholders' meeting of Exprivia SpA on 27 April 2017, and the effect of the definitive release of the "Puglia Digitale Project Reserve" (Euro 3,846,124);

- Euro -627,563 “**other reserves**” compared to Euro -630,515. The movements in the first half of 2017 related:
    - to the positive effect of Euro 248,266 on shareholders' equity of actuarial gains and losses deriving from the adoption of IAS 19;
    - the negative effect of the change in the currency translation reserve, for Euro 245,315.

14 - Profit/loss related to previous periods

The reserve for **profit/loss related to previous periods** as at 30 June 2017 came to Euro 6,938,506 compared to Euro 2,246,057 at 31 December 2016. It changed as follows compared to the previous year:

- by Euro 4,746,534 due to the allocation of the result from the previous year;
- by Euro -54,927 due to the distribution of dividends to a former shareholder of Exprivia do Brasil Servicos de Informatica Ltda;
- by Euro 842 due to the acquisition by Exprivia SpA of 0.08% of Exprivia do Brasil Servicos de Infomatica Ltda.

NON-CURRENT LIABILITIES

15 - Bond issues

As at 30 June 2017 the balance amounted to Euro 922,087 compared to Euro 1,839,297 at 31 December 2016 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 Relation”.

16 - Non-current payables to banks

At 30 June 2017, the item “non-current payables to banks” amounted to Euro 24,936,450 compared to Euro 24,624,683 at 31 December 2016, 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 24,936,450) and the current portion (Euro 18,636,012) of the payable.

Financial Institute		Contract amount	Amount paid 30.06.2017	Date contract	Expiration date			Residual capital 30.06.2017	To be repaid within 12 months	To be repaid over 12 months
Ministero dello Sviluppo Economico	Finanziamento	2,019,162	2,019,162	27/12/2009	27/02/2019	annuale	0.87%	692,946	228,984	463,962
Monte dei Paschi di Siena	Finanziamento	2,000,000	2,000,000	13/04/2017	30/09/2018	mensile	Euribor + 1,75%	1,987,034	1,558,462	428,571
Intesa San Paolo	Finanziamento	2,000,000	2,000,000	06/12/2016	06/12/2017	mensile	Euribor + 2,3%	1,004,019	1,004,019	
Banca Nazionale del Lavoro	Finanziamento	25,000,000	25,000,000	01/04/2016	31/12/2022	semestrale	Euribor + 2,4%	20,821,787	3,735,806	17,085,981
ICCREA Banca Impresa	Mutuo	3,000,000	3,000,000	26/05/2017	31/10/2018	mensile	Euribor + 2,9%	2,810,849	2,093,889	716,960
ICCREA Banca Impresa	Finanziamento	1,020,000	1,020,000	18/07/2013	30/09/2018	trimestrale	Euribor+ 3,80%	274,577	218,550	56,027
Simest	Finanziamento	1,955,000	1,198,063	19/04/2013	19/04/2020	semestrale	0.50%	724,573	245,347	479,226
Banca del Mezzogiorno	Finanziamento	3,500,000	3,500,000	23/06/2017	23/06/2027	trimestrale	Euribor + 2,75%	3,471,423	321,423	3,150,000
Ubi Banca	Finanziamento	1,500,000	1,500,000	25/05/2017	25/11/2018	mensile	Euribor + 1.8%	1,411,488	990,743	420,745
Banca Popolare di Milano	Finanziamento	1,000,000	1,000,000	06/06/2017	31/12/2017	mensile	Euribor + 1,75%	998,624	998,624	0
Deutsche Bank	Finanziamento revolving	500,000	500,000	10/11/2016	09/08/2017	unica rata	Euribor+ 1,0%	502,030	502,030	0
Deutsche Bank	Finanziamento	1,500,000	1,500,000	15/02/2016	16/08/2017	mensile	Euribor + 0,80%	166,341	166,341	0
Banca Popolare Puglia e Basilicata	Finanziamento revolving	2,000,000	2,000,000	24/03/2017	a revoca	unica rata	Euribor + 2,4%	2,005,156	2,005,156	0
Credito Emiliano	Finanziamento	1,700,000	1,700,000	13/06/2016	31/08/2017	annuale	Euribor+ 1,38%	1,700,000	1,700,000	0
Banca Popolare di Bari	Finanziamento	500,000	500,000	04/12/2014	31/12/2019	trimestrale	Euribor + 2,20% *	101,167	101,167	156,557
Credito Emiliano	Finanziamento	700,000	700,000	13/06/2016	31/08/2017	annuale	Euribor+ 1,38%	702,683	702,683	0
Deutsche Bank	Finanziamento revolving	500,000	500,000	10/11/2016	10/05/2017	unica rata	Euribor+ 1,0%	498,716	498,716	0
Ministero dello Sviluppo Economico	Finanziamento	863,478	863,478	14/09/2016	17/11/2025	annuale	0.31%	793,336	793,336	798,291
Credito Emiliano	Finanziamento	600,000	600,000	13/06/2016	31/08/2017	annuale	Euribor+ 1,38%	300,000	300,000	
Banca di Credito Cooperativo di Roma	Mutuo	287,848	287,848	20/06/2013	30/09/2018	trimestrale	0.50%	72,637	58,073	14,564
Banca di Credito Cooperativo di Roma	Mutuo	287,848	287,848	20/06/2013	30/09/2018	trimestrale	Euribor+ 5,25%	79,447	63,123	16,324
Banca di Credito Cooperativo di Roma	Mutuo	87,152	87,152	30/08/2013	30/09/2018	trimestrale	0.50%	22,036	17,583	4,453
Banca di Credito Cooperativo di Roma	Mutuo	87,152	87,152	30/08/2013	30/09/2018	trimestrale	Euribor+ 5,75%	24,268	19,270	4,999
Banca di Credito Cooperativo di Roma	Mutuo	1,130,000	1,130,000	11/08/2014	31/10/2019	mensile	Euribor+ 4,25%	565,657	232,330	333,327
Banca del Mezzogiorno	Finanziamento	929,129	232,282	16/02/2017	30/06/2026	semestrale	0.80%	232,282	0	232,282
Banco de Santander	Finanziamento	120,000	120,000	08/07/2014	08/07/2017	mensile	3.29%	3,333	3,333	0
Banco de Santander	Finanziamento	571,000	571,000	28/07/2016	28/08/2018	mensile	5.00%	319,760	274,080	45,680
Banco de Santander	Finanziamento	150,000	150,000	17/04/2017	17/07/2017	mensile	4.95%	33,830	33,830	0
Banco Popular	Finanziamento	100,000	100,000	20/10/2014	20/11/2017	mensile	4.22%	14,655	14,655	0
Banco Popular	Finanziamento	100,000	100,000	26/10/2015	26/10/2018	mensile	4.50%	46,111	34,324	11,788
Banco Popular	Finanziamento	300,000	300,000	25/02/2015	25/02/2020	mensile	Euribor + 1,2%	155,848	55,224	100,624
Banco Popular	Finanziamento	100,000	100,000	25/04/2012	10/05/2019	mensile	Euribor + 1,7%	31,138	14,933	16,205
Banco Popular	Finanziamento	60,000	60,000	09/09/2014	20/10/2017	mensile	Euribor + 1,5%	7,119	7,119	0
Banco Popular	Finanziamento	610,000	610,000	29/07/2016	29/07/2021	mensile	6.75%	512,899	113,015	399,884
Deutsche Bank	Finanziamento	290,000	290,000	06/10/2015	06/10/2017	mensile	Euribor + 2%	74,742	74,742	0
Totale								**43,162,512**	**19,180,910**	**24,936,450**

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 2.65% 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: representations and warranties, 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, and smaller ones), 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.

Date of Reference	Net Borrowing/ EBITDA	Net Borrowing/Own funds	EBITDA / Net financial charges	Investments
31.12.2016	≤ 3.7	≤ 0.8	≥ 4.0	≤ 15.9 ml
31.12.2017	≤ 5.5	≤ 1.2	≥ 3.0	≤ 38 ml
30.06.2018	≤ 5.5	≤ 1.2	≥ 3.0	≤ 38 ml
31.12.2018	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6.0 ml
30.06.2019	≤ 5.5	≤ 1.1	≥ 3.0	≤ 6.0 ml
31.12.2019	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6.0 ml
30.06.2020	≤ 5.0	≤ 1.0	≥ 3.5	≤ 6.0 ml
31.12.2020	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6.0 ml
30.06.2021	≤ 4.5	≤ 1.0	≥ 4.0	≤ 6.0 ml
31.12.2021	≤ 4.0	≤ 1.0	≥ 4.0	≤ 6.0 ml
30.06.2022	≤ 4.0	≤ 1.0	≥ 4.0	≤ 6.0 ml

These parameters calculated on a consolidated basis, with the exception of Italtel and all of its subsidiaries, 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.

At 30 June 2017, the remaining debt amounted to Euro 20,770,262, Euro 3,684,281 of which should be repaid within twelve months (carried under short-term liabilities) and the remaining Euro 17,085,981 to be repaid in 2018-2022 (carried under long-term liabilities).

The banks authorised the extraordinary Italtel transaction and the resulting review of the Financial Parameters as of 31 December 2017; due to the extended negotiations for the Transaction, a technical shortfall was created with respect to the Financial Parameters as at 30 June 2017; on the basis of the discussions held, the Company and the Banks decided in good faith that the Financial Parameters already authorised for 31 December 2016 could be extended to 30 June 2017, and therefore they were respected.

Please note that the Financial Parameters already authorised at 31 December 2016 as well as the authorised review as of 31 December 2017 for the entire life of the Loan, are less stringent than those set forth initially in the Loan Agreement.

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 30 June 2017 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.

Iccrea Banca Impresa Loan

A loan for Euro 1,020,000 stipulated by Exprivia SpA on 18 July 2013 to be repaid in quarterly instalments starting from 30/09/2013 until 30/09/2018. It is targeted at supporting international development in Brazil through the subsidiary Exprivia do Brasil. The interest rate applied is the Euribor + a 3.80% spread.

The loan 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.

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 3,500,000 resolved in favour of the holding company Exprivia SpA, entered into on 23 June 2017, to be repaid in quarterly instalments starting from 23.09.2017 until 23.06.2027. This is intended in part to fully repay the loan taken out in 2014 from the lending bank early, and in part to meet working capital requirements.

The interest rate applied is the Euribor + a 2.75% spread.

The loan in question is backed by a first mortgage on the property located in via Giovanni Agnelli no. 5 in Molfetta for a total of Euro 7 million.

It should be pointed out that, by contract the entire amount of the next two instalments were secured in a current account at 30 June 2017.

Banca Popolare di Bari Loan

A loan for Euro 500,000 stipulated by Exprivia Healthcare IT Srl to be repaid in quarterly instalments starting from 31/03/2015 until 31/12/2019.

The interest rate applied is Euribor + a 2.20% spread.

There are no real guarantees for this loan.

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 30 June 2017. 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 taken out by the subsidiary ACS Srl for Euro 1,130,000.00 stipulated 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 ACS 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 ACS 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 ACS 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 ACS Srl on 30.08.2013, to be repaid in quarterly instalments starting from 30.09.2013 until 30.09.2018.

The interest rate applied is the Euribor +5.75%.

Banca del Mezzogiorno Low-Interest Loan

The low-interest loan of Euro 929,129 taken out by the subsidiary ACS Srl on 16.02.2017, expiring on 30.06.2026, bears a below-market fixed rate of interest of 0.80%.
There are no real guarantees for this loan.

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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 30 June 2017 and at 31 December 2016.

		al 30.06.2017	al 31.12.2016
A.	Cash	32,097	39,437
B.	Other liquid funds	13,849,036	12,455,496
C 1.	Securities held for trading	465,756	462,748
C 2.	Own actions	2,547,084	2,547,084
D	**Liquid assets (A)+(B)+(C)**	**16,893,973**	**15,504,765**
E.	**Current financial receivables**	**1,005,221**	**2,061,907**
F.	Current bank debts	(14,012,078)	(20,160,209)
G.	Current portion of non-current debt	(12,007,392)	(7,193,618)
H.	Other current financial payables	(1,556,493)	(1,650,028)
I.	**Current financial debts (F) + (G) + (H)**	**(27,575,963)**	**(29,003,855)**
J.	**Net current financial debt (I) + (E) + (D)**	**(9,676,769)**	**(11,437,183)**
K.	Non-current bank debts	(24,936,450)	(24,624,683)
L.	Bonds issued	(922,087)	(1,839,297)
M.	Other non-current financial payables net of non-current financial receivables and derivative financial instruments	1,705,688	2,112,689
N.	**Non-current financial indebtedness (K) + (L) + (M)**	**(24,152,849)**	**(24,351,291)**
O.	**Net financial indebtedness (J) + (N)**	**(33,829,618)**	**(35,788,474)**

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

At 30 June 2017 the item "**other non-current financial liabilities**" amounted to Euro 748,066 compared to Euro 720,524 at 31 December 2016.

Description	30/06/2017	31/12/2016	Variation
Payables to suppliers over exercise	725,563	698,021	27,542
Debts to other lenders	10,000	10,000	0
Derivative financial instruments	12,503	12,503	0
TOTAL	**748,066**	**720,524**	**27,542**

Non-current trade payables

The balance of "**non-current trade payables**" as at 30 June 2017 came to Euro 725,563 compared to Euro 698,021 at 31 December 2016 and refers to the medium/long-term payment relating to contracts for leased assets.

Amounts payable to other lenders

The balance of "amounts payable to other lenders" as at 30 June 2017 amounted to Euro 10,000, the same as at 31 December 2016, and refers to the company ACS Srl.

Derivative financial instruments

The balance of the item "**derivative financial instruments**" as at 30 June 2017 amounted to Euro 12,503.

Contract	Date Operation	Initial Date	Expiration Date	Value	Amount of Reference	Value MtM	Fair value
IRS Payer	06/06/2016	30/06/2016	28/03/2024	EUR	2,493,948	EUR	(12,503)
TOTALI					**2,493,948**		**(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).

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 30 June 2017 amounted to Euro 2,431,304 compared to Euro 2,881,594 at 31 December 2016. They mainly refer to division into medium/long-term instalments of the expired tax liabilities pertaining to ACS Srl (Euro 2,359,434) and the the division into medium/long-term instalments of the tax payable for the years 2009-2012 (Euro 71,870), which arose following the tax settlement agreement between the subsidiary Exprivia Healthcare IT Srl and the Inland Revenue Agency.

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 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 382,350 as at 30 June 2017 compared to Euro 436,004 at 31 December 2016 and refers to the division into medium/long-term instalments of the expired pension payables attributable to ACS Srl as a result of the repayment plans obtained.

Amounts Payable to Others

The balance of “amounts payable to others” as at 30 June 2017 amounted to Euro 668,216 and refers to amounts due to employees.

20 - Provision for risks and charges

At 30 June 2017, the item “**provision for risks and charges**” amounted to Euro 301,143 compared to Euro 1,068,718 at 31 December 2016. The breakdown is shown in the table below:

Description	30/06/2017	31/12/2016	Variation
Risk fund tax dispute	0	700,000	(700,000)
Risk provisions staff	208,684	252,743	(44,059)
Provision for other risks	92,459	115,975	(23,516)
TOTAL	**301,143**	**1,068,718**	**(767,575)**

The “**provision for tax dispute risks**” was completely eliminated as the amounts recognised previously were reclassified as tax payables.

The provision referred to the company Exprivia Enterprise Consulting Srl relating to the dispute stemming from a tax audit performed in 2007 by the Inland Revenue Agency, Provincial Department of Piacenza (the “Office”) on Exprivia Enterprise Consulting (hereinafter “EEC”), formerly WellNetwork SpA

For more details, please refer to note 29 “tax liabilities”.

The “**provision for staff risks**”, amounting to Euro 208,684, decreased by Euro 44,059 compared to 31 December 2016, due to the closure of ongoing disputes as at 31 December 2016.

At 30 June 2017, the item “**provision for other risks**” amounted to Euro 92,459, a decrease of Euro 23,516 compared to 31 December 2016.

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 employee severance indemnity at 30 June 2017 amounted to Euro 9,783,682 compared with Euro 10,403,774 at 31 December 2016. The fund is net of amounts deposited in funds and the treasury. An actuarial assessment was performed on the liability in accordance with IAS 19.

Description	30/06/2017	31/12/2016
Discount rate	1.70%	1.30%
Inflation rate	1.50%	1.50%
Annual rate of wage growth	2.50%	2.50%
TFR increase rate	2.62%	2.62%
Mortality	Tav ISTAT 2011	Tav ISTAT 2011
Inability	Tav. INAIL	Tav. INAIL
Turn-over	5.50%	5.50%
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 revaluation purposes, employee severance indemnities increased, with the exclusion of the amount accrued at the close of the period, through the application of a rate comprised of a fixed 1.50% and 75% of the inflation rate recorded by ISTAT with respect to December of the previous year; taxes of 17% were due on said revaluation.

The legislation also provides the possibility of requesting a partial advance of TFR accrued when the employment relationship is still in progress.

22 - Deferred tax liabilities

The item “**provision for deferred taxes**” amounted to Euro 1,233,376 compared to Euro 1,189,221 as at 31 December 2016, and refers to allocations for temporary changes that will be reversed in subsequent financial years.

Description	30/06/2017		31/12/2016	
	Amount temporary differences	Tax effect	Amount temporary differences	Tax effect
TFR	247,934	63,123	68,820	19,310
Goodwill	1,630,664	457,587	1,630,664	457,587
Buildings	2,528,421	704,036	2,528,421	704,036
Taxes	25,658	6,158	25,658	6,158
Provision for bad credit	4,164	999	4,164	999
Adjustments for IFRS	5,374	1,473	3,949	1,131
TOTAL	**4,442,215**	**1,233,376**	**4,261,676**	**1,189,221**

CURRENT LIABILITIES

23 - Current bond issues

As at 30 June 2017 the “**current bond issue**” amounted to Euro 1,682,627 compared to Euro 1,508,246 at 31 December 2016 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 assets (note 15).

24 - Current bank debt

As at 30 June 2017, the item “**current bank debt**” amounted to Euro 24,336,843 compared to Euro 25,845,581 at 31 December 2016. Euro 18,636,012 refers to the current amount of payables for loans and mortgages (previously described under item “non-current bank debt”, note 16) and Euro 5,700,829 refers to current account overdrafts at major credit institutions.

25 - Trade payables

The item “**trade payables**” amounted to Euro 20,053,943 compared to Euro 18,816,906 at 31 December 2016; the table below provides details regarding this item:

Description	30/06/2017	31/12/2016	Variation
Invoices received Italy	11,754,764	11,699,626	55,138
Suppliers of leased assets	116,988	184,114	(67,126)
Invoices received foreing	1,651,607	996,561	655,046
Invoices to consultants	1,102,613	1,293,339	(190,726)
Invoices to be received	5,427,971	4,643,266	784,705
TOTAL	**20,053,943**	**18,816,906**	**1,237,037**

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
14,625,972	7,909,260	6,716,712	1,850,281	1,036,575	733,618	944,081	437,965	572,945	263,621	877,626
100%	54%	46%	13%	7%	5%	12%	3%	4%	3%	6%

26 - Advance payments on contract work in progress

Advance Payments

As at 30 June 2017 the item "**advance payments**" amounted to Euro 3,376,341 compared with Euro 3,394,884 at 31 December 2016 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 1,314,590 as at 30 June 2017, compared to Euro 1,285,171 at 31 December 2016; the table below provides details regarding this item:

Description	30/06/2017	31/12/2016	Variation
Payables to others	360,000	359,999	1
Paying to others	954,590	925,172	29,418
TOTAL	**1,314,590**	**1,285,171**	**29,419**

Payables for purchase of equity investments

The balance of the item "**payables for purchase of equity investments**" as at 30 June 2017 amounted to Euro 360,000 and refers to the payable for the acquisition of the ACS Srl investment in 2016.

Amounts Payable to Others

The balance of the item “amounts payable to others” amounted to Euro 954,590 as at 30 June 2017, compared to Euro 925,172 at 31 December 2016 and refers, for Euro 832,325, to payables due to factoring companies for advances received for the receivables transferred and for Euro 122,265 to advance payments on research projects.

28 - Tax liabilities

The item “**tax liabilities**” amounted to Euro 13,009,593 at 30 June 2017 compared to Euro 12,360,112 as at 31 December 2016. The table below provides details on the item compared to figures from the previous financial year.

Description	30/06/2017	31/12/2016	Variation
Payables to tax authority for VAT	2,675,302	2,926,546	(251,244)
Payables to tax authority for IRAP	205,488	588,220	(382,732)
Payables to tax authority for IRES	1,115,993	757,886	358,107
Payables to tax authority for IRPEF employees	3,932,777	6,176,298	(2,243,521)
Payables to tax authority for IRPEF freelance workers	32,027	220,018	(187,991)
Payables to tax authority for IRPEF collaborators	18,138	130,866	(112,728)
Payables to tax authority	4,398,704	864,274	3,534,430
Payables to tax authority for IRPEF severance fund	12,435	165,884	(153,449)
Payables to tax authority for Regional and Municipal add	94,889	284,063	(189,174)
Payables to tax authority for interest and penalties	523,840	246,058	277,782
TOTAL	**13,009,593**	**12,360,112**	**649,481**

The item “**tax payables**” includes the payable of Euro 2,576,737 relating to the dispute with the Inland Revenue Agency concerning VAT for the year 2016 and concerning Exprivia Enterprise Consulting Srl. The phases of the dispute are outlined below, which stems from a tax audit performed in 2007 by the Inland Revenue Agency, Provincial Department of Piacenza on Exprivia Enterprise Consulting (hereinafter “EEC”), formerly Wel.Network 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. Based on the results of the report on findings, the Inland Revenue Agency issued assessment notices to EEC 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 contesting EEC’s deduction of the relevant costs for direct tax purposes and the deduction 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 the contested transactions being classified as objectively non-existent.

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 were scheduled for 12 May 2017; following the request for suspension of the proceedings, they were suspended and a new date has not yet been scheduled. In submitting the appeal, the Office waived the claims expressed in the first instance in relation to direct taxes.

On the basis of the opinion of the company's lawyers, 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 transactions 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. Concerning the assessment relating 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 before the Bologna Regional Tax Commission against judgment no. 28/02/2016. The Bologna 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. Lastly, 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.

After the proceedings, the company asked the legal firms, which 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 performed on the various legal and tax matters are reported below:

- there are valid grounds for challenging the appeal judgment at the Court of Cassation, and elements pertaining to its invalidity;
- there are legal grounds for the concession, by the Bologna Regional Tax Commission, of the provision to suspend the enforcement of the appeal judgment;
- there are no profiles of joint and several liability on the part of Exprivia SpA;
- the company has a legitimate entitlement deriving from the contract for the purchase of WelNetwork (now Exprivia Enterprise Consulting) to initiate the request for full compensation from 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 as at 31 December 2016 to cover expenses connected with having to implement the actions necessary to settle the aforementioned disputes and to protect the company's interests.

On 19 June 2017, the Council Chambers meeting was scheduled for the discussion of the request for the suspension of the enforceability of the Regional Tax Commission's ruling relating to the year 2006, which had been challenged before the Court of Cassation, before the Regional Tax Commission of Bologna, sect. no. 5. On 21 June, a ruling was filed against this.

Although the company still believes that it had valid justification to submit an appeal before the Court of Cassation, due to the unjustified obstinacy against the company, which was denied suspension of the effects of the ruling even though all legal requirements were met, the Sole Director of the company decided to settle the pending tax litigation in order to definitively close these tax proceedings, by means of settlement ('rottamazione') of the tax demands pursuant to art. 11 of Law Decree no. 50/2017, a possibility that was just recently introduced (April 2017).

The settlement of the case based on the above-mentioned procedure requires the payment of principal of Euro 2,052,896 and interest of Euro 523,841. Therefore, the item relating to the principal was recognised under sundry operating expenses while the provision for risks previously recognised in the amount of Euro 700,000 was released, and Euro 523,841 was allocated to financial charges.

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 5,562,670 at 30 June 2017 compared to Euro 6,866,252 as at 31 December 2016. The table below provides details on the item compared to figures from the previous financial year.

Description	30/06/2017	31/12/2016	Variation
INPS with contributions	2,433,308	4,382,189	(1,948,882)
Payables to pension funds	237,849	274,646	(36,797)
Other Social Insurance Institutions	195,272	335,860	(140,588)
Contributions on accrued holiday pay and year-end bonus	2,729,074	1,880,815	848,259
INAIL with contributions	(32,833)	(7,258)	(25,575)
TOTAL	**5,562,670**	**6,866,252**	**(1,303,582)**

Other Payables

The item "**other payables**" amounted to Euro 22,800,378 compared to Euro 17,248,628 at 31 December 2016.

The table below shows the changes that occurred during the period with a comparison with the figures at 31 December 2016:

Description	30/06/2017	31/12/2016	Variation
Directors' pay for settlement	24,770	83,674	(58,904)
Employees/Collaborators for fees accrued	5,851,489	6,403,549	(552,060)
Accrued holidays, festivities, summer & yr-end bonuses	9,815,436	6,177,694	3,637,742
Payables to associations	177,574		177,574
Factoring advances	0	48,221	(48,221)
Sundry payables	1,137,436	943,500	193,936
Interest and other costs of excercise	95,863	133,918	(38,055)
Maintenance/services/contributions competence in future years	5,697,810	3,458,072	2,239,738
TOTAL	**22,800,378**	**17,248,628**	**5,551,750**

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Explanatory notes to the consolidated income statement

30 - Revenue

Revenue from sales and services in the first half of 2017 amounted to Euro 73,866,678 compared to Euro 65,750,774 in the same period of 2016.

The table below shows details on revenues, including changes in inventories of raw materials and finished products (Euro -111,481), broken down by service type relating to the first half of 2017 and compared with the figures for the same period of the previous year (figures in thousands of Euro).

Gruppo Exprivia (valori in k Euro)	30/06/2017	30/06/2016	Variation	Variation%
Projects and Services	63,725	56,917	6,808	12.0%
Maintenance	6,789	6,522	267	4.1%
HW/ SW third parties	2,091	1,354	737	54.4%
Own licences	732	557	175	31.4%
Other	418	318	100	31.4%
Total	**73,755**	**65,668**	**8,087**	**12.31%**

31 - Other income

Other Revenue and Income

In the first half of 2017 "**other revenue and income**" amounted to Euro 289,414 compared to Euro 305,751 i n the same period of the previous year. The table below provides details on the items.

Description	30/06/2017	30/06/2016	Variation
Other revenue	141,536	231,210	(89,674)
Income from assignment of vehicles to staff	74,688	74,526	162
Capital gains	73,190	15	73,175
TOTAL	**289,414**	**305,751**	**(16,337)**

The item "**capital gains**" refers primarily (Euro 70,648) to the gain realised on the sale of the property owned by ProSap SA de CV (Mexico).

Grants for Operating Expenses

In the first half of 2017 "**grants for operating expenses**" amounted to Euro 294,494 compared to Euro 912,835 in the same period of 2016 and refer to grants and tax breaks pertaining to the period or authorised in the period relating to the research and development projects financed. 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 2016.

Costs for Capitalised Internal Projects

In the first half of 2017 the item "**costs for capitalised internal projects**" amounted to Euro 1,289,169 compared to Euro 745,358 in the same period of 2016 and mainly refers to expenses incurred in the period to develop products for the Banking & Finance, Healthcare and Aerospace & Defence segments. The increase is due mainly to the contribution of the subsidiary ACS Srl.

32 – Change in inventories of raw materials and finished products

In the first half of 2017 the balance of the item "**change in inventories of raw materials and finished products**" amounted to Euro -111,481 compared to Euro -83,272 in the same period of the previous year. It refers to changes in finished products.

33 - Raw materials, consumables and goods

In the first half of 2017 the item "**raw materials, consumables and goods**" amounted to Euro 6,058,347 compared to Euro 5,364,801 in the same period of the previous year. The table below provides details on the items.

Description	30/06/2017	30/06/2016	Variation
Purchase of HW-SW products	5,871,075	5,149,658	721,417
Stationery and consumables	46,958	64,190	(17,232)
Fuel and oil	74,757	73,408	1,349
Other costs	61,849	54,132	7,717
Warranty services on our customers activities	3,708	23,414	(19,706)
TOTAL	**6,058,347**	**5,364,801**	**693,546**

34 - Staff costs

In the first half of 2017 the item "**staff costs**" amounted to Euro 50,398,685 compared to Euro 45,999,161 in the same period of 2016. The table below provides details on the item:

Description	30/06/2017	30/06/2016	Variation
Salaries and wages	37,236,083	34,067,924	3,168,159
Social charges	9,824,279	8,746,632	1,077,647
Severance Pay	2,122,138	1,931,196	190,942
Other staff costs	1,216,185	1,253,409	(37,224)
TOTAL	**50,398,685**	**45,999,161**	**4,399,524**

The number of employees at 30 June 2017 came to 2,403 (of which 2,393 employees and 10 temporary workers) while the Group employed 2,097 staff at 30 June 2016, of which 2,081 employees and 16 temporary workers. The average at 30.06.2017 was 2,379 resources (of which 2,367 employees and 12 temporary workers).

35 - Costs for Services

In the first half of 2017 the item "**costs for services**" amounted to Euro 10,570,617 compared to Euro 9,713,010 in the first half of 2016. The table below provides details on the items:

Description	30/06/2017	30/06/2016	Variation
Technical and commercial consultancy	5,542,020	4,872,525	669,495
Administrative/company/legal consultancy	870,301	901,328	(31,027)
Data processing service	275,116	214,555	60,561
Auditors' fees	81,579	76,527	5,052
Travel and transfer expenses	1,305,431	1,119,091	186,340
Other staff costs	1,535	87,849	(86,314)
Utilities	565,820	635,872	(70,052)
Advertising and agency expenses	266,755	234,790	31,965
Bank charges	240,561	216,976	23,585
HW and SW maintenance	151,617	171,436	(19,819)
Insurance	234,982	316,086	(81,104)
Costs of temporary staff	171,774	63,445	108,329
Other costs	747,390	615,619	131,771
Mail services	115,736	186,909	(71,173)
TOTAL	**10,570,617**	**9,713,010**	**857,607**

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

36 - Costs for Leased Assets

In the first half of 2017 the item "**costs for leased assets**" amounted to Euro 2,087,322 compared to Euro 2,079,437 in the same period of the previous year. The table below provides details on the items:

Description	30/06/2017	30/06/2016	Variation
Rental expenses	929,136	866,627	62,509
Car rental/leasing	484,443	496,137	(11,694)
Rental of other assets	559,320	665,684	(106,364)
Royalties	96,018	50,988	45,030
Other costs	18,405		18,405
TOTAL	**2,087,322**	**2,079,437**	**7,885**

37 - Sundry Operating Expenses

In the first half of 2017 the item "**sundry operating expenses**" amounted to Euro 2,175,444 compared to Euro 301,632 in the first half of 2016. The table below provides details on the item:

Description	30/06/2017	30/06/2016	Variation
Annual subscriptions	70,567	47,261	23,306
Taxes	141,123	97,352	43,771
Stamp duty	34,425	30,737	3,688
Penalties and fines	(35,602)	2,039	(37,641)
Charitable donations	4,089	4,135	(46)
Contingency liabilities	(130,082)	119,727	(249,809)
Write-offs	2,758		2,758
Sundry expenses	2,052,896		2,052,896
Penalties and damages	19,600		19,600
Capital losses on disposals	15,670	381	15,289
TOTAL	**2,175,444**	**301,632**	**1,873,812**

The item "**tax dispute expenses**" includes the principal amount (Euro 2,052,896) relating to the tax payable concerning the dispute between the Inland Revenue Agency and Exprivia Enterprise Consulting Srl. For more details, please refer to note 29 "tax liabilities".

38 - Provisions

The consolidated balance of the item "**provisions**" in the first half of 2017 amounted to Euro -579,433 compared to Euro 125,085 in the first half of 2016.

The table below provides details on the items.

Description	30/06/2017	30/06/2016	Variation
Provision for tax litigation risks	(700,000)	0	(700,000)
Provision for legal disputes with employees	129,505	123,000	6,505
Other provisions	(8,938)	2,085	(11,023)
TOTAL	**(579,433)**	**125,085**	**(704,518)**

The release of the provision of Euro 700,000 relates to the final settlement of the tax demands received by the subsidiary Exprivia Enterprise Consulting Srl, as described above in note 29 "Tax liabilities".

39 - Amortisation, depreciation and write-downs

In the first half of 2017 "**amortisation and depreciation**" amounted to Euro 2,144,740 compared to Euro 2,029,606 in the first half of 2016 and refers to Euro 1,447,718 for the amortisation of intangible assets and Euro 697,022 for the depreciation of tangible assets. Details of the aforementioned items are provided in notes 1 and 3.

Write-downs

In the first half of 2017 the item "**write-downs**" amounted to Euro 220,150 compared to Euro 90,861 in the first half of 2016, Euro 163,984 of which refers to the write-down on current receivables and Euro 56,166 of which refers to write-downs on assets.

40 - Financial (income) charges and other investments

The balance of the item "**financial (income) charges and other investments**" amounted to a negative Euro 1,744,598 compared with Euro 1,393,934 in the same period of 2016. The table below provides details on the items.

Description	30/06/2017	30/06/2016	Variation
Proceeds from shareholdings from parents	24,313	29,455	(5,142)
Income from other investments	6,518	6,567	(49)
Other income other than the above	104,699	81,528	23,171
Interest and other financial charges	(1,843,448)	(1,404,384)	(439,064)
From parent charges	(192,042)	(84,753)	(107,289)
Profit and loss on currency exchange	155,360	(22,347)	177,707
TOTAL	**(1,744,598)**	**(1,393,934)**	**(350,664)**

Income from Parent Companies

The balance of the item "**income from parent companies**" amounted to Euro 24,313 in the first half of 2017 compared to Euro 29,455 in the same period of 2016 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 6,518 in the first half of 2017 compared to Euro 6,567 in the first half of 2016 and refers to dividends received from minority interests.

Other Financial Income

In the first half of 2017 the item "**other financial income**" amounted to Euro 104,699 compared to Euro 81,528 in the same period of 2016. The table below provides details on the item.

Description	30/06/2017	30/06/2016	Variation
Bank interest receivable	11,717	2,457	9,260
Discounts and rebates from suppliers	843		843
Other interest income	91,921	78,983	12,938
Rounding up of assets	217	88	129
TOTAL	**104,699**	**81,528**	**23,171**

Interest and Other Financial Charges

In the first half of 2017 the item "**interest and other financial charges**" amounted to Euro 1,843,448 compared to Euro 1,404,384 in the same period of the previous year. The table below provides details on the items.

Description	30/06/2017	30/06/2016	Variation
Bank interest payable	163,545	474,225	(310,680)
Interest on loans and mortgages	691,641	494,113	197,528
Sundry interest	875,093	331,524	543,569
Charges on financial products and sundry items	19,471	12,856	6,615
Rounding up/down	26,481	58	26,423
Interest cost IAS 19	67,217	91,608	(24,391)
TOTAL	**1,843,448**	**1,404,384**	**439,064**

The item "**other interest**" includes default interest relating to the tax payable (equal to Euro 523,841) concerning the dispute between the Inland Revenue Agency and Exprivia Enterprise Consulting Srl. For more details, please refer to note 29 "tax liabilities".

Charges from Parent Companies

The balance of the item "**charges from parent companies**" amounted to Euro 192,042 in the first half of 2017 and refers to the portion applicable to the period of charges recognised by Exprivia SpA to the parent company Abaco Innovazione SpA for guarantees issued by the latter with respect to its subsidiary.

Gains and Losses on Currency Exchange

In the first half of 2017 "**gains on currency exchange**" amounted to Euro 155,361 compared to losses of Euro 22,347 in the first half of 2016 and mainly refers to the fluctuations in exchange rates due to the commercial transactions carried out in a different currency to the national currency of the foreign companies of the Exprivia Group.

41 - Taxes

In the first half of 2017 "**taxes**" amounted to Euro 942,594 compared to Euro -25,639 in the first half of 2016; the table below provides details on the changes compared to the previous period:

Description	30/06/2017	30/06/2016	Variation
IRES	589,116	157,264	431,852
IRAP	372,305	190,960	181,345
Foreing tax	57,527	78,292	(20,765)
Taxes from prior years	5,093	(475,709)	480,802
Defered tax	0	(7,170)	7,170
Deferred tax assets	(81,455)	30,724	(112,179)
TOTAL	**942,586**	**(25,639)**	**968,225**

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").

In the first half of 2017, the benefit in terms of lower taxes amounted to Euro 209,096 compared to Euro 756,015 in the first half of 2016.

42 - Profit (loss) for the period

The income statement for the first half of 2017 closed with a consolidated loss (after tax) of Euro 134,782 (this amount reflects the tax item attributed to the company Exprivia Enterprise Consulting Srl for Euro 1.8 million - see notes 37, 38 and 40) compared to the consolidated profit of Euro 559,558 in the same period of 2016.

43 - 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 30 June 2017 the basic and diluted loss per share amounted to Euro -0.0033.

Profit (loss) - Euro	30/06/2017
Profits for determining basic earnings per share (Net profit due to shareholders of parent company)	(160,811)
Profit for determining the earnings per basic share	(160,811)

Number of shares	30/06/2017
Number of ordinary shares at 1 January 2017	51,883,958
Purchase of own shares at 30 June 2017	(3,509,153)
Average weighted number ordinary shares for calculation of basic profit	48,374,805

Earnings per share (Euro)	30/06/2017
Profit (loss) per basic share	-0.0033
Diluted earnings (loss) per share	-0.0033

44 - Information on the Cash Flow Statement

The **consolidated net financial position** reported in the Cash Flow Statement as at 30 June 2017 was Euro -36.4 million (compared to the net financial position reported in note 16 equal to Euro 33.8 million; the difference is due to treasury shares with a value of Euro 2.5 million), a deterioration compared to 30 June 2016 when it was Euro -33.7 million, but an improvement compared to 31 December 2016 when it was Euro -36.3 million.

Despite retaining a remarkable level of investment, equal to Euro 1.9 million, the Group improved its borrowings in the first half of 2017 thanks to positive cash flows from operating activities amounting to Euro 1.3 million and the management of net working capital amounting to Euro 2.9 million, although there were cash outflows of roughly Euro 300 thousand for financing activities.

RELATED PARTIES

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

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	30/06/2017	31/12/2016	Variation
Daisy-Net- Driving Advances of ICT in South Italya	13,939	13,939	-
TOTAL	**13,939**	**13,939**	**-**

Trade payables

Description	30/06/2017	31/12/2016	Variation
Kappa Emme Sas	27,750	25,000	2,750
Innovision International Ltd	13,760		13,760
TOTAL	**41,510**	**25,000**	**16,510**

Costs

Description	30/06/2017	30/06/2017	Variation
Kappa Emme Sas	75,000	75,000	-
Innovision International Ltd	13,760	25,647	(11,887)
TOTAL	**88,760**	**100,647**	**(11,887)**

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

Offices	30/06/2017				30/06/2016			
	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	326,231	42,500	630,142	73,800	325,346	40,000	623,132	58,132
Statutory Auditors	76,055				70,710			
Strategic managers			82,086	15,411	-		41,538	14,038
TOTAL	**402,286**	**42,500**	**712,228**	**89,211**	**396,056**	**40,000**	**664,670**	**72,170**

Statement for Consolidated Financial Statements pursuant to Art. 154 bis of Italian Legislative Decree 58/98

The undersigned Domenico Favuzzi, Chairman and CEO, and Valerio Stea, Executive manager responsible for preparing the corporate accounts of Exprivia S.p.A., 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 half-year consolidated financial statements for the first half-year as at 30 June 2017.

Furthermore, it is certified that the consolidated interim financial report:

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

b) the Interim Directors' Report of 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 and transactions with related parties.

Molfetta, 4 August 2017

Domenico Favuzzi

Chairman and Chief Executive Officer

Valerio Stea

Executive manager responsible for preparing the corporate accounts

Report by the Independent Auditor

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Exprivia SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Exprivia SpA and its subsidiaries (Exprivia Group) as of 30 June 2017, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related explanatory notes. The Directors of Exprivia SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Exprivia Group as of 30 June 2017 are not prepared, in all material respects, in accordance with the international accounting

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standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bari, 4 August 2017

PricewaterhouseCoopers SpA

Signed by

Corrado Aprico
(Partner)

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